

Eternit S.A.

Notes to individual and consolidated interim financial information
June 30, 2016
(In thousands of reais, unless otherwise stated)

**Individual and Consolidated Interim
Financial Information**

Eternit S.A.

Quarter ended June 30, 2016
with Independent Auditor's Review Report

Contents

Information from Company

Paid-up Capital	2
-----------------------	---

Financial Statements – Parent Company

Balance Sheet Asset	3
---------------------------	---

Balance Sheet Liability	4
-------------------------------	---

Income Statement	5
------------------------	---

Income Statement per Nature	6
-----------------------------------	---

Cash Flow Statement.....	7
--------------------------	---

Equity Mutations Statement

DMPL - 01/01/2016 to 06/30/2016	8
---------------------------------------	---

DMPL - 01/01/2015 to 06/30/2015	9
---------------------------------------	---

Value-Added Statement	10
-----------------------------	----

Financial Statements – Consolidated

Balance Sheet Asset	11
---------------------------	----

Balance Sheet Liability	12
-------------------------------	----

Income Statement	13
------------------------	----

Income Statement per Nature	14
-----------------------------------	----

Cash Flow Statement.....	15
--------------------------	----

Equity Mutations Statement

DMPL - 01/01/2016 to 06/30/2016	16
---------------------------------------	----

DMPL - 01/01/2015 to 06/30/2015	17
---------------------------------------	----

Value-Added Statement	18
-----------------------------	----

Management Report	19
-------------------------	----

Explanatory Notes.....	31
------------------------	----

Other information that the Company considers relevant.....	84
--	----

Auditor's Report	85
------------------------	----

Audit Board Report.....	88
-------------------------	----

Declaration by the Executive Board	89
--	----

Information from company / Paid-up capital

Number of shares (Thousands)	Current Quarter 06/30/2016
Paid-in Capital	
Common	179,000
Preferred	0
<hr style="border-top: 1px dashed black;"/>	
Total	179,000
Trasury shares	
Common	59
Preferred	0
<hr style="border-top: 1px dashed black;"/>	
Total	59

Individual FSs / Balance Sheet Asset

(Thousands of reais)

Account Code	Account Description	Current financial year 06/30/2016	Current financial year 12/31/2015
1	Total Assets	717,929	726,815
1.01	Current Assets	223,050	233,315
1.01.01	Cash and Cash Equivalents	1,049	2,850
1.01.02	Short-term investments	6	3,114
1.01.02.02	Financial Investments Valued at Amortized Cost	6	3,114
1.01.02.02.01	Securities held until maturity	6	3,114
1.01.03	Accounts receivable	79,901	73,337
1.01.03.01	Clients	79,901	73,337
1.01.04	Inventories	116,346	108,428
1.01.06	Taxes Recoverable	7,617	7,638
1.01.06.01	Current and Recoverable Taxes	7,617	7,638
1.01.07	Prepaid expenses	2,356	3,630
1.01.08	Other Current assets	15,775	34,318
1.01.08.03	Other	15,775	34,318
1.01.08.03.01	Related parties	11,922	30,447
1.01.08.03.02	Other	3,853	3,871
1.02	Non-current asset	494,879	493,500
1.02.01	Long-term assets	94,234	79,971
1.02.01.03	Accounts receivable	583	339
1.02.01.03.02	Other Accounts Receivable	583	339
1.02.01.06	Deferred Taxes	35,698	34,264
1.02.01.06.01	Differed Income Tax And Social Contribution	35,698	34,264
1.02.01.08	Credits with Related Parties	18,819	9,711
1.02.01.08.02	Credits with Subsidiaries	18,819	9,711
1.02.01.09	Other noncurrent assets	39,134	35,657
1.02.01.09.03	Recoverable taxes	24,144	24,081
1.02.01.09.04	Escrow deposits and tax incentives	14,990	11,576
1.02.02	Investments	241,483	251,659
1.02.02.01	Shareholdings	241,483	251,659
1.02.02.01.02	Shareholding in Subsidiaries	241,483	251,659
1.02.03	Fixed	152,757	154,920
1.02.03.01	Non-current in Operation	145,895	144,465
1.02.03.01.01	Non-current in Operation	149,633	148,203
1.02.03.01.02	Provision for Loss with Non-current	(3,738)	(3,738)
1.02.03.03	Non-current in progress	6,862	10,455
1.02.04	Intangible	6,405	6,950
1.02.04.01	Intangible	6,405	6,950
1.02.04.01.02	Software	6,041	5,246
1.02.04.01.03	Other intangible assets	364	1,704

Individual FSs / Balance Sheet Liability

(Thousands of reais)

Account Code	Account Description	Current financial year 06/30/2016	Current financial year 12/31/2015
2	Total Liabilities	717,929	726,815
2.01	Current liabilities	80,911	84,283
2.01.01	Labor and Social Obligations	15,738	14,858
2.01.01.01	Social obligations	2,289	2,740
2.01.01.02	Labor Obligations	13,449	12,118
2.01.02	Trade accounts payable	25,176	23,922
2.01.02.01	National Trade accounts payable	18,132	21,244
2.01.02.02	Foreign Trade accounts payable	7,044	2,678
2.01.03	Tax obligations	10,169	10,697
2.01.03.01	Federal Taxes Obligations	4,164	5,521
2.01.03.01.02	Other Federal Taxes	4,164	5,521
2.01.03.02	State tax obligations	6,005	5,176
2.01.04	Loans and financing	9,383	6,327
2.01.04.01	Loans and financing	9,383	6,327
2.01.04.01.01	In national currency	1,531	1,610
2.01.04.01.02	In foreign currency	7,852	4,717
2.01.05	Other Obligations	17,691	25,730
2.01.05.01	Liabilities with Related Parties	11,600	12,256
2.01.05.02	Other	6,091	13,474
2.01.05.02.01	Payable dividends and interest on capital	542	7,534
2.01.05.02.04	Other accounts payable	5,549	5,940
2.01.06	Provisions	2,754	2,749
2.01.06.01	Labor and Civil Social Security Tax Provisions	2,754	2,749
2.01.06.01.05	Provision for future benefits to former employees	2,754	2,749
2.02	Noncurrent liabilities	137,573	142,434
2.02.01	Loans and financing	9,616	16,294
2.02.01.01	Loans and financing	9,616	16,294
2.02.01.01.01	In national currency	2,118	2,763
2.02.01.01.02	In foreign currency	7,498	13,531
2.02.02	Other Obligations	49,032	47,205
2.02.02.01	Liabilities with Related Parties	47,332	40,728
2.02.02.02	Other	1,700	6,477
2.02.02.02.03	Taxes, fees and contributions payable	1,700	6,477
2.02.04	Provisions	78,925	78,935
2.02.04.01	Labor and Civil Social Security Tax Provisions	78,925	78,935
2.02.04.01.02	Labor and Social Security Provisions	37,761	39,177
2.02.04.01.04	Civil Provisions	8,437	7,919
2.02.04.01.05	Provision for future benefits to former employees	32,727	31,839
2.03	Net Property	499,445	500,098
2.03.01	Capital Stock Held	334,251	334,251
2.03.02	Capital Reserves	19,460	19,460
2.03.02.01	Goodwill on the issue of shares	23	23
2.03.02.07	Grants for investment	19,437	19,437
2.03.04	Profit reserves	155,647	155,564
2.03.04.01	Legal reserve	36,362	36,362
2.03.04.02	Statutory Reserve	32,722	32,722
2.03.04.05	Retained Profits Reserve	86,737	86,654
2.03.04.09	Treasury shares	(174)	(174)
2.03.05	Accumulated Profits/Losses	(736)	-
2.03.08	Other Comprehensive Results	(9,177)	(9,177)

Individual FSs / Income Statement

(Thousands of reais)

Account Code	Account Description	Current quarter	Accumulated of Current	Current quarter	Accumulated of
		04/01/2016 to 06/30/2016	financial year 01/01/2016 to 06/30/2016	04/01/2015 to 06/30/2015	Current financial year 01/01/2015 to 06/30/2015
3.01	Revenue from Sale of Goods and/or Services	116,396	247,826	119,408	251,333
3.02	Cost of Goods and/or Services Sold	(93,385)	(193,057)	(91,071)	(190,318)
3.03	Gross Income	23,011	54,769	28,337	61,015
3.04	Operational Expenses/Revenues	(33,394)	(54,718)	(12,790)	(23,687)
3.04.01	Sale expenses	(15,634)	(30,049)	(14,113)	(28,360)
3.04.02	General and administrative expenses	(10,676)	(23,398)	(14,689)	(27,230)
3.04.04	Other Operational Incomes	294	342	1,066	3,350
3.04.05	Other Operational Expenses	(6,649)	(8,430)	(2,221)	(3,880)
3.04.06	Result of equity equivalence	(729)	6,817	17,167	32,433
3.05	Result Before Financial Result and Taxes	(10,383)	51	15,547	37,328
3.06	Financial Results	(1,527)	(2,221)	(1,469)	(3,153)
3.06.01	Financial income	3,425	16,265	3,068	5,543
3.06.02	Financial expenses	(4,952)	(18,486)	(4,537)	(8,696)
3.07	Result Before Income Taxes	(11,910)	(2,170)	14,078	34,175
3.08	Income Tax and Social Contribution on Profit	2,904	1,434	2,710	2,769
3.08.01	Current	1,743	-	-	-
3.08.02	Deferred	1,161	1,434	2,710	2,769
3.09	Net result from continued operations	(9,006)	(736)	16,788	36,944
3.11	Profit/Loss for the Period	(9,006)	(736)	16,788	36,944
3.99	Profit per share - (Reais/Share)				
3.99.01	Basic Profit per Share				
3.99.01.01	ON	(0.050)	(0.004)	0.094	0.206
3.99.02	Diluted Profit per Share				
3.99.02.01	ON	(0.050)	(0.004)	0.094	0.206

Individual FSs / Income Statement per Nature

(Thousands of reais)

Account Code	Account Description	Current quarter 04/01/2016 to 06/30/2016	Accumulated of Current financial year 01/01/2016 to 06/30/2016	Current quarter 04/01/2015 to 06/30/2015	Accumulated of Current financial year 01/01/2015 to 06/30/2015
4.01	Net Income for the Period	(9,006)	(736)	16,788	36,944
4.03	Comprehensive Result for the Period	(9,006)	(736)	16,788	36,944

Individual FSs / Cash Flow

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2016 to 06/30/2016	Accumulated of Current financial year 01/01/2015 to 06/30/2015
6.01	Net Cash Operational Activities	5,164	48,005
6.01.01	Cash Generated by Operations	3,788	11,767
6.01.01.01	Net Income for the Period	(2,170)	34,175
6.01.01.02	Result of equity equivalence	(6,817)	(32,433)
6.01.01.03	Depreciation, amortization and exhaustion	7,329	6,586
6.01.01.04	Result on discharge of fixed assets	(126)	(98)
6.01.01.05	Allowance for doubtful accounts	798	764
6.01.01.06	Provision for tax, civil, and labor risks	1,180	(439)
6.01.01.07	Miscellaneous Provisions	317	244
6.01.01.08	Financial charges, monetary and exchange variation	(492)	1,926
6.01.01.09	Short-term investment yield	(10)	(821)
6.01.01.10	Net changes in prepaid expenses	3,779	1,863
6.01.02	Variations in assets e liabilities	1,376	36,238
6.01.02.01	Accounts receivable from clients	(7,362)	(2,238)
6.01.02.02	Receivables from Related parties	1,610	763
6.01.02.03	Inventories	(7,394)	(8,685)
6.01.02.04	Taxes recoverable	438	(822)
6.01.02.05	Judicial deposits	(3,413)	(296)
6.01.02.06	Dividends and interest on equity received	33,270	42,213
6.01.02.07	Other assets	(2,855)	(2,707)
6.01.02.08	Trade accounts payable	1,254	2,909
6.01.02.09	Payables to related parties	(656)	3,567
6.01.02.10	Taxes, charges and contributions payable	(4,668)	(1,990)
6.01.02.11	Provisions and social charges	880	2,765
6.01.02.12	Other liabilities	(9,377)	960
6.01.02.13	Interest paid	(351)	(201)
6.02	Net Cash Investing Activities	(10,485)	(23,134)
6.02.01	Intercompany loan receivable	(9,108)	(25,386)
6.02.02	Amount received on disposal of PP&E items	126	782
6.02.03	Additions to PP&E and intangible assets	(4,810)	(12,620)
6.02.04	Addition to capitalized exchange variation	189	-
6.02.06	Short term investments	(5,700)	(42,800)
6.02.07	Redemption of short term investments	8,818	56,890
6.03	Net Cash from Financing Activities	3,520	(26,579)
6.03.01	Loans and financing raised	1,980	3,235
6.03.02	Repayment of loans and financing	(2,574)	(696)
6.03.03	Intercompany loans	4,114	5,063
6.03.04	Payment of dividends and interest on equity	-	(34,181)
6.05	Increase (Decrease) in Cash and Cash Equivalentents	(1,801)	(1,708)
6.05.01	Initial Balance and Cash and Cash Equivalentents	2,850	5,711
6.05.02	Final Balance of Cash and Cash Equivalentents	1,049	4,003

Individual FSs / Changes in Equity - 06/30/2016

(Thousands of reais)

Account Code	Account Description	Capital Reserves, Options Granted and			Profit Reserves	Accumulated Profits or Losses	Other Comprehensive Results	Net Property
		Paid-in Capital	Treasury Shares					
5.01	Initial Balance	334,251	19,286		155,738	-	(9,177)	500,098
5.03	Initial Adjusted Balance	334,251	19,286		155,738	-	(9,177)	500,098
5.04	Transactions with Capital from the Partners	-	-		83	-	-	83
5.04.08	Dividends/IOE expired	-	-		83	-	-	83
5.05	Total Comprehensive Result	-	-		-	(736)	-	(736)
5.05.01	Net Income for the Period	-	-		-	(736)	-	(736)
5.07	Final Balances	334,251	19,286		155,821	(736)	(9,177)	499,445

Individual FSs / Changes in Equity - 06/30/2015

(Thousands of reais)

Account Code	Account Description	Capital Reserves, Options			Accumulated Profits or Losses	Other Comprehensive Results	Net Property
		Paid-in Capital	Treasury Shares	Profit Reserves			
5.01	Initial Balance	334,251	19,286	168,745	-	(7,491)	514,791
5.03	Initial Adjusted Balance	334,251	19,286	168,745	-	(7,491)	514,791
5.04	Transactions with Capital from the Partners	-	-	-	(25,230)	-	(25,230)
5.04.06	Dividends	-	-	-	(11,273)	-	(11,273)
5.04.07	Interest on equity	-	-	-	(13,957)	-	(13,957)
5.05	Total Comprehensive Result	-	-	-	36,944	-	36,944
5.05.01	Net Income for the Period	-	-	-	36,944	-	36,944
5.07	Final Balances	334,251	19,286	168,745	11,714	(7,491)	526,505

Individual FSs / Added Value

(Thousands of reais)

Account Code	Account Description	Accumulated of Current	Accumulated of Current
		financial year 01/01/2016 to 06/30/2016	financial year 01/01/2015 to 06/30/2015
7.01	Revenues	324,791	336,684
7.01.01	Sales of goods, products and services	325,463	337,448
7.01.02	Other revenues	126	-
7.01.04	Provision / Reversal of creds. Doubtful Settlement	(798)	(764)
7.02	Inputs Purchased From Third Parties	(228,224)	(221,217)
7.02.01	Costs Prods., Mercs. and servs. Sold	(156,959)	(155,237)
7.02.02	Materials, energy and services from third parties and others	(67,429)	(60,853)
7.02.03	Loss / Recovery of asset values	(2,891)	(3,679)
7.02.04	Other	(945)	(1,448)
7.03	Gross Added Value	96,567	115,467
7.04	Retentions	(7,329)	(6,586)
7.04.01	Depreciation, amortization and exhaustion	(7,329)	(6,586)
7.05	Net added value produced	89,238	108,881
7.06	Added value received in transfer	23,298	41,179
7.06.01	Result of equity equivalence	6,817	32,433
7.06.02	Financial income	16,265	5,543
7.06.03	Other	216	3,203
7.07	Total Added Value To Distribute	112,536	150,060
7.08	Distribution Of Value Added	112,536	150,060
7.08.01	Personal	53,226	51,189
7.08.01.01	Direct compensation	38,869	35,736
7.08.01.02	Benefits	11,097	12,510
7.08.01.03	F.G.T.S.	3,260	2,943
7.08.02	Taxes, fees and contributions	37,997	49,839
7.08.02.01	Federal	30,290	31,443
7.08.02.02	State	6,710	17,358
7.08.02.03	Municipal	997	1,038
7.08.03	Remuneration of capital from third parties	22,049	12,088
7.08.03.01	Interest	18,486	8,696
7.08.03.02	Rentals	3,563	3,392
7.08.04	Remuneration of own capital	(736)	36,944
7.08.04.01	Interest on equity	-	13,957
7.08.04.02	Dividends	-	11,273
7.08.04.03	Retained Profit/Loss for the Period	(736)	11,714

Consolidated FSs / Balance Sheet Asset

(Thousands of reais)

Account Code	Account Description	Current Financial 06/30/2016	Current Financial 12/31/2015
1	Total Assets	896,443	933,194
1.01	Current Assets	389,204	412,320
1.01.01	Cash and Cash Equivalents	2,950	5,578
1.01.02	Temporary investments	2,948	16,734
1.01.02.02	Financial Investments Valued at Amortized Cost	2,948	16,734
1.01.02.02.01	Securities held until maturity	2,948	16,734
1.01.03	Accounts receivable	159,924	172,342
1.01.03.01	Clients	159,924	172,342
1.01.04	Inventories	190,031	184,383
1.01.06	Taxes Recoverable	14,574	15,083
1.01.06.01	Current and Recoverable Taxes	14,574	15,083
1.01.07	Prepaid expenses	2,925	4,215
1.01.08	Other Current assets	15,852	13,985
1.01.08.01	Non-Current Assets for Sale	1,953	-
1.01.08.03	Other	13,899	13,985
1.01.08.03.01	Related parties	4,361	2,818
1.01.08.03.02	Other	9,538	11,167
1.02	Non-current asset	507,239	520,874
1.02.01	Long-term assets	123,355	110,398
1.02.01.03	Accounts receivable	2,017	2,807
1.02.01.03.02	Other Accounts Receivable	2,017	2,807
1.02.01.06	Deferred Taxes	65,783	63,823
1.02.01.06.01	Differed Income Tax And Social Contribution	65,783	63,823
1.02.01.08	Credits with Related Parties	8,142	-
1.02.01.08.04	Credits with Other Related Parties	8,142	-
1.02.01.09	Other noncurrent assets	47,413	43,768
1.02.01.09.03	Taxes Recoverable	24,692	24,765
1.02.01.09.04	Escrow deposits and tax incentives	22,721	19,003
1.02.02	Investments	12,652	24,782
1.02.02.01	Shareholdings	12,652	24,782
1.02.02.01.01	Shareholding in Affiliates	12,652	24,782
1.02.03	Fixed	340,684	354,047
1.02.03.01	Non-current in Operation	332,872	341,215
1.02.03.01.01	Non-current in Operation	336,610	345,104
1.02.03.01.02	Provision for Loss with Non-current	(3,738)	(3,889)
1.02.03.03	Non-current in progress	7,812	12,832
1.02.04	Intangible	30,548	31,647
1.02.04.01	Intangible	10,553	11,652
1.02.04.01.02	Software	8,758	8,469
1.02.04.01.03	Other intangible assets	1,795	3,183
1.02.04.02	Goodwill	19,995	19,995

Consolidated FSs / Balance Sheet Liability

(Thousands of reais)

Account Code	Account Description	Current Financial 06/30/2016	Current Financial 12/31/2015
2	Total Liabilities	896,443	933,194
2.01	Current liabilities	183,662	205,820
2.01.01	Labor and Social Obligations	28,044	27,722
2.01.01.01	Social obligations	4,115	4,876
2.01.01.02	Labor Obligations	23,929	22,846
2.01.02	Trade accounts payable	40,089	41,420
2.01.02.01	National Trade accounts payable	32,117	36,318
2.01.02.02	Foreign Trade accounts payable	7,972	5,102
2.01.03	Tax obligations	17,750	19,867
2.01.03.01	Federal Taxes Obligations	8,738	11,878
2.01.03.01.01	Payable income tax and social contribution	756	1,886
2.01.03.01.02	Other Federal Taxes	7,982	9,992
2.01.03.02	State tax obligations	9,012	7,989
2.01.04	Loans and financing	80,703	90,307
2.01.04.01	Loans and financing	80,703	90,307
2.01.04.01.01	In national currency	49,508	73,762
2.01.04.01.02	In foreign currency	31,195	16,545
2.01.05	Other Obligations	12,182	21,614
2.01.05.02	Other	12,182	21,614
2.01.05.02.01	Payable dividends and interest on capital	542	7,534
2.01.05.02.04	Other accounts payable	11,640	14,080
2.01.06	Provisions	4,894	4,890
2.01.06.01	Labor and Civil Social Security Tax Provisions	4,894	4,890
2.01.06.01.05	Provision for future benefits to former employees	4,894	4,890
2.02	Noncurrent liabilities	213,319	227,258
2.02.01	Loans and financing	65,530	76,954
2.02.01.01	Loans and financing	65,530	76,954
2.02.01.01.01	In national currency	39,478	32,452
2.02.01.01.02	In foreign currency	26,052	44,502
2.02.02	Other Obligations	17,782	21,586
2.02.02.02	Other	17,782	21,586
2.02.02.02.03	Taxes, fees and contributions payable	5,354	8,969
2.02.02.02.04	Reassembling of the mine	12,428	12,617
2.02.04	Provisions	130,007	128,718
2.02.04.01	Labor and Civil Social Security Tax Provisions	130,007	128,718
2.02.04.01.02	Labor and Social Security Provisions	47,421	48,581
2.02.04.01.04	Civil Provisions	37,432	35,700
2.02.04.01.05	Provision for future benefits to former employees	45,154	44,437
2.03	Consolidated Equity	499,462	500,116
2.03.01	Capital Stock Held	334,251	334,251
2.03.02	Capital Reserves	19,460	19,460
2.03.02.01	Goodwill on the issue of shares	23	23
2.03.02.07	Grants for investment	19,437	19,437
2.03.04	Profit reserves	155,647	155,564
2.03.04.01	Legal reserve	36,362	36,362
2.03.04.02	Statutory Reserve	32,722	32,722
2.03.04.05	Retained Profits Reserve	86,737	86,654
2.03.04.09	Treasury shares	(174)	(174)
2.03.05	Accumulated Profits/Losses	(736)	-
2.03.08	Other Comprehensive Results	(9,177)	(9,177)
2.03.09	Participation of non-controlling shareholders	17	18

Consolidated FSs / Income Statement

(Thousands of reais)

Account Code	Account Description	Current quarter	Accumulated of Current	Current quarter	Accumulated of Current
		04/01/2016 to 06/30/2016	financial year 01/01/2016 to 06/30/2016	04/01/2015 to 06/30/2015	financial year 01/01/2015 to 06/30/2015
3.01	Revenue from Sale of Goods and/or Services	203,708	432,630	236,422	489,141
3.02	Cost of Goods and/or Services Sold	(140,498)	(289,374)	(143,034)	(301,795)
3.03	Gross Income	63,210	143,256	93,388	187,346
3.04	Operational Expenses/Revenues	(68,283)	(126,327)	(65,487)	(126,011)
3.04.01	Sale expenses	(27,372)	(53,950)	(30,323)	(57,954)
3.04.02	General and administrative expenses	(23,549)	(50,384)	(29,784)	(57,109)
3.04.04	Other Operational Incomes	2,710	8,992	3,832	7,976
3.04.05	Other Operational Expenses	(14,171)	(18,855)	(3,521)	(6,712)
3.04.06	Result of equity equivalence	(5,901)	(12,130)	(5,691)	(12,212)
3.05	Result Before Financial Result and Taxes	(5,073)	16,929	27,901	61,335
3.06	Financial Results	(4,055)	(9,821)	(1,507)	(3,124)
3.06.01	Financial income	13,930	37,563	19,807	40,475
3.06.02	Financial expenses	(17,985)	(47,384)	(21,314)	(43,599)
3.07	Result Before Income Taxes	(9,128)	7,108	26,394	58,211
3.08	Income Tax and Social Contribution on Profit	122	(7,845)	(9,606)	(21,267)
3.08.01	Current	(624)	(9,806)	(13,203)	(27,154)
3.08.02	Deferred	746	1,961	3,597	5,887
3.09	Net result from continued operations	(9,006)	(737)	16,788	36,944
3.11	Profit/Loss Consolidated for the Period	(9,006)	(737)	16,788	36,944
3.11.01	Assigned to Partners of the Parent Company	(9,006)	(736)	16,788	36,944
3.11.02	Assigned to Non-Controlling Partners	-	(1)	-	-
3.99	Profit per share - (Reais/Share)				
3.99.01	Basic Profit per Share				
3.99.01.01	ON	(0.050)	(0.004)	0.094	0.206
3.99.02	Diluted Profit per Share				
3.99.02.01	ON	(0.050)	(0.004)	0.094	0.206

Consolidated FSs /Income Statement per Nature

(Thousands of reais)

Account Code	Account Description	Current quarter 04/01/2016 to 06/30/2016	Accumulated of Current financial year 01/01/2016 to 06/30/2016	Current quarter 04/01/2015 to 06/30/2015	Accumulated of Current financial year 01/01/2015 to 06/30/2015
4.01	Net Profit Consolidated for the Period	(9,006)	(737)	16,788	36,944
4.03	Consolidated Comprehensive Income for the Period	(9,006)	(737)	16,788	36,944
4.03.01	Assigned to Partners of the Parent Company	(9,006)	(736)	16,788	36,944
4.03.02	Assigned to Non-Controlling Partners	-	(1)	-	-

Consolidated FSs / Cash Flow

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial	Accumulated of Current financial
		year 01/01/2016 to 06/30/2016	year 01/01/2015 to 06/30/2015
6.01	Net Cash Operational Activities	5,270	31,088
6.01.01	Cash Generated by Operations	42,365	95,746
6.01.01.01	Net Income for the Period	7,108	58,211
6.01.01.02	Equity pickup	12,130	12,212
6.01.01.03	Depreciation and amortization and exhaustion	19,626	19,343
6.01.01.04	Gain (loss) on disposal of permanent assets	(3,206)	(117)
6.01.01.05	Allowance for doubtful accounts	1,448	1,305
6.01.01.06	Provision for tax, civil, and labor risks	2,869	1,269
6.01.01.07	Provision for sundry losses	(483)	1,039
6.01.01.08	Financial charges, and monetary and exchange variations	(961)	2,199
6.01.01.09	Short term investment yield	(503)	(2,131)
6.01.01.10	Net changes in prepaid expenses	4,337	2,416
6.01.02	Variations in assets e liabilities	(37,095)	(64,658)
6.01.02.01	Accounts receivable from clients	4,451	(18,448)
6.01.02.02	Receivables from related parties	(1,543)	497
6.01.02.03	Inventory	(5,564)	(16,945)
6.01.02.04	Taxes recoverable	1,062	(709)
6.01.02.05	Legal deposits	(3,718)	(726)
6.01.02.07	Other assets	(630)	(5,572)
6.01.02.08	Trade accounts payable	(1,331)	3,834
6.01.02.10	Taxes, charges and contributions payable	(4,602)	1,026
6.01.02.11	Provisions and social charges	322	3,042
6.01.02.12	Other liabilities	(11,645)	2,405
6.01.02.13	Interest paid	(3,461)	(1,688)
6.01.02.14	Income and social contribution taxes paid	(10,436)	(31,374)
6.02	Net Cash Investing Activities	2,235	(18,205)
6.02.01	Intercompany loan receivable	(8,142)	(8,055)
6.02.02	Amount received on disposal of PP&E items	3,437	857
6.02.03	Additions to PP&E and intangible assets	(7,537)	(26,968)
6.02.04	Addition to capitalized exchange variation	189	-
6.02.06	Short-term investments	(69,367)	(144,208)
6.02.07	Redemption of short-term investments	83,655	160,169
6.03	Net Cash from Financing Activities	(10,133)	(12,963)
6.03.01	Loans and financing raised	31,511	138,792
6.03.02	Repayment of loans and financing	(41,644)	(117,574)
6.03.04	Payment of dividends and interest on equity	-	(34,181)
6.05	Increase (Decrease) in Cash and Cash Equivalents	(2,628)	(80)
6.05.01	Initial Balance and Cash and Cash Equivalents	5,578	13,367
6.05.02	Final Balance of Cash and Cash Equivalents	2,950	13,287

Consolidated FSs / Changes in Equity - 06/30/2016

(Thousands of reais)

Account Code	Account Description	Capital Reserves, Options Granted and			Profit Reserves	Accumulated Profits or Losses	Other Comprehensive Results	Net Property	Participation of non-controller	Consolidated Equity
		Paid-in Capital	Treasury Shares							
5.01	Initial Balance	334,251	19,286	155,738	-	(9,177)	500,098	18	500,116	
5.03	Initial Adjusted Balance	334,251	19,286	155,738	-	(9,177)	500,098	18	500,116	
5.04	Transactions with Capital from the Partners	-	-	83	-	-	83	-	83	
5.04.08	Dividends/IOE expired	-	-	83	-	-	83	-	83	
5.05	Total Comprehensive Result	-	-	-	(736)	-	(736)	(1)	(737)	
5.05.01	Net Income for the Period	-	-	-	(736)	-	(736)	(1)	(737)	
5.07	Final Balances	334,251	19,286	155,821	(736)	(9,177)	499,445	17	499,462	

Consolidated FSs / Changes in Equity - 06/30/2015

(Thousands of reais)

Account Code	Account Description	Capital Reserves, Options Granted and			Profit Reserves	Accumulated Profits or Losses	Other Comprehensive Results	Net Property	Participation of non-controller	Consolidated Equity
		Paid-in Capital	Treasury Shares							
5.01	Initial Balance	334,251	19,286	168,745	-	(7,491)	514,791	17	514,808	
5.03	Initial Adjusted Balance	334,251	19,286	168,745	-	(7,491)	514,791	17	514,808	
5.04	Transactions with Capital from the Partners	-	-	-	(25,230)	-	(25,230)	-	(25,230)	
5.04.06	Dividends	-	-	-	(11,273)	-	(11,273)	-	(11,273)	
5.04.07	Interest on equity	-	-	-	(13,957)	-	(13,957)	-	(13,957)	
5.05	Total Comprehensive Result	-	-	-	36,944	-	36,944	-	36,944	
5.05.01	Net Income for the Period	-	-	-	36,944	-	36,944	-	36,944	
5.07	Final Balances	334,251	19,286	168,745	11,714	(7,491)	526,505	17	526,522	

Consolidated FSs / Added Value

(Thousands of reais)

Account Code	Account Description	Accumulated of Current	Accumulated of Current
		financial year 01/01/2016 to 06/30/2016	financial year 01/01/2015 to 06/30/2015
7.01	Revenues	547,253	645,756
7.01.01	Sales of goods, products and services	544,763	617,600
7.01.02	Other revenues	3,938	29,461
7.01.04	Provision / Reversal of creds. Doubtful Settlement	(1,448)	(1,305)
7.02	Inputs Purchased From Third Parties	(332,278)	(380,009)
7.02.01	Costs Prods., Mercs. and servs. Sold	(243,894)	(274,674)
7.02.02	Materials, energy and services from third parties and others	(82,668)	(98,718)
7.02.03	Loss / Recovery of asset values	(3,619)	(4,050)
7.02.04	Other	(2,097)	(2,567)
7.03	Gross Added Value	214,975	265,747
7.04	Retentions	(19,626)	(19,343)
7.04.01	Depreciation, amortization and exhaustion	(19,626)	(19,343)
7.05	Net added value produced	195,349	246,404
7.06	Added value received in transfer	26,398	32,646
7.06.01	Result of equity equivalence	(12,130)	(12,212)
7.06.02	Financial income	37,563	40,475
7.06.03	Other	965	4,383
7.07	Total Added Value To Distribute	221,747	279,050
7.08	Distribution Of Value Added	221,747	279,050
7.08.01	Personal	94,284	94,570
7.08.01.01	Direct compensation	65,601	65,338
7.08.01.02	Benefits	22,742	23,709
7.08.01.03	F.G.T.S.	5,941	5,523
7.08.02	Taxes, fees and contributions	67,924	92,507
7.08.02.01	Federal	38,623	60,580
7.08.02.02	State	27,084	30,022
7.08.02.03	Municipal	2,217	1,905
7.08.03	Remuneration of capital from third parties	60,276	55,029
7.08.03.01	Interest	47,384	43,599
7.08.03.02	Rentals	12,892	11,430
7.08.04	Remuneration of own capital	(737)	36,944
7.08.04.01	Interest on equity	-	13,957
7.08.04.02	Dividends	-	11,273
7.08.04.03	Retained Profit/Loss for the Period	(736)	11,714
7.08.04.04	Part. Not Controller in Retained Earnings	(1)	-



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)
Gross margin	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	-
Net margin	-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)
EBITDA Margin	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)
Adjusted EBITDA Margin	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

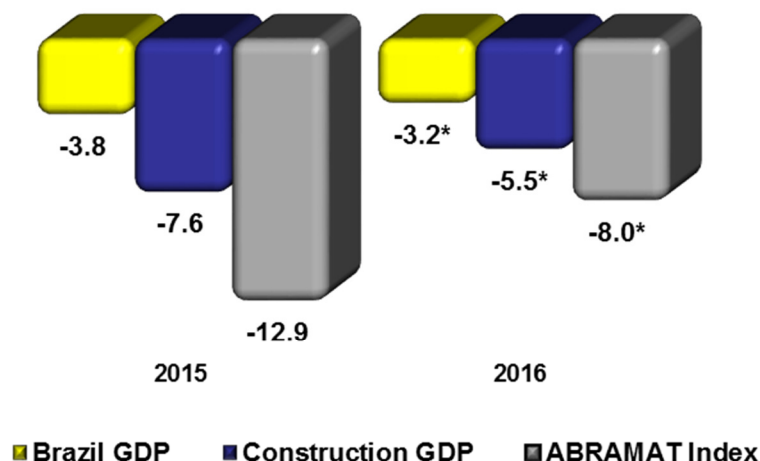
According to the Monetary Policy Committee (Copom) of the Brazilian Central Bank, domestic economic activity in 2016 will continue its downward trend, as evidenced by the drop in the Gross Domestic Product (GDP) in 1Q16, the cutback in investments by companies and households, the latter mainly due to 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.

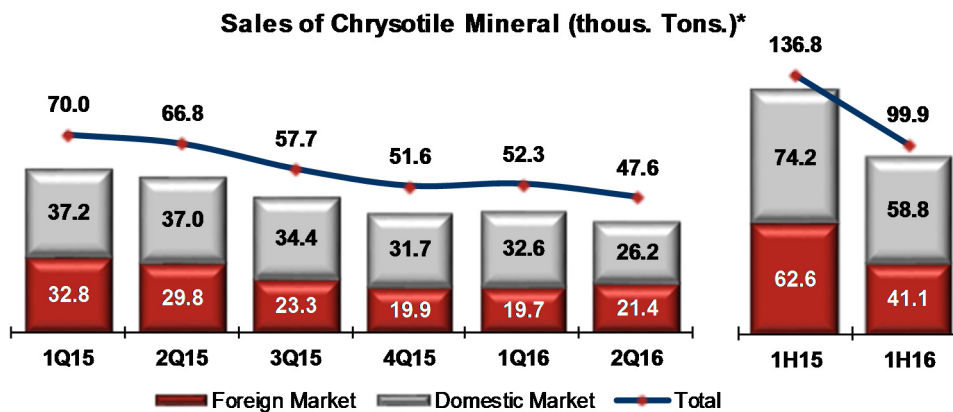


Operational and Financial Aspects

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.

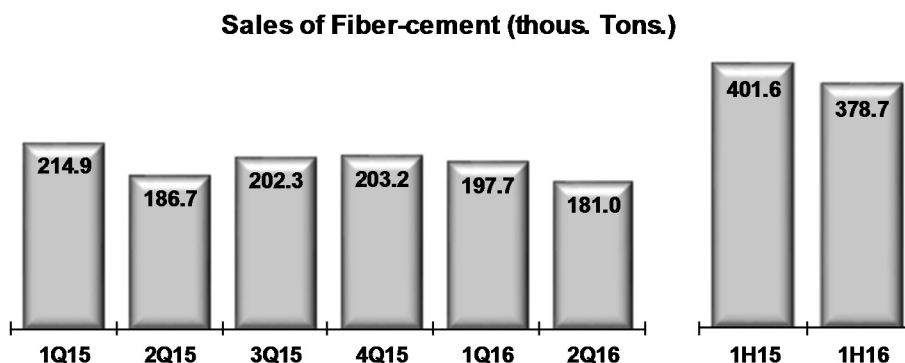


(*) Chrysotile mineral sales volume includes intercompany sales, which accounted for 45.2% of domestic sales volume in 2Q16.

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.



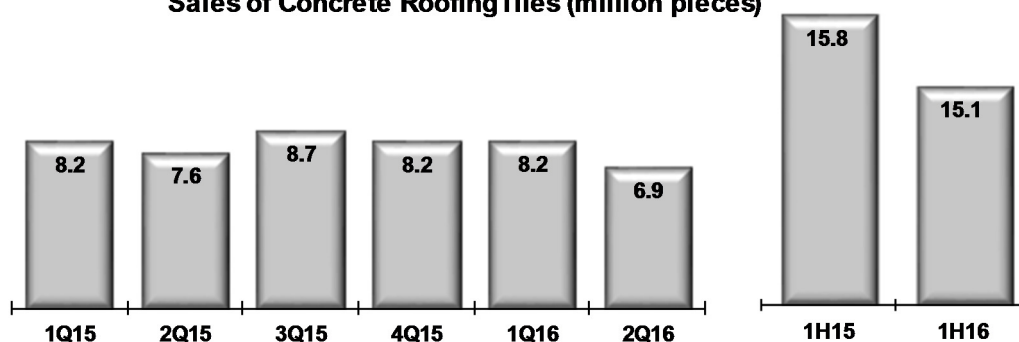
Sales in 1H16 reached 378,700 tons, down 5.7% from 1H15, due to the factors mentioned above.

Eternit

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)



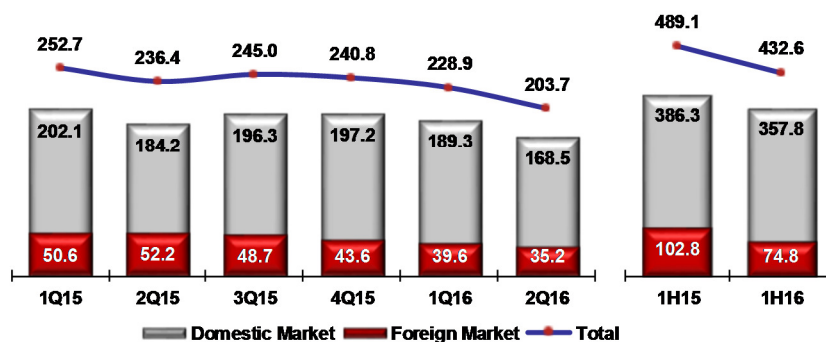
In 1H16, sales volume was 15.1 million parts, a decrease of 4.2% from 1H15, as previously mentioned.

Consolidated Net Revenue

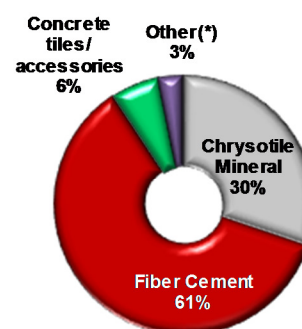
Consolidated net revenue in 2Q16 was R\$203.7 million, decreasing 13.8% from 2Q15. Domestic market revenue was R\$168.5 million, down 8.5%, mainly due to lower sales volume and a sales mix with lower added value. Export net revenue fell by 32.6% from 2Q15 to R\$35.2 million, due to lower sales volume 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

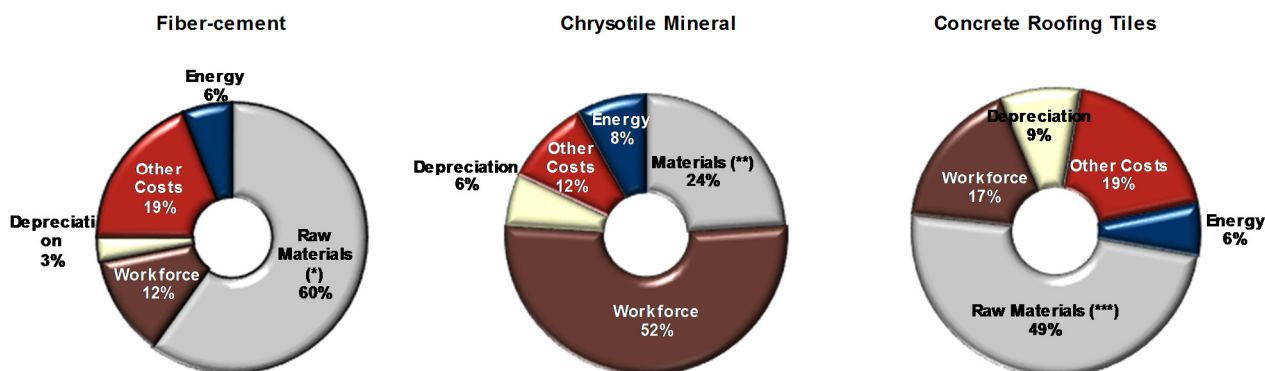
The main variations in the operating segments, in addition to those caused by lower sales volume, were:

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.

Eternit

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

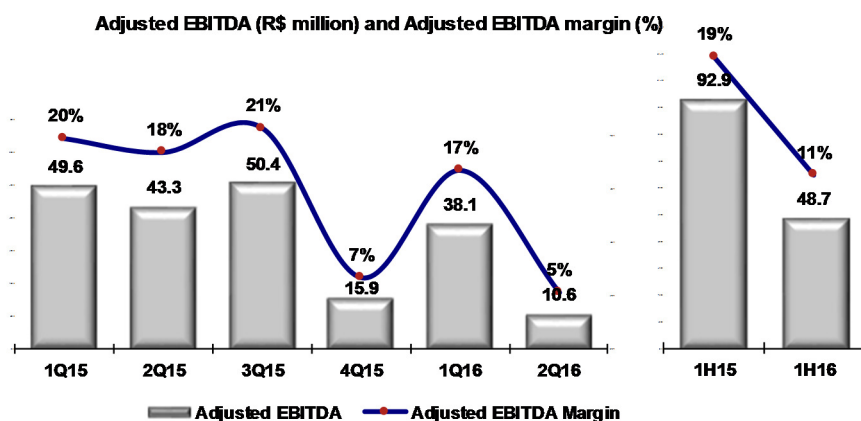
Net financial result in 2Q16 was an expense of R\$4.1 million, compared to an expense of R\$1.5 million in 2Q15, mainly due to the effects of the net exchange variation on the Group's foreign-denominated operations, as well as higher interest resulting from debt and lower returns on investments due to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

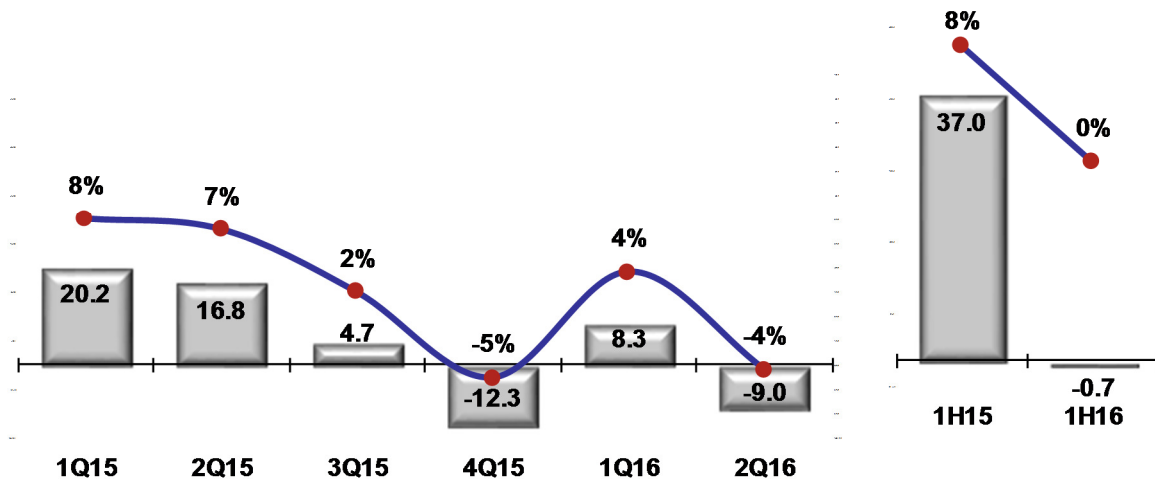
Eternit

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

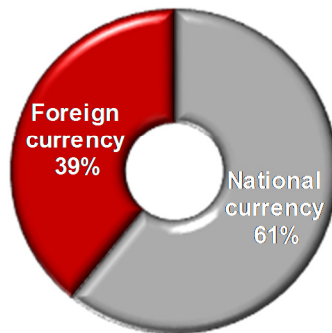
The Company ended 2Q16 with net debt of R\$140.3 million, equivalent to 1.22 times adjusted EBITDA in the last 12 months. In the period, the gross debt of Eternit and its subsidiaries amounted to R\$146.2 million, mainly due to: (i) the Bank Credit Notes (CCB) and Export Credit Notes (NCE) contracted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

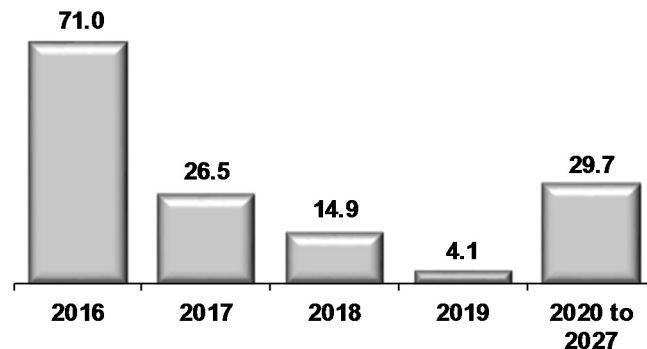
DEBT - R\$ '000	Parent Company		Consolidated	
	06/30/16	12/31/15	06/30/16	12/31/15
Short-term gross debt	9,383	6,327	80,703	90,307
Long-term gross debt	9,616	16,294	65,530	76,954
Cash and cash equivalents	(1,049)	(2,850)	(2,950)	(5,578)
Short-term investments (same cash equivalents)	(6)	(3,114)	(2,948)	(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)



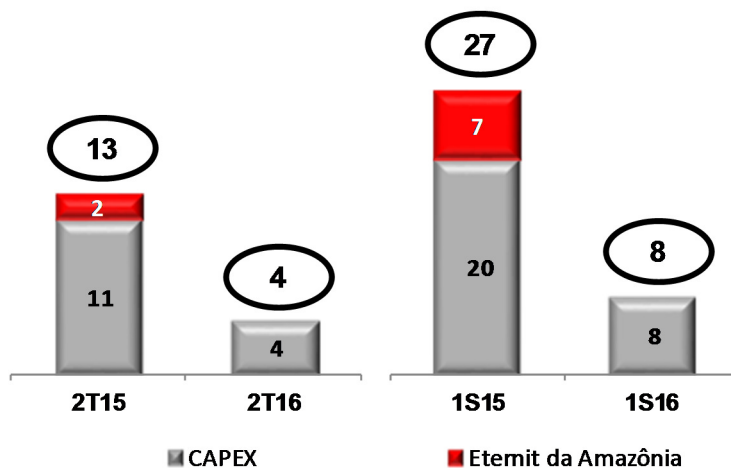
Foreign-denominated debt in 2Q16 was 88% naturally hedged by accounts receivable in foreign currency from chrysotile exports.

Capex

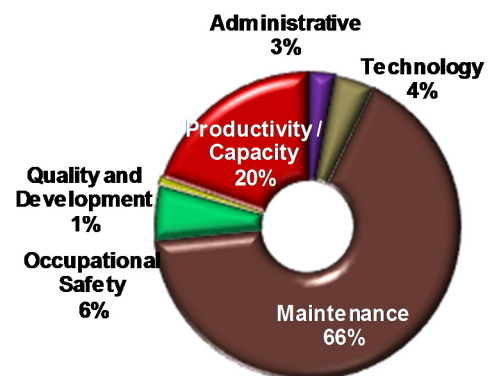
In line with its strategy to consolidate the investments already made in recent years, Capex by Eternit and its subsidiaries in 2Q16 amounted to R\$3.9 million, down 69.7% from 2Q15, and was allocated to maintaining and modernizing the Group's industrial facilities.

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

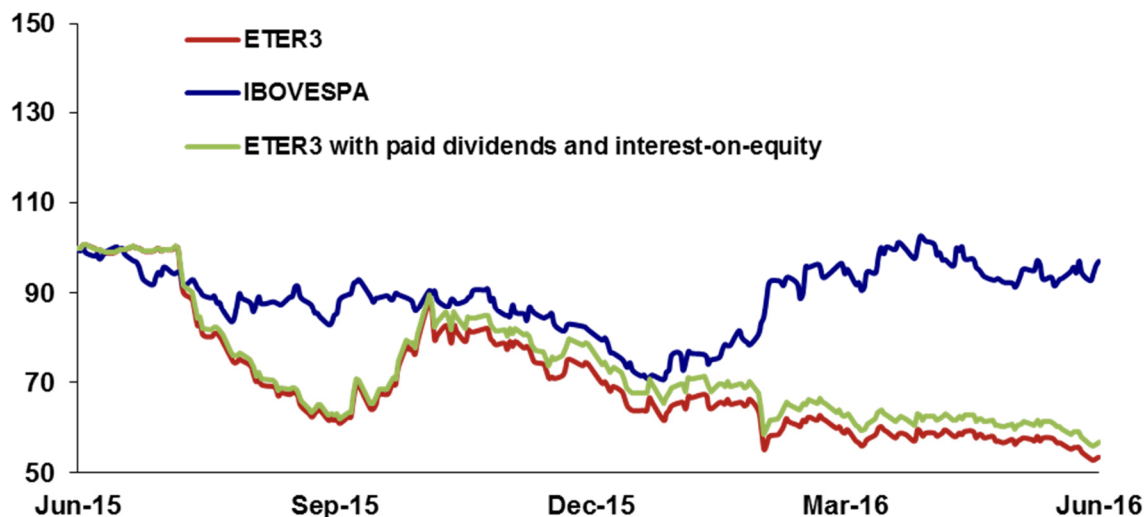
Eternit

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. Brasília - 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

Individual and Consolidated Interim Financial Information

Eternit S.A.

Quarter ended June 30, 2016
with Independent Auditor's Review Report

Independent auditor's review report on interim financial information

The Shareholders, Board of Directors and Officers

Eternit S.A.

São Paulo - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Eternit S.A. ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2016, which comprises the balance sheet as at June 30, 2016 and the related statements of income and of comprehensive income (loss) for the quarter and six-month periods then ended, and statements of changes in equity and of cash flows for the six-month period then ended, including explanatory information.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this financial information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly 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 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). 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 and consolidated interim financial information

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

Emphasis of matter

We draw attention to Note 1 to the individual and consolidated interim financial information, which describes the uncertainty surrounding the Federal Supreme Court of Brazil (STF) judgment of the overall merit of Direct Actions of Unconstitutionality (ADIs) ADI No. 3.357 against State Law No. 11.643/2001 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. 3.937 contesting State Law No. 12.684/2007 of the State of São Paulo, which prohibits the use in that State of products, materials or goods that contain any type of asbestos or amianthus, and of other ADIs related to amianthus. Our conclusion is not qualified in respect of this matter.

We draw also attention to Note 21, item i b) and item iii e) to the individual and consolidated interim financial information, which describes Civil Class Actions filed by the São Paulo Labor Prosecution Office and by ABREA-São Paulo against the Company, wherein matters related to the working environment and occupational diseases are challenged, related to the Company's manufacturing unit that was shut down in the early 1990s, for which partially unfavorable decisions were handed down to the Company by the lower court. The likelihood of loss on part of those actions was assessed as probable by the Company's legal advisors. Accordingly, a provision for loss was recorded for such part. No provision for loss was recorded for the part assessed as possible loss by the Company's legal advisors. Our conclusion is not qualified in respect of this matter.

We draw also attention to Note 21, item iii f) to the individual and consolidated interim financial information, which describes Civil Class Actions filed by the Rio de Janeiro Labor Prosecution Office and by ABREA-Rio de Janeiro against the Company, wherein matters related to the working environment and occupational diseases are challenged, for which no decision has been handed down yet. The likelihood of loss on these actions was assessed as possible by the Company's legal advisors. Accordingly, no provision for loss was recorded in connection with those Civil Class Actions. Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also reviewed the individual and consolidated Statements of Value Added (SVA) for the six-month period ended June 30, 2016, 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 the preparation of the quarterly financial information (ITR), and as supplementary information under the IFRS, whereby no SVA presentation is required. These statements have been submitted 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 are not prepared, in all material respects, in accordance with the accompanying overall individual and consolidated interim financial information.

São Paulo, August 10, 2016.

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

Rita de C. S. de Freitas
Accountant CRC-1SP214160/O-5

A free translation from Portuguese into English of Individual and Consolidated Interim Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and specific CVM rules.

Eternit S.A.

Balance sheets
June 30, 2016 and December 31, 2015
(In thousands of reais)

	Note	Company		Consolidated	
		06/30/2016	12/31/2015	06/30/2016	12/31/2015
Assets					
Current assets					
Cash and cash equivalents	4	1,049	2,850	2,950	5,578
Short-term investments	5	6	3,114	2,948	16,734
Accounts receivable	6	79,901	73,337	159,924	172,342
Inventories	7	116,346	108,428	190,031	184,383
Taxes recoverable	8	7,617	7,638	14,574	15,083
Related parties	10	11,922	30,447	4,361	2,818
Other current assets		6,209	7,501	12,463	15,382
		223,050	233,315	387,251	412,320
Assets held for sale		-	-	1,953	-
Total current assets		223,050	233,315	389,204	412,320
Noncurrent assets					
Judicial deposits		14,990	11,576	22,721	19,003
Taxes recoverable	8	24,144	24,081	24,692	24,765
Deferred income and social contribution taxes	20.b	35,698	34,264	65,783	63,823
Related parties	10	18,819	9,711	8,142	-
Investments	9	241,483	251,659	12,652	24,782
Property, plant and equipment (PP&E)	11	152,757	154,920	340,684	354,047
Intangible assets	12	6,405	6,950	30,548	31,647
Other noncurrent assets		583	339	2,017	2,807
		494,879	493,500	507,239	520,874
Total noncurrent assets		494,879	493,500	507,239	520,874
Total assets		717,929	726,815	896,443	933,194

	Note	Company		Consolidated	
		06/30/2016	12/31/2015	06/30/2016	12/31/2015
Liabilities and equity					
Current liabilities					
Trade accounts payable	13	25,176	23,922	40,089	41,420
Related parties	10	11,600	12,256	-	-
Loans and financing	14	9,383	6,327	80,703	90,307
Personnel expenses	15	15,738	14,858	28,044	27,722
Dividends and interest on equity payable	18.e	542	7,534	542	7,534
Provision for post-employment benefits	17.b	2,754	2,749	4,894	4,890
Taxes, charges and contributions payable	16	10,169	10,697	17,750	19,867
Other current liabilities		5,549	5,940	11,640	14,080
Total current liabilities		80,911	84,283	183,662	205,820
Noncurrent liabilities					
Provision for post-employment benefits	17.b	32,727	31,839	45,154	44,437
Loans and financing	14	9,616	16,294	65,530	76,954
Related parties	10	47,332	40,728	-	-
Provision for tax, civil and labor risks	21	46,198	47,096	84,853	84,281
Taxes, charges and contributions payable	16	1,700	6,477	5,354	8,969
Provision for decommissioning of mine	30	-	-	12,428	12,617
Total noncurrent liabilities		137,573	142,434	213,319	227,258
Equity					
Capital	18.a	334,251	334,251	334,251	334,251
Capital reserve		19,460	19,460	19,460	19,460
Treasury shares		(174)	(174)	(174)	(174)
Income reserves		155,821	155,738	155,821	155,738
Accumulated losses		(736)	-	(736)	-
Other comprehensive loss		(9,177)	(9,177)	(9,177)	(9,177)
Equity attributable to controlling interests		499,445	500,098	499,445	500,098
Noncontrolling interests		-	-	17	18
Total equity		499,445	500,098	499,462	500,116
Total liabilities and equity		717,929	726,815	896,443	933,194

See accompanying notes.

Eternit S.A.

Income statements

Quarters and six-month periods ended June 30, 2016 and 2015

(In thousands of reais - R\$, except earnings (loss) per share)

	Note	Company				Consolidated			
		2 nd quarter of 2016	2 nd quarter of 2015	1 st half of 2016	1 st half of 2015	2 nd quarter of 2016	2 nd quarter of 2015	1 st half of 2016	1 st half of 2015
Net operating revenue	22	116,396	119,408	247,826	251,333	203,708	236,422	432,630	489,141
Cost of goods sold	23	(93,385)	(91,071)	(193,057)	(190,318)	(140,498)	(143,034)	(289,374)	(301,795)
Gross profit		23,011	28,337	54,769	61,015	63,210	93,388	143,256	187,346
Operating income (expenses)									
Selling expenses	23	(15,634)	(14,113)	(30,049)	(28,360)	(27,372)	(30,323)	(53,950)	(57,954)
General and administrative expenses	23	(9,063)	(13,394)	(19,907)	(23,633)	(21,310)	(27,663)	(44,996)	(51,527)
Management compensation	23	(1,613)	(1,295)	(3,491)	(3,597)	(2,239)	(2,121)	(5,388)	(5,582)
Other operating income (expenses), net	24	(6,355)	(1,155)	(8,088)	(530)	(11,461)	311	(9,863)	1,264
Equity pickup	9	(729)	17,167	6,817	32,433	(5,901)	(5,691)	(12,130)	(12,212)
Total operating income (expenses)		(33,394)	(12,790)	(54,718)	(23,687)	(68,283)	(65,487)	(126,327)	(126,011)
Financial expenses	25	(4,952)	(4,537)	(18,486)	(8,696)	(17,985)	(21,314)	(47,384)	(43,599)
Financial income	25	3,425	3,068	16,265	5,543	13,930	19,807	37,563	40,475
Financial income (expenses), net		(1,527)	(1,469)	(2,221)	(3,153)	(4,055)	(1,507)	(9,821)	(3,124)
(-) Net loss/income before income and social contribution taxes		(11,910)	14,078	(2,170)	34,175	(9,128)	26,394	7,108	58,211
Income and social contributions taxes									
Current	20	1,743	-	-	-	(624)	(13,203)	(9,806)	(27,154)
Deferred	20	1,161	2,710	1,434	2,769	746	3,597	1,961	5,887
(-) Net loss/income for the periods		(9,006)	16,788	(736)	36,944	(9,006)	16,788	(737)	36,944
Attributable to:									
Controlling interests		(9,006)	16,788	(736)	36,944	(9,006)	16,788	(736)	36,944
Noncontrolling interests		-	-	-	-	-	-	(1)	-
(-) Net loss/income for the periods		(9,006)	16,788	(736)	36,944	(9,006)	16,788	(737)	36,944
(-) Earnings (loss) per share - basic and diluted - R\$	18.c	(0.050)	0.094	(0.004)	0.206	(0.050)	0.094	(0.004)	0.206

See accompanying notes.

Eternit S.A.

Statements of comprehensive income (loss)
 Quarters and six-month periods ended June 30, 2016 and 2015
 (In thousands of reais)

	Company				Consolidated			
	2 nd quarter of 2016	2 nd quarter of 2015	1 st half of 2016	1 st half of 2015	2 nd quarter of 2016	2 nd quarter of 2015	1 st half of 2016	1 st half of 2015
(-) Net loss/income for the periods	(9,006)	16,788	(736)	36,944	(9,006)	16,788	(737)	36,944
Other comprehensive income (loss)	-	-	-	-	-	-	-	-
Comprehensive income (loss) for the periods	(9,006)	16,788	(736)	36,944	(9,006)	16,788	(737)	36,944
Attributable to:								
Controlling interests	(9,006)	16,788	(736)	36,944	(9,006)	16,788	(736)	36,944
Noncontrolling interests	-	-	-	-	-	-	(1)	-

See accompanying notes.

Eternit S.A.

Statements of changes in equity
Six-month periods ended June 30, 2016 and 2015
(In thousands of reais)

	Note	Capital reserve				Income reserves			Retained	Other comprehensive loss	Total Company	Noncontrolling interests	Total equity
		Capital	Investment grants	Premium on acquisition of shares	Treasury shares	Statutory	Legal	Retained profits	(Accumulated losses)				
Balances at January 1, 2015		334,251	19,437	23	(174)	31,251	34,891	102,603	-	(7,491)	514,791	17	514,808
Net income for the period		-	-	-	-	-	-	-	36,944	-	36,944	-	36,944
Interest on equity - R\$0.078 per outstanding share	18	-	-	-	-	-	-	-	(13,957)	-	(13,957)	-	(13,957)
Dividends - R\$0.063 per outstanding share	18	-	-	-	-	-	-	-	(11,273)	-	(11,273)	-	(11,273)
Balances at June 30, 2015		334,251	19,437	23	(174)	31,251	34,891	102,603	11,714	(7,491)	526,505	17	526,522
Balances at January 1, 2016		334,251	19,437	23	(174)	32,722	36,362	86,654	-	(9,177)	500,098	18	500,116
Unclaimed dividends		-	-	-	-	-	-	83	-	-	83	-	83
Net loss for the period		-	-	-	-	-	-	-	(736)	-	(736)	(1)	(737)
Balances at June 30, 2016		334,251	19,437	23	(174)	32,722	36,362	86,737	(736)	(9,177)	499,445	17	499,462

See accompanying notes.

Eternit S.A.

Cash flow statements

Six-month periods ended June 30, 2016 and 2015

(In thousands of reais)

	Note	Company		Consolidated	
		06/30/2016	06/30/2015	06/30/2016	06/30/2015
Cash flows from operating activities					
Net income (loss) before income and social contribution taxes		(2,170)	34,175	7,108	58,211
Adjustments to reconcile pre-tax income gain (loss) to net cash generated by operating activities:					
Equity pickup	9	(6,817)	(32,433)	12,130	12,212
Depreciation and amortization	11/12	7,329	6,586	19,626	19,343
Gain (loss) on disposal of permanent assets	24	(126)	(98)	(3,206)	(117)
Allowance for doubtful accounts					
	6	798	764	1,448	1,305
Provision for tax, civil and labor risks	21	1,180	(439)	2,869	1,269
Provision for sundry losses		317	244	(483)	1,039
Financial charges, and monetary and exchange variations		(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:					
Accounts receivable		(7,362)	(2,238)	4,451	(18,448)
Receivables from related parties	10 a.	1,610	763	(1,543)	497
Inventories	7	(7,394)	(8,685)	(5,564)	(16,945)
Taxes recoverable		438	(822)	1,062	(709)
Judicial deposits		(3,413)	(296)	(3,718)	(726)
Dividends and interest on equity received		33,270	42,213	-	-
Other assets		(2,855)	(2,707)	(630)	(5,572)
Increase (decrease) in operating liabilities					
Trade accounts payable	13	1,254	2,909	(1,331)	3,834
Payables to related parties	10 a.	(656)	3,567	-	-
Taxes, charges and contributions payable		(4,668)	(1,990)	(4,602)	1,026
Provisions and social charges	15	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 generated by operating activities		5,164	48,005	5,270	31,088
Cash flows from investing activities					
Intercompany loan receivable	10	(9,108)	(25,386)	(8,142)	(8,055)
Amount received on disposal of PP&E items	24	126	782	3,437	857
Additions to PP&E and intangible assets	11/12	(4,810)	(12,620)	(7,537)	(26,968)
Addition to capitalized exchange variation	11	189	-	189	-
Short-term investments		(5,700)	(42,800)	(69,367)	(144,208)
Redemption of short-term investments		8,818	56,890	83,655	160,169
Net cash generated by (used in) investing activities		(10,485)	(23,134)	2,235	(18,205)
Cash flows from financing activities					
Loans and financing raised		1,980	3,235	31,511	138,792
Repayment of loans and financing		(2,574)	(696)	(41,644)	(117,574)
Intercompany loans	10/25	4,114	5,063	-	-
Payment of dividends and interest on equity		-	(34,181)	-	(34,181)
Net cash used in financing activities		3,520	(26,579)	(10,133)	(12,963)
		(1,801)	(1,708)	(2,628)	(80)
Decrease in cash and cash equivalents					
Decrease in cash and cash equivalents					
At beginning of periods	4	2,850	5,711	5,578	13,367
At end of periods	4	1,049	4,003	2,950	13,287
Decrease in cash and cash equivalents		(1,801)	(1,708)	(2,628)	(80)

See accompanying notes.

Eternit S.A.

Statements of value added

Six-month periods ended June 30, 2016 and 2015

(In thousands of reais)

	Note	Company		Consolidated	
		06/30/2016	06/30/2015	06/30/2016	06/30/2015
Revenues					
Sales of goods, products and services	22	325,463	337,448	544,763	617,600
Other income		126	-	3,938	29,461
Allowance for doubtful accounts		(798)	(764)	(1,448)	(1,305)
Total		324,791	336,684	547,253	645,756
Inputs acquired from third parties					
Cost of products, goods and sold					
Materials, electric energy, third-party services and other		(156,959)	(155,237)	(243,894)	(274,674)
Loss/recovery of asset values		(67,429)	(60,853)	(82,668)	(98,718)
Other discounts, rebates and donations		(2,891)	(3,679)	(3,619)	(4,050)
		(945)	(1,448)	(2,097)	(2,567)
		(228,224)	(221,217)	(332,278)	(380,009)
Gross value added		96,567	115,467	214,975	265,747
Depreciation, amortization and depletion	11/12	(7,329)	(6,586)	(19,626)	(19,343)
Net value added generated by the Company		89,238	108,881	195,349	246,404
Value added received in transfer					
Equity pickup	9	6,817	32,433	(12,130)	(12,212)
Financial income	25	16,265	5,543	37,563	40,475
Other		216	3,203	965	4,383
		23,298	41,179	26,398	32,646
Total value added to be distributed		112,536	150,060	221,747	279,050
Personnel:					
Direct compensation		38,869	35,736	65,601	65,338
Benefits		11,097	12,510	22,742	23,709
Unemployment Compensation Fund (FGTS)		3,260	2,943	5,941	5,523
		53,226	51,189	94,284	94,570
Taxes, charges and contributions:					
Federal		30,290	31,443	38,623	60,580
State		6,710	17,358	27,084	30,022
Local		997	1,038	2,217	1,905
		37,997	49,839	67,924	92,507
Debt remuneration:					
Interest		18,486	8,696	47,384	43,599
Lease		3,563	3,392	12,892	11,430
		22,049	12,088	60,276	55,029
Equity remuneration:					
Dividends		-	11,273	-	11,273
Interest on equity (IOE)		-	13,957	-	13,957
Retained earnings (accumulated losses)	18 c	(736)	11,714	(736)	11,714
Noncontrolling interests in accumulated losses		-	-	(1)	-
		(736)	36,944	(737)	36,944
Distribution of value added		112,536	150,060	221,747	279,050

See accompanying notes.

Eternit S.A.

Notes to individual and consolidated interim financial information
June 30, 2016
(In thousands of reais - R\$, unless otherwise stated)

1. Operations

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

The business purpose of the Company and its subsidiaries (“Group”) is the production and sale of fiber cement, cement, concrete, plaster and plastic products, as well as other construction materials and related accessories. The Company currently comprises 14 manufacturing units in Brazil, with branches in major Brazilian cities.

The Group is structured as follows:

Company	% - Ownership interest	Voting capital (%)	Headquarters location	Core activity
SAMA S.A.	99.99%	99.99%	Minaçu/GO	Exploration and processing of Chrysotile.
Tégula Soluções para Telhados Ltda.	99.99%	99.99%	Atibaia/SP	Manufacturing and sale of concrete roofing and roofing accessories.
Precon Goiás Industrial Ltda.	99.99%	99.99%	Anápolis/GO	Manufacturing and sale of fiber cement products.
Prel Empreendimentos e Participações Ltda.	99.99%	99.99%	São Paulo/SP	Shareholding interest in industrial and commercial companies among other.
Engedis Distribuição Ltda.	99.94%	99.94%	Minaçu/GO	No economic activity.
Wagner Ltda.	99.84%	99.84%	São Paulo/SP	No economic activity.
Wagner da Amazônia Ltda.	99.99%	99.99%	São Paulo/SP	No economic activity.
Eternit da Amazônia Indústria de Fibrocimento Ltda.	99.99%	99.99%	Manaus/AM	Research, development and production of inputs for the construction industry.
Companhia Sulamericana de Cerâmica	60.00%	60.00%	Caucaia/CE	Manufacturing, import, export, sale, and distribution of sanitary wares and related accessories in general.

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

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

1. Operations (Continued)

Significant operational events

The Company clarified that Federal Law No. 9.055/95 - Decree No. 2.350/97 and Regulations of the Department of Labor govern the extraction, industrialization, use, sale and transportation of chrysotile asbestos and production containing it.

State Laws No. 10.813/2001, in São Paulo, and No. 2.210/2001, in Mato Grosso do Sul, which prohibited the import, extraction, processing, sale and installation of products containing any type of amianthus, in any form, were judged and rendered unconstitutional by the Federal Supreme Court of Brazil (STF), by means of Direct Actions of Unconstitutionality (ADI) No. 2.656 and No. 2.396, respectively, as they address issues under the responsibility of the Federal Government.

Current State Laws No. 12.684/2007 (São Paulo), No. 3.579/2004 (Rio de Janeiro), No. 11.643/2001 (Rio Grande do Sul) and No. 12.589/2004 (Pernambuco), restricting the use of amianthus in their territories are subject to ADI, as proposed by the National Confederation of Industry Workers (CNTI), before the STF.

On April 2, 2008, the National Association of Labor Justice Judges (ANAMATRA) and the National Association of Labor Attorneys General (ANPT) proposed ADI No. 4.066 against article 2 of Federal Law No. 9.055 of 1995.

On October 31, 2012, the STF started the judgment of the merits of ADI No. 3.357 and ADI No. 3.937 in relation to State Law No. 11.643/2001, in Rio Grande do Sul, and Law No. 12.684/2007, in São Paulo, respectively. The session was suspended after reporting Judge Ayres Britto voted for the constitutionality of the laws and Judge Marco Aurélio voted for the unconstitutionality of the laws. The matter is pending a decision, with no specific date to enter the STF agenda for a final decision.

On December 30, 2013, Law No. 21.114/2013 was signed. Its article 1 prohibits the import, transportation, storage, manufacture, sale and use of products containing amianthus in the state of Minas Gerais, considering an 8-10 year period for compliance with article 1. Therefore, compliance with this provision will be mandatory as from 2021 and 2023, respectively.

The Government of Mato Grosso State regulated Law No. 9.583/2011 by means of Decree No. 68/15 published on April 16, 2015, which prohibits the use of products, materials or goods that contain any type of asbestos or amianthus.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
June 30, 2016
(In thousands of reais - R\$, unless otherwise stated)

1. Operations (Continued)

Approval of interim financial information

The interim financial information was presented to the Supervisory Board on August 9, 2016 and approved by the Company's Board of Directors on August 10, 2016 for disclosure on August 11, 2016.

2. Basis of preparation and significant accounting practices

The accounting practices were uniformly applied to the current period, are consistent with those used in the preparation of the Company's annual financial statements for the year ended December 31, 2015, disclosed on March 28, 2016, and used for both the Company and subsidiaries. Whenever necessary, the subsidiaries' individual and consolidated interim financial information is adjusted to meet this criterion.

2.1. Statement of compliance and basis of preparation

The Company's interim financial information contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2016, comprises the individual and consolidated interim financial information prepared in accordance with Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and prepared in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR).

The interim financial information was prepared based on the 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 consideration paid in exchange for assets.

2.2. Basis of consolidation and investments in subsidiaries

The consolidated interim financial information includes interim financial information of the Company and of 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 members of the Executive Board or Board of Directors of an entity in order to earn benefits from its activities.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

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

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

Company management, based on its Articles of Incorporation and shareholders' agreement, controls the companies listed in Note 1 to the Company's annual financial statements for the year ended December 31, 2015, disclosed on March 28, 2016 and, therefore, fully consolidated these entities with the exception of Companhia Sulamericana de Cerâmica S.A. - (CSC), which is treated based on the parameters described in the prior paragraph as a joint venture and not consolidated given that its P&L is considered in the consolidated interim financial information based on the equity method as provided in CPC 19 (R2) - Joint Arrangements (IFRS 11).

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

In the Company's individual financial information, the individual interim financial information of subsidiaries is recognized by 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 interim financial information represents balances receivable from and payable to third parties only.
- Interest in capital and net income (loss) for the period of subsidiaries.

The fiscal year of consolidated subsidiaries coincides with that of the Company. All intercompany balances and transactions of subsidiaries are fully eliminated in the consolidated interim financial information. Transactions between the Company and its subsidiaries are carried out under conditions established by the parties.

P&L of subsidiaries acquired or sold over the period are included in the consolidated income statements as of the date they were effectively acquired to the sale date, as applicable.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
 June 30, 2016
 (In thousands of reais - R\$, unless otherwise stated)

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

2.3. Standards, amendments and interpretation of standards

Management also considered the impact of new standards, interpretations and amendments that are in force but not yet effective. Unless otherwise stated, they are not considered relevant to the Company and will become effective for annual periods beginning on or after January 1, 2018.

Standard	Requirement	Impact on interim financial information
IFRS 9 – Financial instruments	The objective of IFRS 9 is ultimately to replace IAS 39 - Financial Instruments: Recognition and Measurement. The major changes provided for therein are: (i) all financial assets must be initially recognized at fair value; (ii) the standard divides all financial assets that are currently in the scope of IAS 39 into two classifications: amortized cost and fair value; (iii) the IAS 39 categories of available for sale and held to maturity were eliminated; and (iv) the IAS 39 concept of embedded derivatives was extinguished by the concepts of this new standard, and in addition to losses incurred, estimated losses shall also be recorded. Effective as from January 1, 2018.	The Group does not anticipate any material impact from IFRS 9 on its interim financial information.
IFRS 15 - Revenue from contracts with customers	This standard will replace IAS 11 - Construction contracts and IAS 18 - Revenues and their related interpretations. The main objectives consist of: (i) eliminating inconsistencies in revenue recognition standards, providing clear principles on how to record account balances; (ii) providing a single revenue recognition model, improving the comparability of accounting and financial information; and (iii) simplifying the process of preparing the financial statements. It will apply to all contracts with customers except leases, financial instruments and insurance contracts. Changes are most effective in telecommunications and real estate development industries. Effectiveness changed for annual periods beginning on January 1, 2018.	The Group does not anticipate any material impact from IFRS 15 on its interim financial information.
Adoption of IFRS 16 - Leases (currently IAS 17 Leases as Issued) - CPC 6 - Leases	This new standard does not change the understanding on Leases, whereby a company may record a lease under finance lease or operating lease, however, it provides for the convenience of a single recording for the case of finance lease. Already provided in IAS 17. Effective from January 1, 2019.	The Group does not anticipate any material impact from IFRS 16 on its interim financial information.
IFRS 6 (CPC 34 - Exploration for and evaluation of mineral resources)	The purpose of this pronouncement is to regulate the best way to classify and measure the exploration of mineral resources activity due to continued discussions with the IASB and other international agencies concerning this standard. The Brazilian FASB (CPC) decided not to issue such pronouncement, which is pending review by international competent agencies. Approval and effectiveness not determined.	The Group constantly updates evaluation of the impacts from this standard.
IAS 29 (CPC 42 - Financial Reporting in Hyperinflationary Economies)	This standard establishes adjustment-for-inflation criteria to the financial statements in hyperinflationary countries. The Brazilian FASB (CPC) did not approve this pronouncement in view of the prior experience with the full adjustment of financial statements. Approval and effectiveness not determined.	The Group constantly updates evaluation of the impacts from this standard.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

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. These estimates and their respective assumptions are based on historical experience and other factors considered relevant. Actual results may differ from the amounts estimated.

The main accounting judgments applied and sources of uncertainties applied in the preparation of this individual and consolidated interim financial information are disclosed in Note 3 to the Company's annual financial statements for the year ended December 31, 2015, disclosed on March 28, 2016. These judgments were consistently applied with those used in the prior reporting period and used for both the Company and subsidiaries. Whenever necessary, the subsidiaries' individual interim financial information is adjusted to meet the Group's criterion.

4. Cash and cash equivalents

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Cash and banks	737	2,850	2,618	5,463
Automatic scheduled investments	312	-	332	115
	1,049	2,850	2,950	5,578

At June 30, 2016, investments were remunerated at average rates of 99.6% of the Interbank Deposit Certificate (CDI) variation (94.1% at December 31, 2015). This portfolio basically comprises automatic scheduled investments. Balances are highly liquid and readily convertible into cash, in order to meet short-term cash commitments, and subject to insignificant risk of change in value.

5. Short-term investments

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Investment Fund	6	3,114	2,948	16,734
	6	3,114	2,948	16,734

Most investment funds are fixed-income investments, remunerated at average CDI rates of 100.6% (100.9% as of December 31, 2015).

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

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
 June 30, 2016
 (In thousands of reais - R\$, unless otherwise stated)

6. Accounts receivable

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Domestic market	84,400	77,222	118,715	111,336
Foreign market	-	-	50,141	69,316
(-) Present value adjustment	-	-	(60)	(319)
	84,400	77,222	168,796	180,333
Allowance for doubtful accounts	(4,499)	(3,885)	(8,872)	(7,991)
	79,901	73,337	159,924	172,342

Aging list of accounts receivable

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Falling due	75,182	68,163	146,737	153,946
Overdue:				
Within 30 days	1,565	2,690	5,508	14,439
From 31 to 60 days	387	536	1,833	1,319
Above 60 days	2,767	1,948	5,846	2,638
Total receivable	79,901	73,337	159,924	172,342

Changes in allowance for doubtful accounts

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Opening balance	(3,885)	(3,307)	(7,991)	(6,689)
Addition	(798)	(1,720)	(1,632)	(2,786)
Reversal	-	227	184	255
Write-off	184	915	567	1,229
Closing balance	(4,499)	(3,885)	(8,872)	(7,991)

7. Inventories

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Finished products	67,069	61,591	117,067	110,595
Semi-finished products	-	-	2,941	3,486
Goods for resale	9,300	8,371	12,822	11,700
Raw materials	33,843	32,438	36,432	33,936
Storeroom	7,208	7,626	22,656	26,637
(-) Allowance for doubtful accounts (*)	(1,074)	(1,598)	(1,887)	(1,971)
	116,346	108,428	190,031	184,383

(*) The matching entry of estimated loss is recorded as "Cost of goods sold" in the income statements.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

7. Inventories (Continued)

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Opening balance				
Provision	(1,598)	(1,865)	(1,971)	(2,238)
Reversal	(972)	(398)	(1,413)	(398)
Closing balance	1,496	665	1,497	665
	(1,074)	(1,598)	(1,887)	(1,971)

Over the six-month period ended June 30, 2016, consumption of raw material reached approximately R\$123,565 (R\$123,746 at June 2015), recorded as cost in Company, and R\$189,401 (R\$205,617 at June 2015) Consolidated, as mentioned in Note 23.

8. Taxes recoverable

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Current:				
State Value-Added Tax (ICMS)	2,644	2,208	4,267	4,365
Withholding Income Tax (IRRF)	200	201	1,174	475
Corporate Income Tax (IRPJ)	1,371	1,027	1,531	1,570
Social Contribution Tax on Net Profit (CSLL)	475	276	728	333
IRRF on interest on equity	1,150	1,646	1,150	1,646
FOMENTAR fund - ICMS (*)	1,047	1,542	1,047	1,542
Contribution Tax on Gross Revenue for Social Security Financing (COFINS) and other	730	738	4,677	5,152
	7,617	7,638	14,574	15,083
Noncurrent:				
State Value-Added Tax (ICMS)	1,001	1,419	1,492	2,045
Withholding Income Tax (IRRF)	14,728	14,421	14,728	14,422
Corporate Income Tax (IRPJ)	8,415	8,241	8,415	8,241
Social Security Tax (INSS)	-	-	57	57
	24,144	24,081	24,692	24,765

(*) 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.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
 June 30, 2016
 (In thousands of reais - R\$, unless otherwise stated)

9. Investments

The Company's investments in its subsidiaries and joint venture are as follows:

Summary of investment breakdown:

	Company							Total
	Eternit da Amazônia	Precon	Prel	SAMA	Wagner	Tégula	CSC	
Investments	33,920	27,755	8,142	87,134	3,514	51,807	12,652	224,924
Surplus value of net assets	-	-	-	16,559	-	-	-	16,559
Balances at June 30, 2016	33,920	27,755	8,142	103,693	3,514	51,807	12,652	241,483

	Eternit da Amazônia	Precon	Prel	SAMA	Wagner	Tégula	CSC	Total
At January 1, 2015	11,685	23,985	7,830	106,944	4,164	67,134	34,338	256,080
Dividends	-	(8,035)	(822)	(81,682)	-	-	-	(90,539)
Interest on equity (IOE)	-	(1,408)	-	(5,537)	-	-	-	(6,945)
Equity pickup	(11,942)	12,349	813	82,615	(30)	(11,028)	(27,661)	45,116
Equity pickup of comprehensive income (loss)	-	-	-	320	-	-	-	320
Capital contribution	29,522	-	-	-	-	-	18,105	47,627
At December 31, 2015	29,265	26,891	7,821	102,660	4,134	56,106	24,782	251,659
Dividends	-	(1,555)	-	(8,594)	(2,600)	-	-	(12,749)
Interest on equity (IOE)	-	(906)	-	(3,338)	-	-	-	(4,244)
Equity pickup	4,655	3,325	321	12,965	1,980	(4,299)	(12,130)	6,817
At June 30, 2016	33,920	27,755	8,142	103,693	3,514	51,807	12,652	241,483

The investment balance in the consolidated interim financial information at June 30, 2016, amounting to R\$12,652 (R\$24,782 at December 31, 2015), refers to investment in the jointly-controlled subsidiary with CSC.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

9. Investments (Continued)

The balances of subsidiaries and interest held in joint ventures as of June 30, 2016 are as follows:

	Subsidiaries						Joint venture Companhia Sulamericana de Cerâmica
	Eternit da Amazônia	Precon	Prel	SAMA	Tégula	Wagner	
Current assets	13,063	24,108	1,373	131,386	26,687	526	84,328
Noncurrent assets	89,728	19,894	6,871	112,138	48,208	4,564	120,302
Current liabilities	13,141	11,634	101	91,967	9,442	16	78,056
Noncurrent liabilities	55,068	4,612	-	58,882	13,641	1,554	105,487
Equity	34,582	27,756	8,143	92,675	51,812	3,520	21,087
Proportional interest	99.9900%	99.9946%	99.9977%	99.9977%	99.9900%	99.8400%	60%
Unrealized income in inventories	(659)	-	-	(5,539)	-	-	-
Book value of investment	33,920	27,755	8,142	87,134	51,807	3,514	12,652
Net operating revenue	8,407	31,590	-	175,556	26,373	-	21,180
Cost of goods sold	(7,490)	(23,346)	-	(102,606)	(20,565)	-	(21,225)
Unrealized income in inventories	(25)	-	-	(161)	-	-	-
Net income (loss) for continuing operations	4,655	3,325	321	12,965	(4,299)	1,983	(20,216)
Attributable to:							
Company interest	4,655	3,325	321	12,965	(4,299)	1,980	(12,130)

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
 June 30, 2016
 (In thousands of reais - R\$, unless otherwise stated)

10. Related parties

a) Balances and transactions of the Company with related parties

	Company	
	06/30/2016	12/31/2015
Balances:		
Current assets		
Eternit da Amazônia (ii)	236	255
Precon (i)	201	1,096
SAMA (ii)	299	1,254
Tégula (i) and (ii)	307	171
Companhia Sulamericana de Cerâmica (i) and (ii)	4,361	2,818
	5,404	5,594
Dividends and interest on equity receivable:		
SAMA	2,888	17,848
Prel	-	122
Precon	890	2,723
Tégula	706	706
	4,484	21,399
Advances to suppliers:		
Eternit da Amazônia (i)	2,034	3,454
	2,034	3,454
Total current assets	11,922	30,447
Noncurrent assets		
Intercompany loan		
Companhia Sulamericana de Cerâmica (iii)	8,142	-
Tégula (iii)	10,677	9,711
Total noncurrent assets	18,819	9,711
Total assets	30,741	40,158
Current liabilities		
Trade accounts payable		
Eternit da Amazônia (i)	-	4,545
Precon (i)	1,352	707
SAMA (i)	10,100	6,681
	11,452	11,933
Other accounts payable		
Precon (ii)	-	29
Prel (ii)	106	110
Wagner (ii)	7	13
Tégula (i)	-	100
SAMA (ii)	35	71
	148	323
Total current liabilities	11,600	12,256

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

10. Related parties (Continued)

a) Balances and transactions of the Company with related parties (Continued)

	Company	
	06/30/2016	12/31/2015
Balances:		
Noncurrent liabilities		
Intercompany loan		
SAMA (iii)	37,394	35,382
Prel	2,346	2,346
Wagner	3,000	3,000
Precon	4,592	-
Total noncurrent liabilities	47,332	40,728
Total liabilities	58,932	52,984

- (i) There are purchases and sales between related parties, therefore the balances basically refer to supplies of raw materials (chrysotile) and/or finished products, rendering of services and/or lease agreements, which were eliminated in the Company's consolidated interim financial information. The joint venture, consolidated by the equity pickup method, is not eliminated in the consolidation.
- (ii) These basically refer to reimbursements of expenses with no fixed maturity.
- (iii) These refer to intercompany loans subject to Tax on Financial Transactions (IOF) and Withholding Income Tax (IRRF) levy, and bear interest of 100% of the CDI, for repayment within 24 months as from loan agreement execution date, term of which may be extended for further 24 months.

	Company							
	Sales		Purchases		Expense		Other income	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Precon	979	1,044	1,890	-	-	-	-	-
Tégula	168	139	-	-	-	-	-	-
SAMA	-	-	37,833	40,993	-	-	-	-
Eternit da Amazônia Companhia Sulamericana de Cerâmica	-	-	8,407	-	-	-	-	-
Administrative expense - Prel	-	-	-	-	601	546	-	-
Interest on loan - SAMA	-	-	-	-	2,490	1,890	-	-
Tégula Companhia Sulamericana de Cerâmica	-	-	-	-	-	-	137	-
IOE - SAMA	-	-	-	-	-	-	3,339	2,509
IOE - Precon	-	-	-	-	-	-	906	645
Total	2,099	1,183	48,130	40,993	3,091	2,436	5,048	3,659

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

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
June 30, 2016
(In thousands of reais - R\$, unless otherwise stated)

10. Related parties (Continued)

a) Balances and transactions of the Company with related parties (Continued)

As of June 30, 2016 and 2015, there are no outstanding guarantees with related parties, and there are no provisions for impairment of receivables from related parties.

b) Key management personnel compensation

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

	Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Salaries, fees and benefits	2,388	2,648	2,810	2,961
Social charges	692	726	877	805
Profit sharing (PLRE)	1,080	1,479	1,220	1,582
Supplementary bonus	-	714	-	737
Post-employment benefits	42	47	42	47
	4,202	5,614	4,949	6,132

In 2012, the Group's Board of Directors approved a stock option plan for the Company's Executive Board. The Group grants supplementary profit sharing to officers that invest up to 100% of their profit sharing net amount for the purchase of Company shares. This supplementary profit sharing 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 a 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.

In the six-month period ended June 30, 2016, Executive Board' shareholding position was 1,794,348 shares - ETER3 (1,852,748 shares - ETER3 for the year ended December 31, 2015).

Changes in shares held by the Executive Board	
December 31, 2015	1,852,748
Purchase	-
Sale	(58,400)
At June 2016	1,794,348

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

11. Property, plant and equipment (PP&E)

	Company									
	Land	Buildings and improvements	Machinery and equipment	Tooling and molds	Facilities	Vehicles	Furniture and fixtures	IT equipment	Construction In progress	Total
Cost										
Balances at January 1, 2015	2,021	33,485	110,014	13,082	83,746	1,659	6,044	4,351	28,980	283,382
Additions	-	-	1,408	-	-	-	-	-	19,929	21,337
Write-offs	-	-	(19)	-	(6)	(244)	(11)	(71)	-	(351)
Transfers	1,157	1,769	31,590	454	2,758	-	378	455	(38,561)	-
Foreign exchange variation	-	-	-	-	-	-	-	-	107	107
Balances at December 31, 2015	3,178	35,254	142,993	13,536	86,498	1,415	6,411	4,735	10,455	304,475
Additions	-	-	-	-	-	-	-	-	4,555	4,555
Write-offs	-	-	-	-	-	(66)	-	-	-	(66)
Transfers	-	185	6,762	542	387	-	12	71	(7,959)	-
Foreign exchange variation	-	-	-	-	-	-	-	-	(189)	(189)
Balances at June 30, 2016	3,178	35,439	149,755	14,078	86,885	1,349	6,423	4,806	6,862	308,775
Average depreciation rates	-	4%	8.6%	15%	10%	20%	10%	20%	-	-
Accumulated depreciation										
Balances at January 1, 2015	-	(20,079)	(48,278)	(10,664)	(51,479)	(1,036)	(3,158)	(3,029)	-	(137,723)
Additions	-	(791)	(3,804)	(748)	(5,708)	(71)	(495)	(435)	-	(12,052)
Write-offs	-	-	19	-	1	120	9	71	-	220
Transfers	-	-	(3)	-	3	-	-	-	-	-
Balances at December 31, 2015	-	(20,870)	(52,066)	(11,412)	(57,183)	(987)	(3,644)	(3,393)	-	(149,555)
Additions	-	(416)	(2,437)	(328)	(2,843)	(25)	(247)	(233)	-	(6,529)
Write-off	-	-	-	-	-	66	-	-	-	66
Balances at June 30, 2016	-	(21,286)	(54,503)	(11,740)	(60,026)	(946)	(3,891)	(3,626)	-	(156,018)
Net book value										
At January 1, 2015	2,021	13,406	61,736	2,418	32,267	623	2,886	1,322	28,980	145,659
At December 31, 2015	3,178	14,384	90,927	2,124	29,315	428	2,767	1,342	10,455	154,920
At June 30, 2016	3,178	14,153	95,252	2,338	26,859	403	2,532	1,180	6,862	152,757

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
June 30, 2016
(In thousands of reais - R\$, unless otherwise stated)

11. Property, plant and equipment (PP&E) - Continued

	Consolidated													Total
	Land	Buildings and improvements	Machinery and equipment	Mining machinery	Tooling and molds	Facilities	Vehicles	Off-road vehicles	Furniture and fixtures	IT equipment	Decommissioning of mine	Stabilization construction works in mine	Construction in progress	
Cost														
Balances at January 1, 2015	5,404	82,019	207,804	30,058	26,855	230,168	23,675	1,776	18,238	9,315	5,778	13,387	107,222	761,699
Additions	-	-	1,418	-	13	-	-	-	-	10	-	-	47,526	48,967
Write-offs	-	(276)	(3,627)	(2)	-	(18)	(474)	(58)	(655)	(357)	-	-	-	(5,467)
Transfers	1,157	6,368	121,732	657	454	10,460	473	-	728	731	-	-	(142,760)	-
Foreign exchange variation	-	-	-	-	-	-	-	-	-	-	-	-	844	844
Balances at December 31, 2015	6,561	88,111	327,327	30,713	27,322	240,610	23,674	1,718	18,311	9,699	5,778	13,387	12,832	806,043
Additions	-	-	-	-	-	-	-	-	-	-	-	-	7,240	7,240
Write-offs	(20)	(140)	(1,954)	-	-	(494)	(66)	-	(14)	-	-	-	-	(2,688)
Transfers	-	240	8,212	146	542	2,766	-	-	45	120	-	-	(12,071)	-
Foreign exchange variation	-	-	-	-	-	-	-	-	-	-	-	-	(189)	(189)
Balances at June 30, 2016	6,541	88,211	333,585	30,859	27,864	242,882	23,608	1,718	18,342	9,819	5,778	13,387	7,812	810,406
Average depreciation rates	-	4%	8.6%	28.4%	15%	10%	20%	26.8%	10%	20%	2.9%	5.3%	-	-
Accumulated depreciation														
Balances at January 1, 2015	-	(49,168)	(110,751)	(23,546)	(22,338)	(170,197)	(19,907)	(1,604)	(9,975)	(6,708)	(1,550)	(4,271)	-	(420,015)
Additions	-	(1,824)	(9,604)	(4,265)	(2,137)	(14,354)	(1,467)	(124)	(1,256)	(886)	(231)	(812)	-	(36,960)
Write-offs	-	11	3,617	2	-	16	296	58	622	357	-	-	-	4,979
Transfers	-	-	1	-	-	3	-	-	(4)	-	-	-	-	-
Balances at December 31, 2015	-	(50,981)	(116,737)	(27,809)	(24,475)	(184,532)	(21,078)	(1,670)	(10,613)	(7,237)	(1,781)	(5,083)	-	(451,996)
Additions	-	(1,102)	(6,019)	(1,212)	(844)	(7,035)	(453)	(39)	(577)	(453)	(132)	(411)	-	(18,277)
Write-offs	-	172	1	-	-	309	66	-	3	-	-	-	-	551
Balances at June 30, 2016	-	(51,911)	(122,755)	(29,021)	(25,319)	(191,258)	(21,465)	(1,709)	(11,187)	(7,690)	(1,913)	(5,494)	-	(469,722)
Net book value														
At January 1, 2015	5,404	32,851	97,053	6,512	4,517	59,971	3,768	172	8,263	2,607	4,228	9,116	107,222	341,684
At December 31, 2015	6,561	37,130	210,590	2,904	2,847	56,078	2,596	48	7,698	2,462	3,997	8,304	12,832	354,047
At June 30, 2016	6,541	36,300	210,830	1,838	2,545	51,624	2,143	9	7,155	2,129	3,865	7,893	7,812	340,684

Due to legal proceedings, subsidiary SAMA gave in warranty PP&E items (machinery and equipment) in the net book value of R\$354 (R\$567 at December 31, 2015).

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

12. Intangible assets

Company	Software	Software in progress	Other	Total
Cost				
Balance at January 1, 2015	11,119	1,700	11	12,830
Additions	-	1,931	-	1,931
Transfer	1,938	(1,938)	-	-
Balance at December 31, 2015	13,057	1,693	11	14,761
Additions	-	255	-	255
Transfer	1,595	(1,595)	-	-
Balances at June 30, 2016	14,652	353	11	15,016
<u>Useful life (in years)</u>	5	-	-	-
Amortization				
Balance at January 1, 2015	(6,393)	-	-	(6,393)
Additions	(1,418)	-	-	(1,418)
Balance at December 31, 2015	(7,811)	-	-	(7,811)
Additions	(800)	-	-	(800)
Balance at June 30, 2016	(8,611)	-	-	(8,611)
<u>Net book value</u>				
Balance at January 1, 2015	4,726	1,700	11	6,437
Balance at December 31, 2015	5,246	1,693	11	6,950
Balance at June 30, 2016	6,041	353	11	6,405

Consolidated	Software	Goodwill	Trademarks and patents	Software in progress	Other	Total
Cost						
Balance at January 1, 2015	19,167	19,995	1,416	1,700	75	42,353
Additions	424	-	-	3,077	-	3,501
Write-off	(37)	-	-	-	-	(37)
Transfers	3,084	-	-	(3,084)	-	-
Balance at December 31, 2015	22,638	19,995	1,416	1,693	75	45,817
Additions	-	-	-	297	-	297
Write-offs	-	-	-	-	(47)	(47)
Transfers	1,638	-	-	(1,638)	-	-
Balance at June 30, 2016	24,276	19,995	1,416	352	28	46,067
<u>Useful life (in years)</u>	5	-	-	-	-	-
Amortization						
Balance at January 1, 2015	(11,730)	-	-	-	(1)	(11,731)
Additions	(2,441)	-	-	-	-	(2,441)
Write-offs	2	-	-	-	-	2
Balance at December 31, 2015	(14,169)	-	-	-	(1)	(14,170)
Additions	(1,349)	-	-	-	-	(1,349)
Write-offs	-	-	-	-	-	-
Balance at June 30, 2016	(15,518)	-	-	-	(1)	(15,519)
<u>Net book value</u>						
Balance at January 1, 2015	7,437	19,995	1,416	1,700	74	30,622
Balance at December 31, 2015	8,469	19,995	1,416	1,693	74	31,647
Balance at June 30, 2016	8,758	19,995	1,416	352	27	30,548

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

13. Trade accounts payable

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Domestic market	18,132	21,244	32,117	36,318
Foreign market	7,044	2,678	7,972	5,102
	25,176	23,922	40,089	41,420

14. Loans and financing

In the six-month period ended June 30, 2016, the Group capitalized borrowing costs that were directly attributable to the acquisition of qualifying assets, totaling R\$189 (R\$13,959 in 2015). The average effective interest rate to determine the amount of borrowing costs subject to capitalization was 3.85% (2.26% in 2015).

	Interest rate and commissions %	Company		Consolidated	
		06/30/2016	12/31/2015	06/30/2016	12/31/2015
Current:					
Domestic currency for acquisition of machinery and equipment	From 1.14% to 10% p.a. + TJLP	1,531	1,610	3,080	5,105
Foreign currency for acquisition of machinery and equipment	From 0.66% to 2.91% p.a.	4,680	3,151	13,963	14,979
Foreign currency for acquisition of raw material	From 1.91% to 2.65% p.a.	3,172	1,566	3,173	1,566
Domestic currency (finance lease) for acquisition of vehicle and IT equipment	1.23% p.a.	-	-	77	251
Domestic currency for working capital	From 7.06% to 8.24% fixed, and 116% to 123.9% of CDI	-	-	46,350	68,406
Foreign currency for working capital (Advances on Export Contracts - ACE)	Average of 2.8% p.a.	-	-	14,060	-
Total current		9,383	6,327	80,703	90,307

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
June 30, 2016
(In thousands of reais - R\$, unless otherwise stated)

14. Loans and financing (Continued)

	Interest rate and commissions %	Company		Consolidated	
		06/30/2016	12/31/2015	06/30/2016	12/31/2015
Noncurrent:					
Domestic currency for acquisition of machinery and equipment	From 1.14% to 10% p.a. + TJLP	2,118	2,763	2,967	4,207
Foreign currency for acquisition of machinery and equipment	From 0.66% to 2.91% p.a.	4,016	5,274	22,570	36,245
Foreign currency for acquisition of raw material	From 1.91% to 2.65% p.a.	3,482	8,257	3,482	8,257
Domestic currency (finance lease) for acquisition of vehicle and IT equipment	1.23% p.a.	-	-	18	-
Domestic currency for working capital	From 7.06% to 8.24% fixed, and 116% to 123.9% of CDI	-	-	36,493	28,245
Total noncurrent		9,616	16,294	65,530	76,954
		18,999	22,621	146,233	167,261

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Noncurrent payment flow:				
From July 2017 onwards	7,048	10,984	16,755	24,408
2018	2,565	5,231	14,952	19,967
2019	3	79	4,088	9,565
From 2020 to 2027	-	-	29,735	23,014
	9,616	16,294	65,530	76,954

The Group has loan agreements with non-financial covenants with which it was compliant as of June 30, 2016. Guarantees, if any, are disclosed in Note 29.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

15. Personnel expenses

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
13 th monthly salary	3,174	-	5,383	-
Vacation pay	8,611	9,297	14,847	15,726
Profit sharing (a)	1,664	2,821	3,699	7,120
Unemployment Compensation Fund (FGTS)	390	622	657	1,056
Social Security Tax (INSS)	1,888	2,115	3,228	3,352
Other	11	3	230	468
	15,738	14,858	28,044	27,722

(a) The Group grants profit sharing to its employees, which is calculated in accordance with the agreement entered into by Group companies with the Labor Union. Profit sharing expenses recorded are as follows:

	Profit sharing	
	06/30/2016	06/30/2015
Company	109	1,930
Consolidated	1,455	3,726

16. Taxes, charges and contributions payable

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Current:				
Income taxes				
Corporate Income Tax (IRPJ)	-	-	549	1,188
Social Contribution Tax on Net Profit (CSLL)	-	-	207	698
Other taxes				
State Value Added Tax (ICMS)	6,005	5,176	9,012	7,989
Federal Value Added Tax (IPI)	2,219	2,227	2,528	2,538
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	1,265	1,175	2,471	2,444
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	261	241	504	508
Withholding Income Tax (IRRF)	243	1,708	859	2,504
Tax on Financial Transactions (IOF)	26	12	70	28
Mineral resource offsetting financial contribution	-	-	1,104	1,423
Other	150	158	446	547
	10,169	10,697	17,750	19,867
Noncurrent:				
State Value-Added Tax (ICMS) (*)	1,700	6,477	5,354	8,969

(*) ICMS deriving from tax incentive programs PRODUIZIR and DESENVOLVE in the Company; FOMENTAR in subsidiary Precon; FUNDOPEM and PRODUIZIR in subsidiary Tégula; and INCENTIVO (tax incentive) of 7% and 90%, respectively, in subsidiary Eternit da Amazônia.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
 June 30, 2016
 (In thousands of reais - R\$, unless otherwise stated)

17. Provision for post-employment benefits

I) Future health benefits

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

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

	<u>12/31/2015</u>
Actual actuarial annual interest rate	7.27%
Actual annual medical cost increase rate	3.80%
Annual projected inflation rate	6.49%
General mortality table	AT-2000

b) *Liability from post-employment benefit plan*

	<u>Company</u>		<u>Consolidated</u>	
	<u>06/30/2016</u>	<u>12/31/2015</u>	<u>06/30/2016</u>	<u>12/31/2015</u>
Current liabilities	2,754	2,749	4,894	4,890
Noncurrent liabilities	32,727	31,839	45,154	44,437
	35,481	34,588	50,048	49,327

c) *Net expense with the benefit in 2016 (posted to P&L)*

	<u>Company</u>		<u>Consolidated</u>	
	<u>06/30/2016</u>	<u>06/30/2015</u>	<u>06/30/2016</u>	<u>06/30/2015</u>
Current service and interest cost	2,267	1,965	3,167	2,946
Benefits paid	(1,375)	(1,256)	(2,445)	(1,839)
Net expense with the benefit	892	709	722	1,107

II) Supplementary private pension plan

The Group has an open-ended supplementary private pension plan with a duly authorized private pension entity. The plan is for defined contributions and deductible for income tax purposes (PGBL) and offered to all employees and officers. No additions to the provision recorded at June 30, 2016 are required.

In the six-month periods ended June 30, 2016 and 2015, the Group and its participants made contributions to fund benefit plans as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>06/30/2016</u>	<u>06/30/2015</u>	<u>06/30/2016</u>	<u>06/30/2015</u>
Contributions made in the periods ended:	604	713	1,719	2,118

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

18. Equity

a) Capital

At June 30, 2016 and December 31, 2015, the Company's fully subscribed for and paid-up capital amounted to R\$334,251 and was represented by 179,000,000 common registered book-entry shares, with no par value, with the right to vote in Annual General Meeting deliberations, held as follows:

Shareholding structure	06/30/2016		12/31/2015	
	Shareholders	Shares	Shareholders	Shares
Individuals	10,035	7,705,723	10,753	126,183,006
Legal entities	85	3,343,705	92	3,213,774
Residents abroad	83	3,816,064	91	14,323,451
Clubs, funds and foundations	70	4,075,776	88	35,221,037
	10,273	8,941,268	11,024	178,941,268
Treasury stock	1	58,732	1	58,732
	10,274	9,000,000	11,025	179,000,000

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

b) Treasury shares

At June 30, 2016, market value of treasury shares was R\$89 (R\$123 as of December 31, 2015).

c) Earnings (loss) per share

The following table reconciles net income (loss) to amounts used to calculate basic and diluted earnings (loss) per share.

	06/30/2016	06/30/2015
Dilutive effect		
(-) Net income/loss for the periods attributable to non-controlling interests	(736)	36,944
Weighted average number of outstanding common shares, less the average of treasury common shares	178,941	178,941
(-) Basic and diluted earnings/loss per share - R\$	(0.004)	0.206

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

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

18. Equity (Continued)

d) Retained earnings

During the quarters, the Company does not allocate total profit. Total profit is allocated at year end.

e) Dividends and interest on equity

Dividends and IOE outstanding balance as of June 30, 2016 represents:

	Company and Consolidated	
	06/30/2016	12/31/2015
Interest on equity (IOE)	-	7,118
Prior year's amounts	542	416
	542	7,534

19. Government grants

Tégula - Investment grant - Goiás Industrial Development Program - Produzir

Tégula Soluções para Telhados has a tax benefit to reduce 73% of ICMS calculated on sales of goods produced in the unit established in the city of Anápolis, Goiás state. Tégula used R\$6,894 of the amount contracted, remaining a balance of R\$16 to be used until the expiration of the benefit contract on 12/31/2020.

For the six-month period ended June 30, 2016, this benefit totaled R\$230 (R\$881 at December 31, 2015). The benefit is treated as investment grant, since conceptually the Company benefits itself through reduction, refund or exemption of taxes due, and it is intended to expand the Company's activity.

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

Precon Goiás Industrial Ltda. has a tax benefit to reduce 70% of ICMS calculated on sales of goods produced in the unit established in the city of Anápolis, Goiás state. Precon used R\$24,879 of the amount contracted, remaining a balance of R\$16,790 to be used until the expiration of the benefit contract on 12/31/2020.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

19. Government grants (Continued)

Eternit - Investment grant - Goiás Industrial Development Program - Produzir

Eternit S/A has a tax benefit to reduce 73% of ICMS calculated on sales of goods produced in the unit established in the city of Goiânia, Goiás state. The Company used R\$27,686 of the amount contracted, remaining a balance of R\$33,295 to be used until the expiration of the benefit contract on 12/31/2020.

For the six-month period ended June 30, 2016, this benefit totaled R\$4,626 (R\$4,008 at December 31, 2015). The benefit is treated as investment grant, since conceptually the Company benefits itself through reduction, refund or exemption of taxes due, and it is intended to expand the Company's activity.

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

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

The history of laws and granting of tax benefit related to each program mentioned herein were disclosed by management in this interim financial information.

20. Income and social contributions taxes

a) Reconciliation of income and social contribution tax expense with statutory amounts

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

	Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Income (loss) before income and social contribution taxes	(2,170)	34,175	7,108	58,211
Nominal rate	34%	34%	34%	34%
Income and social contribution taxes at statutory rates	738	(11,620)	(2,417)	(19,792)
Effect of income and social contribution taxes on permanent differences:				
Equity pickup	2,318	11,027	(4,124)	(4,152)
Interest on equity (IOE)	(1,443)	3,673	(1,443)	4,746
Donations and gifts	(27)	(63)	(386)	(370)
Nondeductible taxes and fines	(42)	(17)	(90)	(29)
Tax incentive	-	-	37	85
Other temporary (additions) exclusions, net	(110)	(231)	578	(1,755)
Income and social contribution taxes on P&L	1,434	2,769	(7,845)	(21,267)
Effective rate	-66.1%	8%	-110.3%	-37%

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
 June 30, 2016
 (In thousands of reais - R\$, unless otherwise stated)

20. Income and social contribution taxes (Continued)

b) Breakdown of deferred income and social contribution taxes

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

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

	Company		Consolidated	
Balance at January 1, 2015	24,750		53,299	
Setup of temporary differences	8,121		75,949	
Reversal of temporary differences	(6,524)		(70,078)	
Setup on tax loss	7,917		7,917	
Reversal on tax loss	-		(3,264)	
Balance at December 31, 2015	34,264		63,823	
Setup of temporary differences	4,690		39,119	
Reversal of temporary differences	(5,102)		(39,005)	
Reversal on tax loss	1,846		1,846	
Balance at June 30, 2016	35,698		65,783	

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Income and social contribution tax losses	14,872	13,026	21,278	19,432
Post-employment benefits	12,062	11,760	17,015	18,224
Provision for tax, civil and labor risks	6,233	7,702	16,899	17,841
Unrealized income in inventories	-	-	3,193	3,289
Allowance for doubtful accounts	1,530	1,321	2,998	2,699
Provision for profit sharing	566	959	1,248	2,398
Provision for losses on PP&E	-	1,271	-	1,271
Unshipped products	-	-	1,838	1,470
Other provisions	435	(1,775)	1,314	(2,801)
	35,698	34,264	65,783	63,823

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:

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
June 30, 2016
(In thousands of reais - R\$, unless otherwise stated)

20. Income and social contribution taxes (Continued)

i. Income and social contribution tax losses (Continued)

	<u>Company</u>	<u>Consolidated</u>
	<u>06/30/2016</u>	<u>06/30/2016</u>
July 2016	335	654
2017	746	1,140
2018	1,277	1,745
2019	1,526	2,091
From 2020 to 2025	10,988	15,648
	<u>14,872</u>	<u>21,278</u>

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.

As of June 30, 2016, subsidiary Tégula had accumulated income tax loss of R\$53,694 and social contribution tax loss of R\$53,845, for which deferred taxes were not recorded, since up to June 30, 2016 there were no future taxable profit projections confirming realization thereof.

ii. Temporary differences

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

	<u>Company</u>	<u>Consolidated</u>
	<u>06/30/2016</u>	<u>06/30/2016</u>
July 2016	5,533	10,747
2017	1,699	8,826
2018	1,699	2,513
2019	1,699	4,206
From 2020 to 2025	10,196	18,212
	<u>20,826</u>	<u>44,504</u>

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

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

21. Provision for tax, civil and labor risks

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

Group management understands that the provision for contingencies is sufficient to cover any losses from legal proceedings and represents the best estimate of the probable future disbursement of the Company, based on information available up to the authorization date of this interim financial information, impacts of which may be reliably measured as follows:

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Labor claims (i)	37,761	39,177	47,421	48,581
Civil claims	-	-	5,856	4,918
Tax claims (ii)	8,437	7,919	31,576	30,782
	46,198	47,096	84,853	84,281

Changes in provision for tax, civil and labor risks are as follows:

	Company		
	Provisions for labor claims	Provisions for tax proceedings	Total
Balance at January 1, 2015	20,258	5,968	26,226
Additions	23,466	1,956	25,422
Payments	(843)	-	(843)
Write-offs	(1,892)	-	(1,892)
Reversals	(1,812)	(5)	(1,817)
Balance at December 31, 2015	39,177	7,919	47,096
Additions	886	518	1,404
Payments	(2,078)	-	(2,078)
Reversals	(224)	-	(224)
Balance at June 30, 2016	37,761	8,437	46,198

	Consolidated			
	Provisions for labor claims	Provisions for civil proceedings	Provisions for tax proceedings	Total
Balance at January 1, 2015	29,225	4,930	25,394	59,549
Additions	23,904	-	5,394	29,298
Payments	(843)	-	-	(843)
Write-offs	(1,892)	-	-	(1,892)
Reversals	(1,813)	(12)	(6)	(1,831)
Balance at December 31, 2015	48,581	4,918	30,782	84,281
Additions	1,585	938	794	3,317
Payments	(2,297)	-	-	(2,297)
Reversals	(448)	-	-	(448)
Balance at June 30, 2016	47,421	5,856	31,576	84,853

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

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

- i) Significant provisions related to labor claims include
 - a) Damages including pain and suffering, property damage and labor claims brought by former employees claiming (i) overtime (ii) night shift pay, (iii) health and risk exposure premiums; and (iv) severance pay, among others.
 - b) Civil Class Action filed in 2013 with São Paulo Labor Court by São Paulo Labor Prosecution Office against the Company. This action is challenging matters relating to the work environment and occupational health of the manufacturing unit that was shut down in early 1990s. In parallel to this action, other Civil Class Action, forwarded by way of dependence, was filed by ABREA also with the Labor Court, reason why, and by a court order, those actions were unified. The requests aim compensation for collective pain and suffering, individual damage, among others. On March 1, 2016, both actions were rendered partially upheld at the lower court and still await a decision on the appeals filed by the parties. Part of the decision at the lower court was assessed as probable loss by the Company's legal advisors. The provision was set up considering uncertainties surrounding the amount recognized at various means according to the circumstances, which is in line with IAS 37.39 (CPC 25.39), which provides that in measuring a provision that involves a large population of items, the obligation shall be estimated by weighing up all possible outcomes considering their associated probabilities.
- ii) Significant provisions related to tax proceedings include
 - a) Difference in ICMS amounts paid;
 - b) Difference in rates paid for INSS purposes; and
 - c) Difference in the amounts recognized referring to the Financial Compensation for the Exploration of Mineral Resources (CEFEM).
- iii) Proceedings whose likelihood of an unfavorable outcome is assessed as possible

At June 30, 2016, there were civil, tax, administrative and labor claims against the Group, for which legal advisors classified the likelihood of loss as possible, which can be reliably measured, in the consolidated amount of R\$19,526 (R\$19,526 at December 31, 2015), therefore, no provision was recorded for these claims and proceedings.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

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

In addition, the following proceedings were in course against the Group, whose likelihood of loss was assessed as possible by legal advisors, and whose amounts are not measurable up to date:

- a) Civil class actions on environmental and health matters brought by state and federal prosecutors of Bahia state, and a class action with the same objective as the abovementioned civil class actions.
- b) Consumer civil class actions in the State of Rio de Janeiro and another one in the State of Pernambuco, in order to prohibit the sale of products containing chrysotile mineral in those states.
- c) Managerial Wrongdoing suit in which issues related to Financial Compensation for Exploration of Mineral Resources (CFEM) were discussed as well as an annulment action and a tax lien of the same nature.
- d) Civil class action and class action, 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) Part of the decision at the lower court on the proceeding mentioned in item i "b" to this note was assessed as possible loss by the Company's legal advisors.
- f) In 2014, a Civil Class Action was filed by the Labor Prosecution Office against the Company with the Rio de Janeiro Labor Court. This action challenges matters relating to the work environment and occupational health, in addition to indemnification request for collective pain and suffering in the amount of R\$1 billion. In parallel to this action, other Civil Class Action, forwarded by way of dependence, was filed by ABREA with the same Labor Court. Both actions are pending judgment.

The judicial deposits for Provisional Enforcement Guarantees and Appeal Deposits in connection with the provisions for contingencies are classified in a specific account in noncurrent assets.

22. Net operating revenue

	Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Gross sales revenue	325,463	337,448	544,763	617,600
Unconditional discounts and rebates	(878)	(1,378)	(1,016)	(1,694)
Sales taxes	(76,759)	(84,737)	(111,117)	(126,765)
Net operating revenue	247,826	251,333	432,630	489,141

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

23. Information on the nature of expenses

	Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Cost of products and goods sold	(193,057)	(190,318)	(289,374)	(301,795)
Selling expenses	(30,049)	(28,360)	(53,950)	(57,954)
General and administrative expenses	(19,907)	(23,633)	(44,996)	(51,527)
Management compensation	(3,491)	(3,597)	(5,388)	(5,582)
	(246,504)	(245,908)	(393,708)	(416,858)
Raw material used	(123,565)	(123,746)	(189,401)	(205,617)
Personnel expenses and charges	(57,225)	(57,771)	(79,004)	(80,306)
Material, electric energy and services	(23,893)	(21,057)	(30,042)	(24,741)
Third-party services	(10,829)	(12,304)	(26,594)	(29,381)
Depreciation and amortization	(7,329)	(6,586)	(19,626)	(19,343)
Sales commissions	(6,094)	(5,984)	(9,057)	(10,138)
Variable selling expenses	(3,390)	(4,884)	(15,234)	(19,253)
Lease of chattels	(3,451)	(3,279)	(5,590)	(5,053)
Travel expenses	(1,852)	(2,707)	(3,191)	(4,256)
Expenses with materials and IT services	(1,879)	(1,946)	(3,174)	(3,202)
Advertising and publicity	(4,301)	(1,728)	(4,901)	(2,866)
Trade union dues	(778)	(1,483)	(3,235)	(4,969)
Taxes and charges	(412)	(987)	(2,205)	(2,376)
Expense with allowance for doubtful accounts	(798)	(764)	(1,448)	(1,305)
Other	(708)	(682)	(1,006)	(4,052)
	(246,504)	(245,908)	(393,708)	(416,858)

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

24. Other operating income (expenses), net

	Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
<u>Other operating income:</u>				
PP&E disposals	126	782	3,437	857
Reversal of provision for labor risks	-	1,753	-	1,753
Lease	-	-	458	976
Previously unused credit	-	-	2,505	1,327
FI Fund - Private Pension (i)	-	-	-	1,349
ICMS benefit - Estimated Credit	-	-	1,140	-
Other	216	815	1,452	1,714
	342	3,350	8,992	7,976
<u>Other operating expenses:</u>				
Provision for post-employment benefits	(2,267)	(1,965)	(3,167)	(2,946)
Provision for tax, civil and labor risks	(129)	(75)	(351)	(75)
Environmental recovery	-	-	(616)	(534)
Taxes on other sales	(20)	(30)	(290)	(469)
Quality control	(518)	(564)	(657)	(728)
Replacement of defective products	(382)	(193)	(982)	(202)
Expenses with unexpected halts	(698)	-	(1,525)	-
Expenses with labor and civil indemnifications	(4,254)	(293)	(4,283)	(539)
Cost of PP&E disposals	-	(684)	(231)	(740)
FibraPrev - Private Pension Plan	-	-	(4,871)	-
Other	(162)	(76)	(1,882)	(479)
	(8,430)	(3,880)	(18,855)	(6,712)
	(8,088)	(530)	(9,863)	1,264

- (i) Private pension credit offset, Company's contribution, in unnamed fund established upon termination of employees, in accordance with the Company's policies.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

25. Financial income and expenses

	Company		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Financial income:				
Short-term investment yield - including Bank Deposit Certificates (CDB)	164	821	845	2,214
Discounts obtained	160	34	351	49
Interest income	1,462	1,520	2,610	3,043
Monetary gains	588	442	599	465
Foreign exchange gains	13,891	2,726	33,158	34,704
	16,265	5,543	37,563	40,475
Financial expenses:				
Interest on financing	(587)	(187)	(2,645)	(292)
Interest on loan	(2,490)	(1,890)	-	-
Interest expense	(87)	(122)	(4,699)	(1,207)
Bank expenses	(1,078)	(657)	(1,274)	(836)
Discounts granted	(1,503)	(702)	(2,410)	(1,620)
Tax on Financial Transactions (IOF)	(283)	(238)	(385)	(556)
PIS and COFINS - Interest on Equity (IOE)	(530)	(292)	(575)	(292)
Foreign exchange losses	(10,891)	(3,258)	(32,112)	(35,587)
Monetary losses	(917)	(1,163)	(2,900)	(2,969)
Other	(120)	(187)	(384)	(240)
	(18,486)	(8,696)	(47,384)	(43,599)
Financial income (expenses), net	(2,221)	(3,153)	(9,821)	(3,124)

26. Segment reporting

Management defined the operating segments as Fiber Cement, Chrysotile Mineral and Concrete Roof Tiles, as well as the geographic area of operation. Information presented in line "Other" refers to expenses not directly attributable to Fiber Cement, Chrysotile and Concrete Roof Tiles segments, among others.

Operating segments defined by senior management are as follows:

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

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

26. Segment reporting (Continued)

Significant consolidated segment reporting for the period ended June 30, 2016 and year ended December 31, 2015 is as follows:

		06/30/2016		06/30/2016					
		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	263,348	28,615	49,015	10,832	464	(2,244)	(360)	36
	South	55,968	39,334	75,907	16,812	755	(2,598)	(558)	56
	Midwest	91,197	52,698	89,940	21,773	2,747	(2,363)	(661)	66
	North and Northeast	31,126	25,883	49,501	10,939	468	(1,283)	(364)	36
		441,639	146,530	264,363	60,356	4,434	(8,488)	(1,943)	194
Chrysotile Mineral									
	Domestic market	243,523	150,849	55,037	40,882	17,572	(3,055)	(5,178)	(2,339)
	Foreign market	-	-	74,842	32,600	901	(4,445)	(7,041)	(3,182)
		243,523	150,849	129,879	73,482	18,473	(7,500)	(12,219)	(5,521)
Concrete roof tiles	Domestic market	65,124	20,072	22,932	5,050	(3,495)	(1,857)	(737)	(281)
Other (*)	Domestic market	146,157	79,530	15,456	4,368	(12,304)	(1,781)	5,078	(2,237)
Total		896,443	396,981	432,630	143,256	7,108	(19,626)	(9,821)	(7,845)

(*) Including (R\$12,130) of equity pickup of joint venture Companhia Sulamericana de Cerâmica which operates in the ware segment. See Note 9 "Investments".

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

26. Segment reporting (Continued)

		12/31/2015		06/30/2015					
		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	226,850	48,611	45,828	11,260	1,039	1,706	(455)	131
	South	52,191	64,034	71,981	17,510	1,455	2,483	(715)	206
	Midwest	83,936	79,226	100,725	25,992	3,527	1,788	(1,001)	288
	North and Northeast	26,908	42,140	52,053	12,637	1,027	1,044	(517)	150
Chrysotile Mineral		389,885	234,011	270,587	67,399	7,048	7,021	(2,688)	775
	Domestic market	271,088	87,166	72,793	58,376	40,571	3,785	269	(8,847)
	Foreign market	-	-	102,828	50,159	25,007	5,347	380	(12,498)
		271,088	87,166	175,621	108,535	65,578	9,132	649	(21,345)
Concrete roof tiles	Domestic market	71,814	24,133	26,661	8,261	(1,726)	2,494	(1,016)	(551)
Other (*)	Domestic market	200,407	87,768	16,272	3,152	(12,689)	696	(69)	(146)
Total		933,194	433,078	489,141	187,347	58,211	19,343	(3,124)	(21,267)

(*) Including (R\$12,212) of equity pickup of joint venture Companhia Sulamericana de Cerâmica which operates in the ware segment. See Note 9 "Investments".

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

27. Insurance coverage

At June 30, 2016, the insurance taken out by the Group, under the guidance from its insurance advisors, against risks, if any, is as follows. Average maturity of insurance taken out is July 2017.

Type	Insured assets	Insurance amounts
Engineering and operational risks, general civil liability and loss of profits	Buildings, facilities, equipment and other	R\$ 290,400

28. Financial instruments

28.1. Identification and assessment of financial instruments

a) Financial instrument analysis

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

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

Measured at fair value	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
	Level 1	Level 1	Level 1	Level 1
Financial assets				
Cash and cash equivalents	1,049	2,850	2,950	5,578
Short-term investments	6	3,114	2,948	16,734
Accounts receivable - foreign market	-	-	50,141	69,316
	1,055	5,964	56,039	91,628
Measured at amortized cost	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
	Financial liabilities			
Trade accounts payable	25,176	23,922	40,089	41,420
Loans and financing	18,999	22,621	146,233	167,261
	44,175	46,543	186,322	208,681

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

28. Financial instruments (Continued)

28.1. Identification and assessment of financial instruments (Continued)

b) Fair value hierarchy

Over the six-month period ended June 30, 2016, there was no fair value measurement transfer between Level I and Level II, or fair value measurement transfer between Level III and Level II.

28.2. Financial risk management

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

I. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk includes four types of risks for the Group: a) currency risk; b) interest rate risk; c) risk of loss in production due to scarcity in the supply of raw material and inputs; and d) growth-related risks.

a) *Currency risk*

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

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
June 30, 2016
(In thousands of reais - R\$, unless otherwise stated)

28. Financial instruments (Continued)

28.2. Financial risk management (Continued)

I. Market risk (Continued)

a) Currency risk (Continued)

At June 30, 2016, the Group was exposed to a currency other than its functional currency, as follows:

	Consolidated		Quotation at 06/30/2016 (US\$ / € 1.00 = R\$ 1.00)
	06/30/2016	12/31/2015	
Foreign market customers	50,141	69,316	3.2098
Foreign market suppliers	(7,971)	(5,102)	3.2098
Advances on Export Contracts (ACE)	(14,060)	-	3.2098
Financing (USD)	(42,252)	(58,847)	3.2098
Financing (EUR)	(935)	(2,200)	3.5414
Total currency exposure	(15,077)	3,167	

a1) Sensitivity analysis

In order to measure the economic impact of exchange variations on the Group's financial instruments, four scenarios were considered in relation to the exchange rate prevailing at June 30, 2016, as follows:

Balances (foreign currency) - Consolidated	Risk	Rate (*)	Rate depreciation		Rate appreciation	
		Position at 06/30/2016	Scenario I (-50%)	Scenario II (-25%)	Scenario III (+25%)	Scenario IV (+50%)
USD		3.2098	1.6049	2.4074	4.0123	4.8147
Foreign market customers	USD	50,141	25,071	37,606	62,676	75,212
Foreign market suppliers	USD	(7,971)	(3,986)	(5,978)	(9,964)	(11,957)
Advances on Export Contracts (ACE)	USD	(14,060)	(7,031)	(10,545)	(17,575)	(21,091)
Financing	USD	(42,252)	(21,126)	(31,689)	(52,815)	(63,378)
EUR		3.5414	1.7707	2.6561	4.4268	5.3121
Financing	EUR	(935)	(468)	(701)	(1,169)	(1,403)
Total exposure		(15,077)	(7,540)	(11,307)	(18,847)	(22,617)

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

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
June 30, 2016
(In thousands of reais - R\$, unless otherwise stated)

28. Financial instruments (Continued)

28.2. Financial risk management (Continued)

I. Market risk (Continued)

b) *Interest rate risks*

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

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

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

	Company		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Short-term investments (cash equivalents)	312	-	332	115
Short-term investments	6	3,114	2,948	16,734
Total exposure to interest rate	318	3,114	3,280	16,849

Group management periodically assesses its investments and cash equivalents to avoid the risk of loss, considering the instability allowed by the current monetary policy adopted by the Federal Government, as well as the history of increases in the base interest rate of the Brazilian economy in recent months. Accordingly, the Company considers taking out derivative contracts to hedge 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:

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)
 June 30, 2016
 (In thousands of reais - R\$, unless otherwise stated)

28. Financial instruments (Continued)

28.2. Financial risk management (Continued)

I. Market risk (Continued)

b) *Interest rate risks* (Continued)

Short-term investments - Consolidated	Index	Position at 06/30/2016	Probable scenario	Reduction risk		Increase risk		
				Scenario I (-50%)	Scenario II (-25%)	Scenario III (+25%)	Scenario IV (+50%)	
CDI				14.13%	7.07%	10.60%	17.66%	21.20%
Short-term investments (cash equivalents)	CDI	332	379	309	297	391	402	
Short-term investments	CDI	2,948	3,365	2,740	2,636	3,469	3,573	

Loans and financing - consolidated	Index	Position at 06/30/2016	Probable scenario	Reduction risk		Increase risk		
				Scenario I (-50%)	Scenario II (-25%)	Scenario III (+25%)	Scenario IV (+50%)	
CDI				14.13%	7.07%	10.60%	17.66%	21.20%
Loans and financing	CDI	46,194	52,721	42,928	41,297	54,352	55,987	
TJLP				7.50%	3.75%	5.63%	9.38%	11.25%
Loans and financing	TJLP	1,739	1,869	1,674	1,641	1,902	1,935	
SELIC				14.15%	7.08%	10.61%	17.69%	21.23%
Loans and financing	SELIC	540	616	502	483	636	655	

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

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

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

28. Financial instruments (Continued)

28.2. Financial risk management (Continued)

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

The Company has no control over certain raw materials such as cement, limestone, sand and recycled pulp, thus a significant increase in prices arising from scarcity, taxes, restrictions or exchange rate fluctuations, or reduction in payment terms, may substantially impact the production cost and adversely affect the Company's business.

d) *Growth-related risk*

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

II. Credit risk

Accounts receivable

Customer credit risk is managed by the Company 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.

The Company evaluates, periodically, its customer portfolio and for June 30, 2016, no customer individually held significant representativeness compared to total trade accounts receivable and the individual and consolidated net revenue.

Demand deposits and short-term investments

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

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

28. Financial instruments (Continued)

28.2. Financial risk management (Continued)

III. Liquidity risk

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

IV. Capital management

For the six-month period ended June 30, 2016, there were no changes in capital structure objectives, policies or processes as compared with 2015. The Company includes in its net debt structure: loans, financing less cash and cash equivalents.

	Company		Consolidated	
	Leverage		Leverage	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Loans and financing	18,999	22,621	146,233	167,261
(-) Cash and cash equivalents	(1,049)	(2,850)	(2,950)	(5,578)
Net debt	17,950	19,771	143,283	161,683
Equity	499,445	500,098	499,462	500,116
Net debt and equity	481,495	480,327	356,179	338,433

29. Commitments and guarantees

At June 30, 2016, the Group had the following guarantees:

- (i) Bank Guarantee No. 420.126-8 referring to the electric energy purchase and sale agreement entered into by subsidiary SAMA S/A Minerações Associadas and the supply company Tractebel, amounting to R\$4,220, with Banco Safra, maturing on January 2, 2017;
- (ii) Bank Guarantee No. 2.052.898 referring to tax enforcement payment - DNPM (National Department of Mineral Production) entered into by SAMA S/A Minerações Associadas, amounting to R\$1,440, with Banco Bradesco, with indefinite maturity;

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

29. Commitments and guarantees (Continued)

- (iii) Bank Guarantee No. 2.043.852-5 referring to the financing related to Goiás State Development Agency entered into with Eternit S/A, amounting to R\$6,034, with Banco Bradesco, maturing on February 25, 2017;
- (iv) Bank Guarantee No. 2.062.549-P, amounting to R\$40,909, referring to (60%) of the financing entered into between Companhia Sulamericana de Cerâmica and BNB, Banco do Nordeste, for installation of a sanitary ware plant, with Banco Bradesco, maturing on January 25, 2017;
- (v) Concession of PP&E items pledged as guarantee for judicial deposits amounting to R\$354, as mentioned in Note 11;
- (vi) In December 2014, Eternit da Amazônia entered into an agreement amounting to R\$37,384, referring to a Bank Credit Bill (CCB) with Banco da Amazônia for implementing its research and development plant in Manaus. The Group offered as guarantee a property and its respective improvements located in the city and state of Rio de Janeiro, the market value of which is R\$62,500.
- (vii) Guarantee Insurance Policy No. 54-0775-23-4000138 for payments of debts included in the roster of debtors to government - CDAs No. 80.6.15.066685-39 and 80.6.15.068746-00, referring to CSLL and COFINS, in the amount of R\$417, effective from January 29, 2016 to January 29, 2021.
- (viii) Guarantee Insurance Policy No. 16-0775-23-0132155 for payments of debts included in the roster of debtors to government - CDAs Nos. 80.6.15.068893-81, 80.7.15.015565-27 and 80.3.15.001323-50, referring to the annulment action related to the payment of COFINS debt amounting R\$6,350, effective from October 26, 2015 to October 26, 2020.
- (ix) Bank Guarantee No. 2.075.216-5 referring to the financing related to Goiás State Development Agency entered into between Tégula Soluções para Telhados Ltda. and Banco Bradesco, amounting to R\$1,510, maturing on June 27, 2017.

Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

June 30, 2016

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

30. Provision for decommissioning of mine

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

	2016 and 2015	
Discount rate	10% p.a.	
Long-term inflation rate	5% p.a.	
	Consolidated	
Present value of expected cash outlays	06/30/2016	12/31/2015
2032	4,671	4,742
2033	4,009	4,070
2034	2,077	2,109
2035 to 2043	1,671	1,696
Total	12,428	12,617

Considering the agreement entered into under the PAFEM plan, the environmental recovery of the mine will occur between 2032 and 2043.

The expenses recognized for environmental recovery of the mine for the six-month period ended June 30, 2016 totaled R\$616 (R\$534 at June 30, 2015), calculated based on the current production of Chrysotile.

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 06/30/2016 (In Units)		
Shareholder	Ordinary Shares		Total		
	Qty.	%	Qty.	%	
Luiz Barsi Filho	24.610.000	13,75	24.610.000	13,75	
Generation L. Pair Shares Investment Fund	23.947.700	13,38	23.947.700	13,38	
Victor Adler and Controlled	18.676.000	10,43	18.676.000	10,43	
Shares in treasury	58.732	0,03	58.732	0,03	
Others	111.707.568	62,41	111.707.568	62,41	
Total	179.000.000	100,00	179.000.000,00	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 06/30/2015 (In Units)		
Shareholder	Ordinary Shares		Total		
	Qty.	%	Qty.	%	
Generation L. Pair Shares Investment Fund	24.710.000	13,80	24.710.000	13,80	
Luiz Barsi Filho	24.610.000	13,75	24.610.000	13,75	
Victor Adler	12.600.000	7,04	12.600.000	7,04	
Shares in treasury	58.732	0,03	58.732	0,03	
Others	117.021.268	65,38	117.021.268	65,38	
Total	179.000.000	100,00	179.000.000	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 06/30/2016	%	Quantity of ordinary shares (in units) Activity	Quantity of ordinary shares (in units) 06/30/2015	%	
Controller	N/A	-	N/A	N/A	-	
Administrators						
Board of Directors	24.627.102	13,76	-47.964	24.675.066	13,78	
Advisory Council	18.716.000	10,46	18.716.000			
Management	1.794.348	1,00	-431.700	2.226.048	1,24	
Tax Council	724.700	0,40	-34.000	758.700	0,42	
Shares in treasury	58.732	0,03	0	58.732	0,03	
Other shareholders	133.079.118	74,35	-18.202.336	151.281.454	84,52	
Total	179.000.000	100,00	0	179.000.000	100,00	
Current shares	133.079.118	74,35	-18.202.336	151.281.454	84,52	

Independent auditor's review report on interim financial information

The Shareholders, Board of Directors and Officers

Eternit S.A.

São Paulo - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Eternit S.A. ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2016, which comprises the balance sheet as at June 30, 2016 and the related statements of income and of comprehensive income (loss) for the quarter and six-month periods then ended, and statements of changes in equity and of cash flows for the six-month period then ended, including explanatory information.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this financial information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly 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 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). 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 and consolidated interim financial information

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

Emphasis of matter

We draw attention to Note 1 to the individual and consolidated interim financial information, which describes the uncertainty surrounding the Federal Supreme Court of Brazil (STF) judgment of the overall merit of Direct Actions of Unconstitutionality (ADIs) ADI No. 3.357 against State Law No. 11.643/2001 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. 3.937 contesting State Law No. 12.684/2007 of the State of São Paulo, which prohibits the use in that State of products, materials or goods that contain any type of asbestos or amianthus, and of other ADIs related to amianthus. Our conclusion is not qualified in respect of this matter.

We draw also attention to Note 21, item i b) and item iii e) to the individual and consolidated interim financial information, which describes Civil Class Actions filed by the São Paulo Labor Prosecution Office and by ABREA-São Paulo against the Company, wherein matters related to the working environment and occupational diseases are challenged, related to the Company's manufacturing unit that was shut down in the early 1990s, for which partially unfavorable decisions were handed down to the Company by the lower court. The likelihood of loss on part of those actions was assessed as probable by the Company's legal advisors. Accordingly, a provision for loss was recorded for such part. No provision for loss was recorded for the part assessed as possible loss by the Company's legal advisors. Our conclusion is not qualified in respect of this matter.

We draw also attention to Note 21, item iii f) to the individual and consolidated interim financial information, which describes Civil Class Actions filed by the Rio de Janeiro Labor Prosecution Office and by ABREA-Rio de Janeiro against the Company, wherein matters related to the working environment and occupational diseases are challenged, for which no decision has been handed down yet. The likelihood of loss on these actions was assessed as possible by the Company's legal advisors. Accordingly, no provision for loss was recorded in connection with those Civil Class Actions. Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also reviewed the individual and consolidated Statements of Value Added (SVA) for the six-month period ended June 30, 2016, 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 the preparation of the quarterly financial information (ITR), and as supplementary information under the IFRS, whereby no SVA presentation is required. These statements have been submitted 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 are not prepared, in all material respects, in accordance with the accompanying overall individual and consolidated interim financial information.

São Paulo, August 10, 2016.

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

Rita de C. S. de Freitas
Accountant CRC-1SP214160/O-5

ETERNIT S.A.

Corporate Taxpayer ID (C.N.P.J.): 61.092.037/0001-81

Company Registry (NIRE): 35.300.013.344

AUDIT BOARD REPORT

The Audit Board of Eternit S.A. ("Company"), in compliance with the law and with the Bylaws, has examined the separate and consolidated interim financial information of the Company related to the three-month period ended June 30, 2016.

Based on its examination, and also taking into account the unqualified report of the independent auditors EY Auditores Independentes S.S., which has not been restated, as well as the information and clarifications provided during said period, the Audit Board believes the documents are in fair conditions to be submitted to the Board of Directors.

São Paulo, August 10, 2016.

Signed by: André Eduardo Dantas – Coordinator; Pedro Paulo de Souza; Luciano Luiz Barsi;
Vera Lucia Martins Ferreira Nogueira Ferraz - Secretary

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, August 10, 2016.

The Management