

**Eternit S.A.**

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

**Individual and Consolidated Interim  
Financial Information**

**Eternit S.A.**

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

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Information from company / Paid-up capital

Number of shares (Thousands)	Current Quarter 09/30/2016
<b>Paid-in Capital</b>	
Common	179,000
Preferred	0
<b>Total</b>	<b>179,000</b>
<b>Trasury shares</b>	
Common	59
Preferred	0
<b>Total</b>	<b>59</b>

## Individual FSs / Balance Sheet Asset

(Thousands of reais)

Account Code	Account Description	Current financial year 09/30/2016	Current financial year 12/31/2015
1	Total Assets	715,047	726,815
1.01	Current Assets	218,750	233,315
1.01.01	Cash and Cash Equivalents	1,186	2,850
1.01.02	Short-term investments	1,406	3,114
1.01.02.02	Financial Investments Valued at Amortized Cost	1,406	3,114
1.01.02.02.01	Securities held until maturity	1,406	3,114
1.01.03	Accounts receivable	80,948	73,337
1.01.03.01	Clients	80,948	73,337
1.01.04	Inventories	100,890	108,428
1.01.06	Taxes Recoverable	8,734	7,638
1.01.06.01	Current and Recoverable Taxes	8,734	7,638
1.01.07	Prepaid expenses	1,426	3,630
1.01.08	Other Current assets	24,160	34,318
1.01.08.03	Other	24,160	34,318
1.01.08.03.01	Related parties	21,261	30,447
1.01.08.03.02	Other	2,899	3,871
1.02	Non-current asset	496,297	493,500
1.02.01	Long-term assets	105,323	79,971
1.02.01.03	Accounts receivable	1,070	339
1.02.01.03.02	Other Accounts Receivable	1,070	339
1.02.01.06	Deferred Taxes	38,306	34,264
1.02.01.06.01	Differed Income Tax And Social Contribution	38,306	34,264
1.02.01.08	Credits with Related Parties	26,549	9,711
1.02.01.08.02	Credits with Subsidiaries	26,549	9,711
1.02.01.09	Other noncurrent assets	39,398	35,657
1.02.01.09.03	Recoverable taxes	24,279	24,081
1.02.01.09.04	Escrow deposits and tax incentives	15,119	11,576
1.02.02	Investments	232,960	251,659
1.02.02.01	Shareholdings	232,960	251,659
1.02.02.01.02	Shareholding in Subsidiaries	232,960	251,659
1.02.03	Fixed	151,654	154,920
1.02.03.01	Non-current in Operation	144,124	144,465
1.02.03.01.01	Non-current in Operation	147,862	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	7,530	10,455
1.02.04	Intangible	6,360	6,950
1.02.04.01	Intangible	6,360	6,950
1.02.04.01.02	Software	5,576	5,246
1.02.04.01.03	Other intangible assets	784	1,704

## Individual FSs / Balance Sheet Liability

(Thousands of reais)

Account Code	Account Description	Current financial year 09/30/2016	Current financial year 12/31/2015
2	Total Liabilities	715,047	726,815
2.01	Current liabilities	90,767	84,283
2.01.01	Labor and Social Obligations	17,084	14,858
2.01.01.01	Social obligations	2,375	2,740
2.01.01.02	Labor Obligations	14,709	12,118
2.01.02	Trade accounts payable	17,624	23,922
2.01.02.01	National Trade accounts payable	17,624	21,244
2.01.02.02	Foreign Trade accounts payable	-	2,678
2.01.03	Tax obligations	12,096	10,697
2.01.03.01	Federal Taxes Obligations	5,186	5,521
2.01.03.01.02	Other Federal Taxes	5,186	5,521
2.01.03.02	State tax obligations	6,910	5,176
2.01.04	Loans and financing	9,340	6,327
2.01.04.01	Loans and financing	9,340	6,327
2.01.04.01.01	In national currency	1,537	1,610
2.01.04.01.02	In foreign currency	7,803	4,717
2.01.05	Other Obligations	31,869	25,730
2.01.05.01	Liabilities with Related Parties	25,417	12,256
2.01.05.02	Other	6,452	13,474
2.01.05.02.01	Payable dividends and interest on capital	484	7,534
2.01.05.02.04	Other accounts payable	5,968	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	132,113	142,434
2.02.01	Loans and financing	6,685	16,294
2.02.01.01	Loans and financing	6,685	16,294
2.02.01.01.01	In national currency	1,746	2,763
2.02.01.01.02	In foreign currency	4,939	13,531
2.02.02	Other Obligations	45,667	47,205
2.02.02.01	Liabilities with Related Parties	43,230	40,728
2.02.02.02	Other	2,437	6,477
2.02.02.02.03	Taxes, fees and contributions payable	2,437	6,477
2.02.04	Provisions	79,761	78,935
2.02.04.01	Labor and Civil Social Security Tax Provisions	79,761	78,935
2.02.04.01.02	Labor and Social Security Provisions	38,030	39,177
2.02.04.01.04	Civil Provisions	8,559	7,919
2.02.04.01.05	Provision for future benefits to former employees	33,172	31,839
2.03	Net Property	492,167	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	155,689	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	86,779	86,654
2.03.04.09	Treasury shares	(174)	(174)
2.03.05	Accumulated Profits/Losses	(8,056)	-
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
		07/01/2016 to 09/30/2016	financial year 01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	Current financial year 01/01/2015 to 09/30/2015
3.01	Revenue from Sale of Goods and/or Services	126,110	373,936	128,295	379,628
3.02	Cost of Goods and/or Services Sold	(101,874)	(294,931)	(95,613)	(285,931)
3.03	Gross Income	24,236	79,005	32,682	93,697
3.04	Operational Expenses/Revenues	(31,757)	(86,475)	(25,919)	(49,606)
3.04.01	Sale expenses	(16,826)	(46,875)	(14,179)	(42,539)
3.04.02	General and administrative expenses	(12,094)	(35,492)	(15,678)	(42,908)
3.04.04	Other Operational Incomes	51	393	924	4,274
3.04.05	Other Operational Expenses	(2,868)	(11,298)	(1,524)	(5,404)
3.04.06	Result of equity equivalence	(20)	6,797	4,538	36,971
3.05	Result Before Financial Result and Taxes	(7,521)	(7,470)	6,763	44,091
3.06	Financial Results	(2,407)	(4,628)	(5,523)	(8,676)
3.06.01	Financial income	2,051	18,316	12,375	17,918
3.06.02	Financial expenses	(4,458)	(22,944)	(17,898)	(26,594)
3.07	Result Before Income Taxes	(9,928)	(12,098)	1,240	35,415
3.08	Income Tax and Social Contribution on Profit	2,608	4,042	3,493	6,262
3.08.02	Deferred	2,608	4,042	3,493	6,262
3.09	Net result from continued operations	(7,320)	(8,056)	4,733	41,677
3.11	Profit/Loss for the Period	(7,320)	(8,056)	4,733	41,677
3.99	Profit per share - (Reais/Share)				
3.99.01	Basic Profit per Share				
3.99.01.01	ON	(0.041)	(0.045)	0.026	0.233
3.99.02	Diluted Profit per Share				
3.99.02.01	ON	(0.041)	(0.045)	0.026	0.233

Individual FSs / Income Statement per Nature

(Thousands of reais)

<b>Account Code</b>	<b>Account Description</b>	<b>Current quarter 07/01/2016 to 09/30/2016</b>	<b>Accumulated of Current financial year 01/01/2016 to 09/30/2016</b>	<b>Current quarter 07/01/2015 to 09/30/2015</b>	<b>Accumulated of Current financial year 01/01/2015 to 09/30/2015</b>
4.01	Net Income for the Period	(7,320)	(8,056)	4,733	41,677
4.03	Comprehensive Result for the Period	(7,320)	(8,056)	4,733	41,677

## Individual FSs / Cash Flow

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2016 to 09/30/2016	Accumulated of Current financial year 01/01/2015 to 09/30/2015
6.01	Net Cash Operational Activities	30,093	55,621
6.01.01	Cash Generated by Operations	712	18,299
6.01.01.01	Net Income for the Period	(12,098)	35,415
6.01.01.02	Result of equity equivalence	(6,797)	(36,971)
6.01.01.03	Depreciation, amortization and exhaustion	11,058	9,745
6.01.01.04	Result on discharge of fixed assets	(5)	(98)
6.01.01.05	Allowance for doubtful accounts	1,996	1,084
6.01.01.06	Provision for tax, civil, and labor risks	1,571	747
6.01.01.07	Miscellaneous Provisions	814	599
6.01.01.08	Financial charges, monetary and exchange variation	(574)	5,770
6.01.01.09	Short-term investment yield	(38)	(878)
6.01.01.10	Net changes in prepaid expenses	4,785	2,886
6.01.02	Variations in assets e liabilities	29,381	37,322
6.01.02.01	Accounts receivable from clients	(9,607)	(8,325)
6.01.02.02	Receivables from Related parties	(3,233)	(4,974)
6.01.02.03	Inventories	8,062	(33,504)
6.01.02.04	Taxes recoverable	1,745	(991)
6.01.02.05	Judicial deposits	(3,543)	(3,694)
6.01.02.06	Dividends and interest on equity received	36,316	71,093
6.01.02.07	Other assets	(2,326)	(2,660)
6.01.02.08	Trade accounts payable	(6,298)	(730)
6.01.02.09	Payables to related parties	13,158	13,436
6.01.02.10	Taxes, charges and contributions payable	(4,271)	886
6.01.02.11	Provisions and social charges	2,226	6,494
6.01.02.12	Other liabilities	(2,049)	605
6.01.02.13	Interest paid	(799)	(314)
6.02	Net Cash Investing Activities	(20,998)	(31,788)
6.02.01	Intercompany loan receivable	(15,546)	3,932
6.02.02	Amount received on disposal of PP&E items	23	782
6.02.03	Additions to PP&E and intangible assets	(7,219)	(16,100)
6.02.06	Short term investments	(21,200)	(49,800)
6.02.07	Redemption of short term investments	22,944	58,920
6.02.09	Investment Acquisition	-	(29,522)
6.03	Net Cash from Financing Activities	(10,759)	(28,062)
6.03.01	Loans and financing raised	1,962	12,506
6.03.02	Repayment of loans and financing	(5,845)	(3,232)
6.03.03	Intercompany loans	-	4,888
6.03.04	Payment of dividends and interest on equity	(6,876)	(42,224)
6.05	Increase (Decrease) in Cash and Cash Equivalentents	(1,664)	(4,229)
6.05.01	Initial Balance and Cash and Cash Equivalentents	2,850	5,711
6.05.02	Final Balance of Cash and Cash Equivalentents	1,186	1,482



Individual FSs / Changes in Equity - 09/30/2016

(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	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	-	-	125	-	-	125
5.04.08	Dividends Expired	-	-	125	-	-	125
5.05	Total Comprehensive Result	-	-	-	(8,056)	-	(8,056)
5.05.01	Net Income for the Period	-	-	-	(8,056)	-	(8,056)
5.07	Final Balances	334,251	19,286	155,863	(8,056)	(9,177)	492,167

Individual FSs / Changes in Equity - 09/30/2015

(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	-	-	120	(34,714)	-	(34,594)
5.04.06	Dividends	-	-	-	(12,883)	-	(12,883)
5.04.07	Interest on equity	-	-	-	(21,831)	-	(21,831)
5.04.08	Dividends Expired	-	-	120	-	-	120
5.05	Total Comprehensive Result	-	-	-	41,677	-	41,677
5.05.01	Net Income for the Period	-	-	-	41,677	-	41,677
5.07	Final Balances	334,251	19,286	168,865	6,963	(7,491)	521,874

## Individual FSs / Added Value

(Thousands of reais)

Account Code	Account Description	Accumulated of Current	Accumulated of Current
		financial year 01/01/2016 to 09/30/2016	financial year 01/01/2015 to 09/30/2015
7.01	Revenues	492,901	507,200
7.01.01	Sales of goods, products and services	494,789	508,186
7.01.02	Other revenues	109	98
7.01.04	Provision / Reversal of creds. Doubtful Settlement	(1,997)	(1,084)
7.02	Inputs Purchased From Third Parties	(326,206)	(345,236)
7.02.01	Costs Prods., Mercs. and servs. Sold	(218,244)	(240,489)
7.02.02	Materials, energy and services from third parties and others	(102,182)	(97,446)
7.02.03	Loss / Recovery of asset values	(4,417)	(5,096)
7.02.04	Other	(1,363)	(2,205)
7.03	Gross Added Value	166,695	161,964
7.04	Retentions	(11,058)	(9,745)
7.04.01	Depreciation, amortization and exhaustion	(11,058)	(9,745)
7.05	Net added value produced	155,637	152,219
7.06	Added value received in transfer	25,391	58,381
7.06.01	Result of equity equivalence	6,797	36,971
7.06.02	Financial income	18,316	17,918
7.06.03	Other	278	3,492
7.07	Total Added Value To Distribute	181,028	210,600
7.08	Distribution Of Value Added	181,028	210,600
7.08.01	Personal	78,598	78,184
7.08.01.01	Direct compensation	56,267	53,662
7.08.01.02	Benefits	17,364	20,225
7.08.01.03	F.G.T.S.	4,967	4,297
7.08.02	Taxes, fees and contributions	82,411	60,035
7.08.02.01	Federal	53,536	43,146
7.08.02.02	State	27,206	15,456
7.08.02.03	Municipal	1,669	1,433
7.08.03	Remuneration of capital from third parties	28,075	30,704
7.08.03.01	Interest	22,944	25,570
7.08.03.02	Rentals	5,131	5,134
7.08.04	Remuneration of own capital	(8,056)	41,677
7.08.04.01	Interest on equity	-	21,831
7.08.04.02	Dividends	-	12,883
7.08.04.03	Retained Profit/Loss for the Period	(8,056)	6,963

## Consolidated FSs / Balance Sheet Asset

(Thousands of reais)

Account Code	Account Description	Current Financial 09/30/2016	Current Financial 12/31/2015
1	Total Assets	871,703	933,194
1.01	Current Assets	366,829	412,320
1.01.01	Cash and Cash Equivalents	2,592	5,578
1.01.02	Temporary investments	6,279	16,734
1.01.02.02	Financial Investments Valued at Amortized Cost	6,279	16,734
1.01.02.02.01	Securities held until maturity	6,279	16,734
1.01.03	Accounts receivable	158,981	172,342
1.01.03.01	Clients	158,981	172,342
1.01.04	Inventories	167,683	184,383
1.01.06	Taxes Recoverable	14,105	15,083
1.01.06.01	Current and Recoverable Taxes	14,105	15,083
1.01.07	Prepaid expenses	2,132	4,215
1.01.08	Other Current assets	15,057	13,985
1.01.08.01	Non-Current Assets for Sale	1,983	-
1.01.08.03	Other	13,074	13,985
1.01.08.03.01	Related parties	5,119	2,818
1.01.08.03.02	Other	7,955	11,167
1.02	Non-current asset	504,874	520,874
1.02.01	Long-term assets	133,453	110,398
1.02.01.03	Accounts receivable	2,499	2,807
1.02.01.03.02	Other Accounts Receivable	2,499	2,807
1.02.01.06	Deferred Taxes	67,651	63,823
1.02.01.06.01	Differed Income Tax And Social Contribution	67,651	63,823
1.02.01.08	Credits with Related Parties	15,557	-
1.02.01.08.04	Credits with Other Related Parties	15,557	-
1.02.01.09	Other noncurrent assets	47,746	43,768
1.02.01.09.03	Taxes Recoverable	24,724	24,765
1.02.01.09.04	Escrow deposits and tax incentives	23,022	19,003
1.02.02	Investments	5,733	24,782
1.02.02.01	Shareholdings	5,733	24,782
1.02.02.01.01	Shareholding in Affiliates	5,733	24,782
1.02.03	Fixed	335,346	354,047
1.02.03.01	Non-current in Operation	326,763	341,215
1.02.03.01.01	Non-current in Operation	330,501	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	8,583	12,832
1.02.04	Intangible	30,342	31,647
1.02.04.01	Intangible	10,347	11,652
1.02.04.01.02	Software	8,131	8,469
1.02.04.01.03	Other intangible assets	2,216	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 09/30/2016	Current Financial 12/31/2015
2	Total Liabilities	871,703	933,194
2.01	Current liabilities	169,658	205,820
2.01.01	Labor and Social Obligations	30,761	27,722
2.01.01.01	Social obligations	4,172	4,876
2.01.01.02	Labor Obligations	26,589	22,846
2.01.02	Trade accounts payable	32,346	41,420
2.01.02.01	National Trade accounts payable	30,687	36,318
2.01.02.02	Foreign Trade accounts payable	1,659	5,102
2.01.03	Tax obligations	19,578	19,867
2.01.03.01	Federal Taxes Obligations	10,058	11,878
2.01.03.01.01	Payable income tax and social contribution	1,091	1,886
2.01.03.01.02	Other Federal Taxes	8,967	9,992
2.01.03.02	State tax obligations	9,520	7,989
2.01.04	Loans and financing	69,145	90,307
2.01.04.01	Loans and financing	69,145	90,307
2.01.04.01.01	In national currency	29,989	73,762
2.01.04.01.02	In foreign currency	39,156	16,545
2.01.05	Other Obligations	12,934	21,614
2.01.05.02	Other	12,934	21,614
2.01.05.02.01	Payable dividends and interest on capital	484	7,534
2.01.05.02.04	Other accounts payable	12,450	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	209,862	227,258
2.02.01	Loans and financing	57,997	76,954
2.02.01.01	Loans and financing	57,997	76,954
2.02.01.01.01	In national currency	38,985	32,452
2.02.01.01.02	In foreign currency	19,012	44,502
2.02.02	Other Obligations	19,443	21,586
2.02.02.02	Other	19,443	21,586
2.02.02.02.03	Taxes, fees and contributions payable	5,892	8,969
2.02.02.02.04	Reassembling of the mine	13,551	12,617
2.02.04	Provisions	132,422	128,718
2.02.04.01	Labor and Civil Social Security Tax Provisions	132,422	128,718
2.02.04.01.02	Labor and Social Security Provisions	48	48,581
2.02.04.01.04	Civil Provisions	38,908	35,700
2.02.04.01.05	Provision for future benefits to former employees	45,514	44,437
2.03	Consolidated Equity	492,183	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	155,689	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	86,779	86,654
2.03.04.09	Treasury shares	(174)	(174)
2.03.05	Accumulated Profits/Losses	(8,056)	-
2.03.08	Other Comprehensive Results	(9,177)	(9,177)
2.03.09	Participation of non-controlling shareholders	16	18

## Consolidated FSs / Income Statement

(Thousands of reais)

Account Code	Account Description	Current quarter	Accumulated of Current	Current quarter	Accumulated of Current
		07/01/2016 to 09/30/2016	financial year 01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	financial year 01/01/2015 to 09/30/2015
3.01	Revenue from Sale of Goods and/or Services	204,309	636,939	244,986	734,127
3.02	Cost of Goods and/or Services Sold	(140,315)	(429,689)	(144,731)	(446,526)
3.03	Gross Income	63,994	207,250	100,255	287,601
3.04	Operational Expenses/Revenues	(64,134)	(190,461)	(69,666)	(195,677)
3.04.01	Sale expenses	(27,771)	(81,721)	(27,419)	(85,373)
3.04.02	General and administrative expenses	(24,690)	(75,074)	(30,414)	(87,523)
3.04.04	Other Operational Incomes	2,630	11,623	2,564	10,540
3.04.05	Other Operational Expenses	(7,384)	(26,240)	(4,541)	(11,253)
3.04.06	Result of equity equivalence	(6,919)	(19,049)	(9,856)	(22,068)
3.05	Result Before Financial Result and Taxes	(140)	16,789	30,589	91,924
3.06	Financial Results	(5,734)	(15,555)	(15,624)	(18,748)
3.06.01	Financial income	4,540	42,103	69,288	109,763
3.06.02	Financial expenses	(10,274)	(57,658)	(84,912)	(128,511)
3.07	Result Before Income Taxes	(5,874)	1,234	14,965	73,176
3.08	Income Tax and Social Contribution on Profit	(1,447)	(9,292)	(10,231)	(31,498)
3.08.01	Current	(3,314)	(13,120)	(14,645)	(41,799)
3.08.02	Deferred	1,867	3,828	4,414	10,301
3.09	Net result from continued operations	(7,321)	(8,058)	4,734	41,678
3.11	Profit/Loss Consolidated for the Period	(7,321)	(8,058)	4,734	41,678
3.11.01	Assigned to Partners of the Parent Company	(7,320)	(8,056)	4,733	41,677
3.11.02	Assigned to Non-Controlling Partners	(1)	(2)	1	1
3.99	Profit per share - (Reais/Share)				
3.99.01	Basic Profit per Share				
3.99.01.01	ON	(0.041)	(0.045)	0.026	0.233
3.99.02	Diluted Profit per Share				
3.99.02.01	ON	(0.041)	(0.045)	0.026	0.233

Consolidated FSs /Income Statement per Nature

(Thousands of reais)

<b>Account Code</b>	<b>Account Description</b>	<b>Current quarter 07/01/2016 to 09/30/2016</b>	<b>Accumulated of Current financial year 01/01/2016 to 09/30/2016</b>	<b>Current quarter 07/01/2015 to 09/30/2015</b>	<b>Accumulated of Current financial year 01/01/2015 to 09/30/2015</b>
4.01	Net Profit Consolidated for the Period	(7,321)	(8,058)	4,734	41,678
4.03	Consolidated Comprehensive Income for the Period	(7,321)	(8,058)	4,734	41,678
4.03.01	Assigned to Partners of the Parent Company	(7,320)	(8,056)	4,733	41,677
4.03.02	Assigned to Non-Controlling Partners	(1)	(2)	1	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 09/30/2016	year 01/01/2015 to 09/30/2015
6.01	Net Cash Operational Activities	47,602	26,679
6.01.01	Cash Generated by Operations	59,447	140,227
6.01.01.01	Net Income for the Period	1,234	73,176
6.01.01.02	Equity pickup	19,049	22,068
6.01.01.03	Depreciation and amortization and exhaustion	29,297	29,349
6.01.01.04	Gain (loss) on disposal of permanent assets	(3,118)	(126)
6.01.01.05	Allowance for doubtful accounts	3,179	1,712
6.01.01.06	Provision for tax, civil, and labor risks	4,924	3,308
6.01.01.07	Provision for sundry losses	1,930	1,839
6.01.01.08	Financial charges, and monetary and exchange variations	(2,001)	7,653
6.01.01.09	Short term investment yield	(669)	(2,702)
6.01.01.10	Net changes in prepaid expenses	5,622	3,950
6.01.02	Variations in assets e liabilities	(11,845)	(113,548)
6.01.02.01	Accounts receivable from clients	7,816	(19,326)
6.01.02.02	Receivables from related parties	(2,301)	(712)
6.01.02.03	Inventory	16,784	(36,078)
6.01.02.04	Taxes recoverable	6,653	(4,091)
6.01.02.05	Legal deposits	(4,019)	(4,212)
6.01.02.07	Other assets	3	(10,577)
6.01.02.08	Trade accounts payable	(9,074)	(999)
6.01.02.10	Taxes, charges and contributions payable	(10,095)	2,641
6.01.02.11	Provisions and social charges	3,039	7,004
6.01.02.12	Other liabilities	(3,924)	3,824
6.01.02.13	Interest paid	(5,554)	(4,266)
6.01.02.14	Income and social contribution taxes paid	(11,173)	(46,756)
6.02	Net Cash Investing Activities	(12,189)	(37,342)
6.02.01	Intercompany loan receivable	(15,146)	(12,870)
6.02.02	Amount received on disposal of PP&E items	3,376	873
6.02.03	Additions to PP&E and intangible assets	(11,532)	(28,466)
6.02.04	Addition to capitalized exchange variation	-	(13,902)
6.02.06	Short-term investments	(110,588)	(187,936)
6.02.07	Redemption of short-term investments	121,701	204,959
6.03	Net Cash from Financing Activities	(38,399)	2,162
6.03.01	Loans and financing raised	59,442	242,441
6.03.02	Repayment of loans and financing	(90,965)	(198,055)
6.03.04	Payment of dividends and interest on equity	(6,876)	(42,224)
6.05	Increase (Decrease) in Cash and Cash Equivalents	(2,986)	(8,501)
6.05.01	Initial Balance and Cash and Cash Equivalents	5,578	13,367
6.05.02	Final Balance of Cash and Cash Equivalents	2,592	4,866



Consolidated FSs / Changes in Equity - 09/30/2016

(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	-	-	125	-	-	125	-	125	
5.04.08	Dividends Expired	-	-	125	-	-	125	-	125	
5.05	Total Comprehensive Result	-	-	-	(8,056)	-	(8,056)	(2)	(8,058)	
5.05.01	Net Income for the Period	-	-	-	(8,056)	-	(8,056)	(2)	(8,058)	
5.07	Final Balances	334,251	19,286	155,863	(8,056)	(9,177)	492,167	16	492,183	

Consolidated FSs / Changes in Equity - 09/30/2015

(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	-	-	120	(34,714)	-	(34,594)	-	(34,594)	
5.04.06	Dividends	-	-	-	(12,883)	-	(12,883)	-	(12,883)	
5.04.07	Interest on equity	-	-	-	(21,831)	-	(21,831)	-	(21,831)	
5.04.08	Dividends Expired	-	-	120	-	-	120	-	120	
5.05	Total Comprehensive Result	-	-	-	41,677	-	41,677	1	41,678	
5.05.01	Net Income for the Period	-	-	-	41,677	-	41,677	1	41,678	
5.07	Final Balances	334,251	19,286	168,865	6,963	(7,491)	521,874	18	521,892	

## Consolidated FSs / Added Value

(Thousands of reais)

Account Code	Account Description	Accumulated of Current	Accumulated of Current
		financial year 01/01/2016 to 09/30/2016	financial year 01/01/2015 to 09/30/2015
7.01	Revenues	806,495	959,266
7.01.01	Sales of goods, products and services	805,597	923,655
7.01.02	Other revenues	4,077	37,304
7.01.04	Provision / Reversal of creds. Doubtful Settlement	(3,179)	(1,693)
7.02	Inputs Purchased From Third Parties	(462,281)	(571,022)
7.02.01	Costs Prods., Mercs. and servs. Sold	(332,011)	(406,317)
7.02.02	Materials, energy and services from third parties and others	(121,802)	(155,181)
7.02.03	Loss / Recovery of asset values	(5,315)	(5,672)
7.02.04	Other	(3,153)	(3,852)
7.03	Gross Added Value	344,214	388,244
7.04	Retentions	(29,297)	(29,349)
7.04.01	Depreciation, amortization and exhaustion	(29,297)	(29,349)
7.05	Net added value produced	314,917	358,895
7.06	Added value received in transfer	24,500	95,258
7.06.01	Result of equity equivalence	(19,049)	(22,068)
7.06.02	Financial income	42,103	109,763
7.06.03	Other	1,446	7,563
7.07	Total Added Value To Distribute	339,417	454,153
7.08	Distribution Of Value Added	339,417	454,153
7.08.01	Personal	139,078	144,805
7.08.01.01	Direct compensation	95,715	98,443
7.08.01.02	Benefits	34,526	37,602
7.08.01.03	F.G.T.S.	8,837	8,760
7.08.02	Taxes, fees and contributions	130,660	124,366
7.08.02.01	Federal	67,238	87,588
7.08.02.02	State	60,217	34,086
7.08.02.03	Municipal	3,205	2,692
7.08.03	Remuneration of capital from third parties	77,737	143,305
7.08.03.01	Interest	57,657	127,336
7.08.03.02	Rentals	20,080	15,969
7.08.04	Remuneration of own capital	(8,058)	41,677
7.08.04.01	Interest on equity	-	21,831
7.08.04.02	Dividends	-	12,883
7.08.04.03	Retained Profit/Loss for the Period	(8,056)	6,963
7.08.04.04	Part. Not Controller in Retained Earnings	(2)	-



# Eternit

## Eternit maintains its focus on reducing gross debt and closes 3Q16 at R\$127.1 million

**São Paulo, November 10, 2016** – Eternit S.A. (BM&FBovespa: ETER3;), which was founded 76 years ago and is Brazil's leading manufacturer of roofing tiles and a manufacturer of bathroom chinaware, metal fixtures and construction solutions, announces its results for the third quarter of 2016 (3Q16). 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 third quarter of 2015 (3Q15), except where stated otherwise.

### 3Q16

#### Stock Price (10/31/16) ETER3

R\$/share	1.55
US\$/share	0.49

#### Shareholder base (10/31/16)

Total Shares	179,000,000
Free Float	85.84%

#### Market Capitalization - (10/31/16)

R\$277.5 million
US\$87.2 million

#### Shareholder Payments (2016)

R\$0.044 per share
Dividend yield: 2.2%

#### Indicators - (Sep/16)

Book value (R\$/share)	2.75
Price/Book value	0.55
Price/Earnings	N/A

#### Conference Call/Webcast

**November 11, 2016**

**Time:** 2:00 p.m. (Brasília) –  
11:00 a.m. (New York) and  
4:00 p.m. (London)

#### Dial in:

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

From other countries: **+1 786  
924-6977**

Access code: **Eternit**

#### Webcast:

[www.eternit.com.br/ri](http://www.eternit.com.br/ri)

#### IR Contacts

Contact the IR Team:

[ri@eternit.com.br](mailto:ri@eternit.com.br)

For more information, visit:

[www.eternit.com.br/ri](http://www.eternit.com.br/ri)



@Eternit\_RI

The construction materials industry ended the third quarter of 2016 with a weak performance, according to the Brazilian Construction Materials Industry Association (ABRAMAT). During the period, the Company adjusted its operations by reducing its inventory levels to meet market demand, both in chrysotile mining and in the line of finished products, fiber-cement production and concrete roofing tiles.

Chrysotile sales volume in 3Q16 reached 44,300 tons, down 23.3% from 3Q15 due to the contraction of the construction materials sector and the role of chrysotile in the fiber-cement production process for the domestic market. In the foreign market, the main factors were an aggressive pricing policy followed by mining companies in Russia and Kazakhstan and the competitiveness of metal roofing panels in major markets in Asia. In the same period, fiber-cement sales reached 199,600 tons, down 1.3% from 3Q15, whereas concrete roofing tile sales decreased 26.1%, mainly due to industry slowdown, higher unemployment, lower household income and credit restrictions.

Consolidated net revenue amounted to R\$204.3 million in 3Q16, down 16.6% from 3Q15, mainly due to the lower sales volume in mining, especially in exports, with a reduction in USD prices to face competition, as well as the depreciation of the USD against the BRL.

Adjusted EBITDA reached R\$16.4 million in 3Q16, down 67.4% from 3Q15. This decrease is due to contraction in operating margins due to the decline in sales volume, low utilization of operating capacity, and sale of a mix with lower value added, despite the Company's efforts to reduce operating expenses, thus partially offsetting the contraction in adjusted EBITDA.

Consequently, and despite the improved equity pickup and net financial result in 3Q16, Eternit posted net loss of R\$7.3 million.

Capex totaled R\$4.0 million in 3Q16, increasing 166.7% from 3Q15, and was allocated to maintaining and modernizing the Group's industrial facilities.

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

#### Main Indicators

Consolidated - R\$ '000	3 <sup>rd</sup> Quarter			Accum. 9 Months		
	2016	2015	% Chg.	2016	2015	% Chg.
<b>Gross revenues</b>	<b>260,835</b>	<b>306,055</b>	<b>(14.8)</b>	<b>805,597</b>	<b>923,655</b>	<b>(12.8)</b>
<b>Net revenues</b>	<b>204,309</b>	<b>244,986</b>	<b>(16.6)</b>	<b>636,939</b>	<b>734,127</b>	<b>(13.2)</b>
Gross profit	63,994	100,255	(36.2)	207,250	287,601	(27.9)
<i>Gross margin</i>	<i>31%</i>	<i>41%</i>	<i>- 10 p.p.</i>	<i>33%</i>	<i>39%</i>	<i>- 6 p.p.</i>
<b>Operating loss/income (EBIT) <sup>1</sup></b>	<b>(141)</b>	<b>30,589</b>	<b>-</b>	<b>16,789</b>	<b>91,924</b>	<b>(81.7)</b>
<b>Net loss/income</b>	<b>(7,321)</b>	<b>4,734</b>	<b>-</b>	<b>(8,058)</b>	<b>41,678</b>	<b>-</b>
<i>Net margin</i>	<i>-4%</i>	<i>2%</i>	<i>- 6 p.p.</i>	<i>-1%</i>	<i>6%</i>	<i>- 7 p.p.</i>
Loss/Earnings per share - R\$	(0.041)	0.026		(0.045)	0.233	
CAPEX	3,995	1,498	166.7	11,532	28,466	(59.5)
<b>EBITDA <sup>2</sup></b>	<b>9,530</b>	<b>40,595</b>	<b>(76.5)</b>	<b>46,085</b>	<b>121,273</b>	<b>(62.0)</b>
<i>EBITDA Margin</i>	<i>5%</i>	<i>17%</i>	<i>- 12 p.p.</i>	<i>7%</i>	<i>17%</i>	<i>- 10 p.p.</i>
<b>Adjusted EBITDA over equity pickup</b>	<b>16,450</b>	<b>50,451</b>	<b>(67.4)</b>	<b>65,135</b>	<b>143,341</b>	<b>(54.6)</b>
<i>Adjusted EBITDA Margin</i>	<i>8%</i>	<i>21%</i>	<i>- 13 p.p.</i>	<i>10%</i>	<i>20%</i>	<i>- 10 p.p.</i>

<sup>1</sup> Before financial results.

<sup>2</sup> Operating income before interests, taxes, depreciation and amortization

# Eternit

## Economy and Market

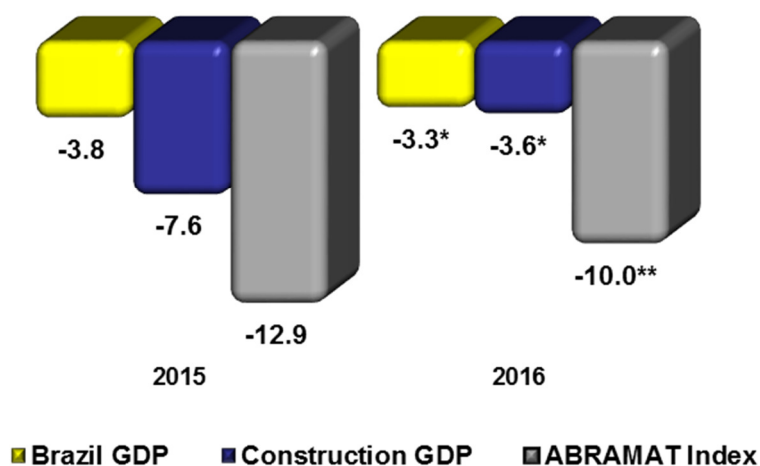
With regard to the domestic scenario in 2016, the Monetary Policy Committee of the Central Bank of Brazil (Copom) is considering a scenario of stable economic activity in the short term and possible gradual recovery over the next quarters, in the backdrop of a high level of economic idleness. Though price indices slid during the quarter ended in August, they registered higher-than-expected inflation in the period. However, the outlook is for a period of deflation over the coming quarters, according to the Central Bank of Brazil (BACEN).

According to this scenario, the projected GDP in 2016 is -3.3% and projected construction GDP is -3.6%, in comparison with 2015, based on the FOCUS market readout of November 4, 2016 and the Inflation Report for September 2016 published by BACEN.

Revenues deflated from sales of construction materials in the first nine months of 2016, as disclosed by the Brazilian Construction Materials Industry Association (ABRAMAT), decreased 11.8% from the same period in 2015, underperforming the last forecast of -10.0% for 2016, mainly due to high unemployment, lower household income and difficulties in obtaining credit.

In comparison, Eternit's<sup>[1]</sup> consolidated gross revenue decrease of 12.9% in 9M16 was lower than industry performance (-11.8%). Note that in 9M16, the Company has been adjusting its operations to lower inventory levels to meet market demand, both in chrysotile mining and its finished products, fiber-cement production and concrete roofing tiles.

### Brazil GDP x Construction GDP x ABRAMAT Index (%)



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

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

<sup>[1]</sup> Growth of Eternit's consolidated gross revenue compares the period from January to September 2016 with the same period in 2015, deflated by the IGP-M index.

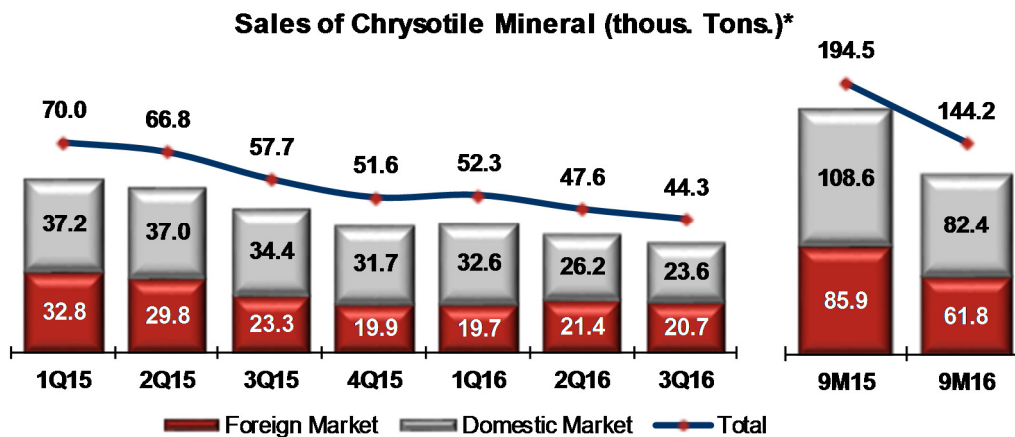
# Eternit

## Operational and Financial Aspects

### Sales

#### Chrysotile mineral

In 3Q16, chrysotile mineral sales reached 44,300 tons, down 23.3% from 3Q15. Also in 3Q16, domestic sales volume dropped 31.4%, due the downturn in the construction materials industry and the role of chrysotile in the fiber-cement production process. The export market contracted by 11.4% due to an aggressive pricing policy followed by mining companies in Russia and Kazakhstan, as well as the competitiveness of metal roofing panel in major Asian markets.

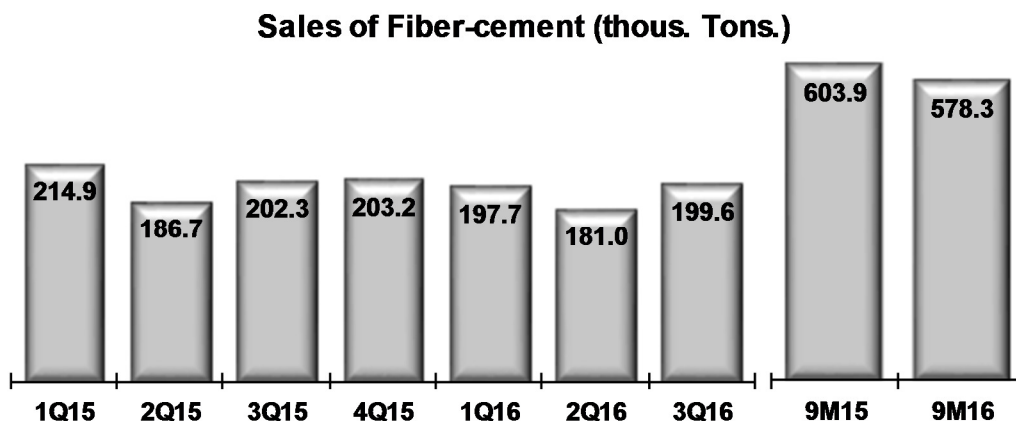


(\*) Chrysotile mineral sales volume includes intercompany sales, which accounted for 47.7% of domestic sales volume in 3Q16.

Sales in 9M16 totaled 144,200 tons, decreasing 25.9% from 9M15, as previously mentioned.

#### Fiber-Cement

Fiber-cement sales totaled 199,600 tons in 3Q16, down 1.3% from 3Q15, mainly due to unemployment, lower income distribution and more difficult and expensive credit for households, all of which affected the retail market for construction materials.



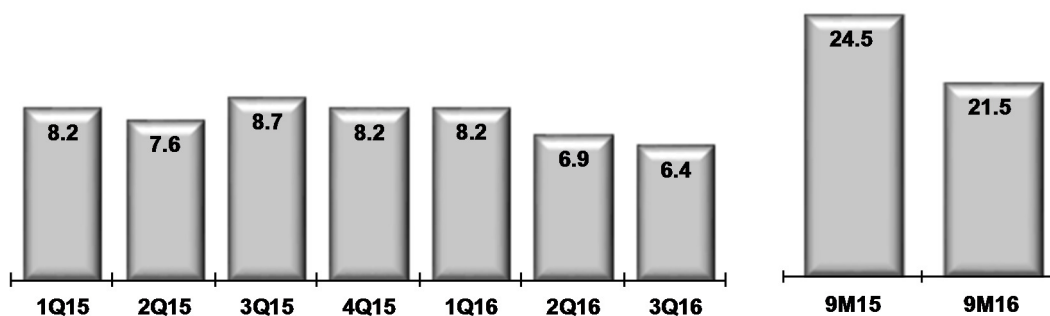
Sales in 9M16 reached 578,300 tons, down 4.2% from 9M15, due to the factors mentioned above.

# Eternit

## Concrete Roofing Tiles

In 3Q16, concrete roofing tiles sales totaled 6.4 million pieces, down 26.1% from 3Q15 due to the postponement of construction by consumers, especially in the medium and high income segment.

**Sales of Concrete Roofing Tiles (million pieces)**

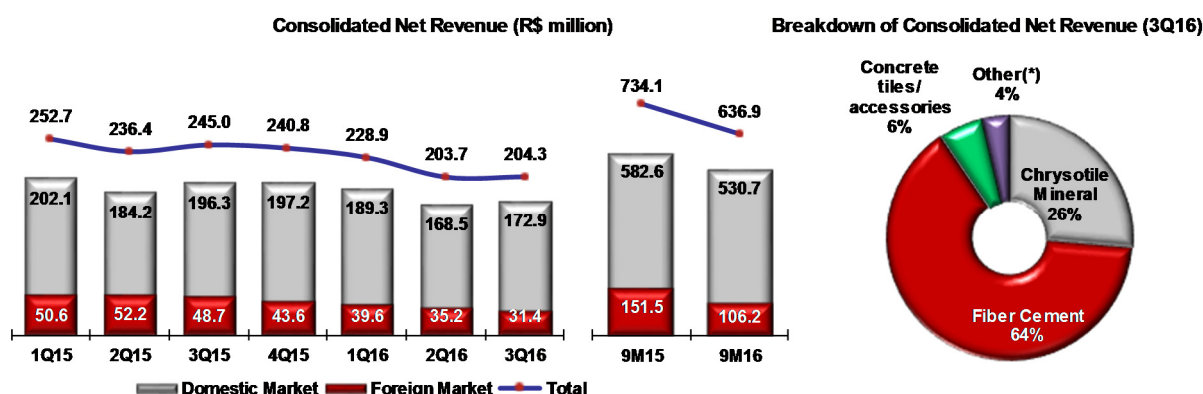


In 9M16, sales volume amounted to 21.6 million tiles, down 12.0% from 9M15, due to the aforementioned factors.

## Consolidated Net Revenue

Consolidated net revenue in 3Q16 was R\$204.3 million, decreasing 16.6% from 3Q15. Domestic revenue amounted to R\$172.9 million, down 11.9%, mainly due to the lower sales volume in mining and concrete roofing tiles, as well as the higher sales of a cheap mix. Net revenue from chrysotile exports fell by 35.5% from 3Q15 to R\$31.4 million, due to lower sales volume and the price reduction in USD to deal with the stiff competition, as well as the 8.3% depreciation of the U.S. dollar against the Brazilian real (average PTAX in the period).

Comparing the performance of the main segments in 3Q16 and 3Q15, net revenue declined by 33.2% in chrysotile mineral, by 6.3% in fiber-cement and by 30.8% in concrete roofing tiles and roofing accessories, to R\$53.8 million, R\$138.6 million and R\$11.6 million, respectively.



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

In 9M16, consolidated net revenue amounted to R\$636.9 million, down 13.2% from the same period in 2015. Exports totaled R\$106.2 million and domestic sales totaled R\$530.7 million, down 29.9% and 8.9%, respectively, due to the aforementioned aspects.

## Cost of goods sold

Consolidated cost of goods sold totaled R\$140.3 million in 3Q16, down 3.1% from 3Q15, mainly due to the lower volume sold, which was partially offset by cost pressures resulting from inflation and lower utilization of installed capacity. As a result, in addition to the impacts of lower net revenue due to the decrease in volumes



# Eternit

and the exchange effect on exports, gross margin stood at 31% in the quarter, down 10 percentage points between the periods.

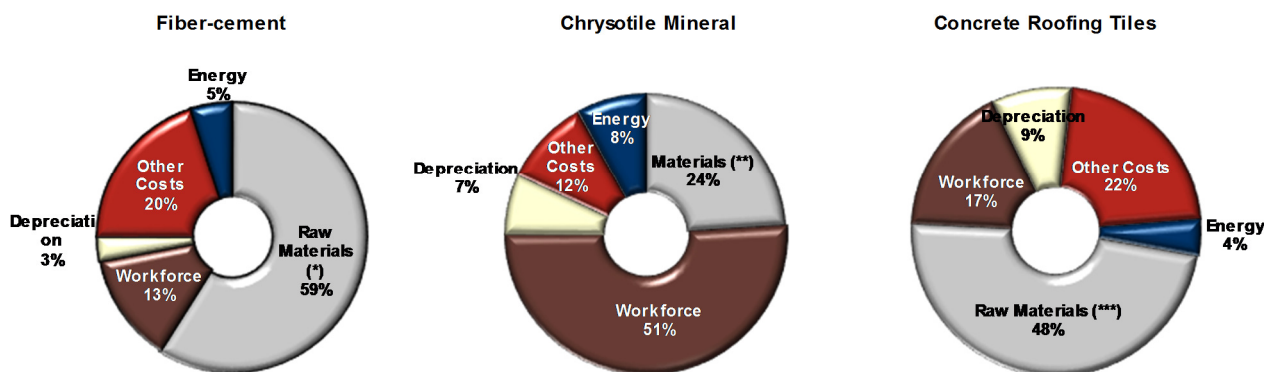
The main variations in the operating segments, in addition to those caused by lower sales volume, were:

**Chrysotile mineral:** decrease of 10.8%, mainly due to the adjustment in capacity utilization to balance inventory levels.

**Fiber-cement:** increase of 5.1%, mainly due to the increase in raw material and labor prices as a result of a change in the mix to meet demand in some states.

**Concrete roofing tiles:** decrease of 30.9%, mainly due to lower raw material costs and lower utilization of installed capacity.

## Breakdown of Cost (3Q16)



\*Raw materials: cement (36%), chrysotile mineral (36%) and other (28%).

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

\*\*\*Raw materials: cement (55%), sand (30%) and other (15%).

In 9M16, consolidated cost of goods sold totaled R\$429.7 million, down 3.8% from 2015, in line with the aspects mentioned above. Consequently, gross margin declined 6 percentage points from the same period in 2015, closing the period at 33%.

## Operating Expenses

Total operating expenses in 3Q16 decreased 4.3% from 3Q15, due to the following main variations:

**Selling expenses:** up 1.3% due to higher expenses with marketing campaigns, offsetting the lower expenses with sales commissions on account of lower sales volume.

**General and administrative expenses:** Down 18.8% due to lower payroll expenses resulting from the administrative restructuring, as well as costs with defending the use of chrysotile.

**Other operating (expenses) income:** variation resulting from the cost of idleness at the industrial plants to adjust demand to market supply, the structure of which was subsequently adjusted.

In R\$ '000	3 <sup>rd</sup> Quarter			Accum. 9 Months		
	2016	2015	Chg. %	2016	2015	Chg. %
Selling expenses	(27,771)	(27,419)	1.3	(81,721)	(85,373)	(4.3)
General and administrative expenses	(24,690)	(30,414)	(18.8)	(75,074)	(87,523)	(14.2)
Other operating revenues (expenses), net	(4,754)	(1,977)	140.4	(14,617)	(713)	1,948.9
<b>Total operating expenses</b>	<b>(57,215)</b>	<b>(59,810)</b>	<b>(4.3)</b>	<b>(171,412)</b>	<b>(173,609)</b>	<b>(1.3)</b>
<i>Percentage of net revenue</i>	<i>28%</i>	<i>24%</i>	<i>4 p.p.</i>	<i>27%</i>	<i>24%</i>	<i>3 p.p.</i>

Operating expenses in 9M16 totaled R\$171.4 million, down 1.3% from 9M15, in line with the aforementioned aspects.



# Eternit

## Equity pickup

Equity pickup refers to the gain or loss from the bathroom chinaware plant in the state of Ceará, the joint venture Companhia Sulamericana de Cerâmica (CSC). In 3Q16, equity pickup was a negative R\$6.9 million, compared to a negative R\$9.9 million in 3Q15. Despite remaining negative, this improvement reflects the industrial progress of the site, with continuous improvement in productivity indicators and availability of an appropriate mix for sale, though the result is still affected by the economic scenario faced by clients, who consume mostly items of low value added.

In 9M16, equity pickup was a negative R\$19.0 million, compared to a negative R\$22.1 million in 9M15, due to the aforementioned aspects.

## Net Financial Result

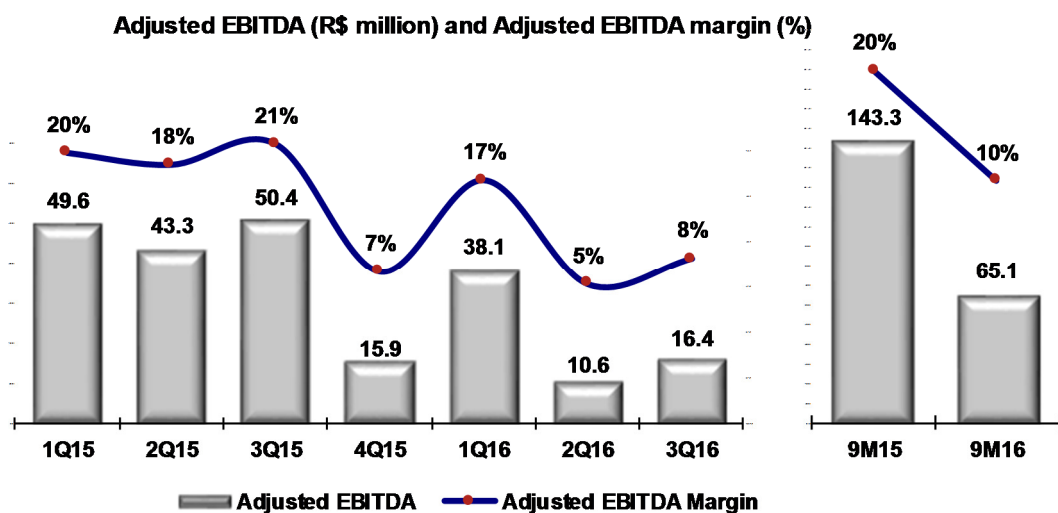
Net financial result in 3Q16 was an expense of R\$5.7 million, down 63.3% from 3Q15. This decrease is due to the lower exposure to interest rate as a result of the reduction in debt and lower returns on investments caused by the decrease in cash available, as well as the lower impact of exchange variation due to the Company's policy of non-exposure to foreign currency both in receivables and payables.

In R\$ '000	3 <sup>rd</sup> Quarter			Accum. 9 Months		
	2016	2015	Chg. %	2016	2015	Chg. %
Financial expenses	(10,274)	(84,912)	(87.9)	(57,658)	(128,511)	(55.1)
Financial income	4,540	69,288	(93.4)	42,103	109,763	(61.6)
<b>Net financial result</b>	<b>(5,734)</b>	<b>(15,624)</b>	<b>(63.3)</b>	<b>(15,555)</b>	<b>(18,748)</b>	<b>(17.0)</b>

Net financial result in 9M16 was an expense of R\$15.6 million, compared to an expense of R\$18.7 million in 2015, as commented above.

## Adjusted EBITDA

Adjusted EBITDA in 3Q16 reached R\$16.4 million, down 67.4% from 3Q15 due to sales volume contraction, low utilization of operating capacity, and lower operating margins, due to the sale of a product mix with lower value added, as well as a decrease in operating expenses, which partially offset the aforementioned aspects. As a result, adjusted EBITDA margin declined 13 percentage points from 3Q15 to end 3Q16 at 8%.



In 9M16, adjusted EBITDA totaled R\$ 65.1 million, down 54.6%, with EBITDA margin of 10%, down 10 percentage points from 9M15, as a result of the aspects mentioned earlier.

# Eternit

Reconciliation of consolidated EBITDA - (R\$'000)	3 <sup>rd</sup> Quarter			Accum. 9 Months		
	2016	2015	% Chg.	2016	2015	% Chg.
<b>Net loss/income</b>	<b>(7,321)</b>	<b>4,734</b>	<b>-</b>	<b>(8,058)</b>	<b>41,678</b>	<b>-</b>
Income tax and social contributions	1,447	10,231	(85.9)	9,292	31,498	(70.5)
Net financial income	5,734	15,624	(63.3)	15,555	18,748	(17.0)
Depreciation and amortization	9,671	10,006	(3.3)	29,297	29,349	(0.2)
<b>EBITDA<sup>1</sup></b>	<b>9,531</b>	<b>40,595</b>	<b>(76.5)</b>	<b>46,086</b>	<b>121,273</b>	<b>(62.0)</b>
Equity pickup	6,919	9,856	(29.8)	19,049	22,068	(13.7)
<b>Adjusted EBITDA over equity pickup<sup>2</sup></b>	<b>16,450</b>	<b>50,451</b>	<b>(67.4)</b>	<b>65,135</b>	<b>143,341</b>	<b>(54.6)</b>

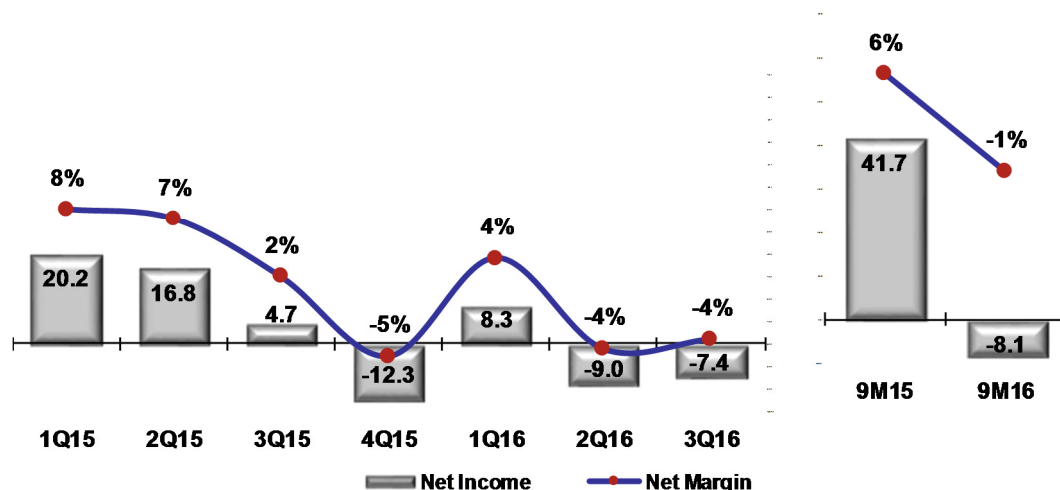
<sup>1</sup> With the operational startup of Companhia Sulamericana de Cerâmica (CSC), its results are included in consolidated EBITDA in accordance with the equity pickup method, in compliance with Instruction 527 of October 4, 2012, issued by the Securities and Exchange Commission of Brazil (CVM).

<sup>2</sup> 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 3Q16, Eternit posted net loss of R\$7.4 million, due to the aspects related to Adjusted EBITDA, despite the improvement in equity pickup and net financial result. Gross margin contracted by 6 percentage points to end the period at -4%.

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



In 9M16, net loss totaled R\$8.1 million, with net margin of -1%, compared to net income of R\$41.7 million and net margin of 6% in 9M15.

## Debt

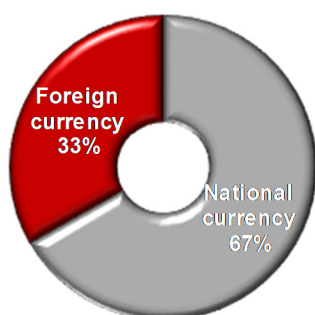
In line with its debt reduction policy, the Company ended 3Q16 with net debt of R\$118.3 million, down 18.4% from the net debt on December 31, 2015. In 3Q16, the gross debt of Eternit and its subsidiaries totaled R\$127.1 million, basically due to: (i) the Bank Credit Notes (CCB) and Export Credit Notes (NCE) contracted to meet working capital needs; and (ii) financing obtained to acquire machinery and equipment.

Cash, cash equivalents and short-term investments amounted to R\$8.9 million, with investments remunerated at an average weighted rate of 100.1% of the variation in the CDI rate.

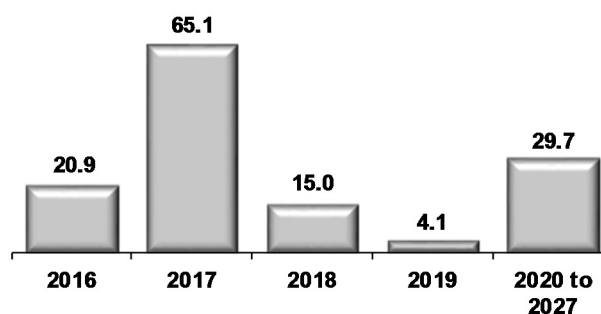
# Eternit

DEBT - R\$ '000	Parent Company		Consolidated	
	09/30/16	12/31/15	09/30/16	12/31/15
Short-term gross debt	9,340	6,327	69,145	90,307
Long-term gross debt	6,685	16,294	57,997	76,954
Cash and cash equivalents	(1,186)	(2,850)	(2,592)	(5,578)
Short-term investments (same cash equivalents)	(1,406)	(3,114)	(6,279)	(16,734)
<b>Net debt</b>	<b>13,433</b>	<b>16,657</b>	<b>118,271</b>	<b>144,949</b>
Adjusted EBITDA over equity pickup (last 12 months)	(18,738)	1,336	80,998	159,205
<b>Net debt / Adjusted EBITDA x</b>	<b>(0.72)</b>	<b>12.46</b>	<b>1.46</b>	<b>0.91</b>
<b>Net debt / Equity</b>	<b>2.6%</b>	<b>3.3%</b>	<b>23.7%</b>	<b>29.0%</b>

Origin of Debt (%)



Repayment Schedule (R\$ '000)



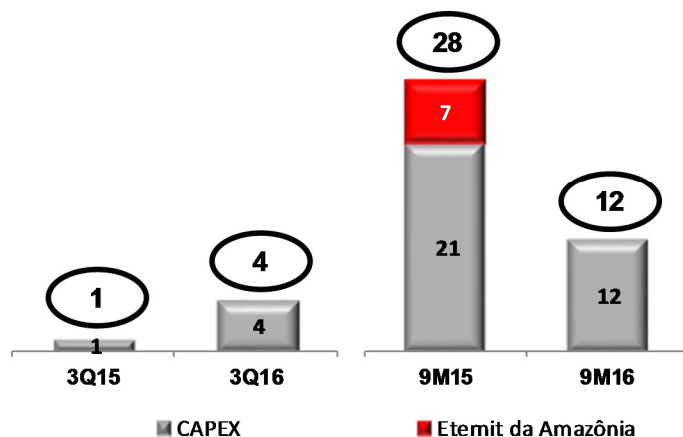
Foreign currency debt in 3Q16 was 100% naturally hedged by accounts receivable in foreign currency from chrysotile exports.

## Capex

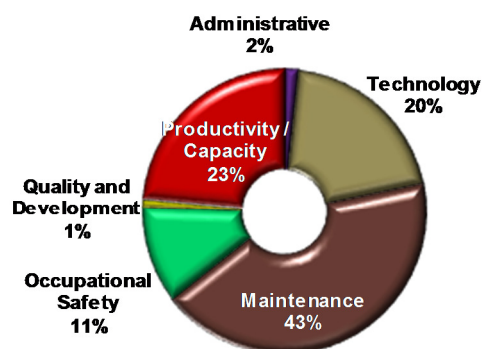
Capex of Eternit and its subsidiaries in 3Q16 amounted to R\$4.0 million, up 166.7% from 3Q15, and was allocated to maintaining and modernizing the Group's industrial facilities.

In 9M16, capex totaled R\$11.5 million, decreasing 59.5% from the prior-year period, as shown in the chart below.

Consolidated CAPEX (R\$'000)



CAPEX Distribution (3Q16)



# Eternit

## Capital Markets

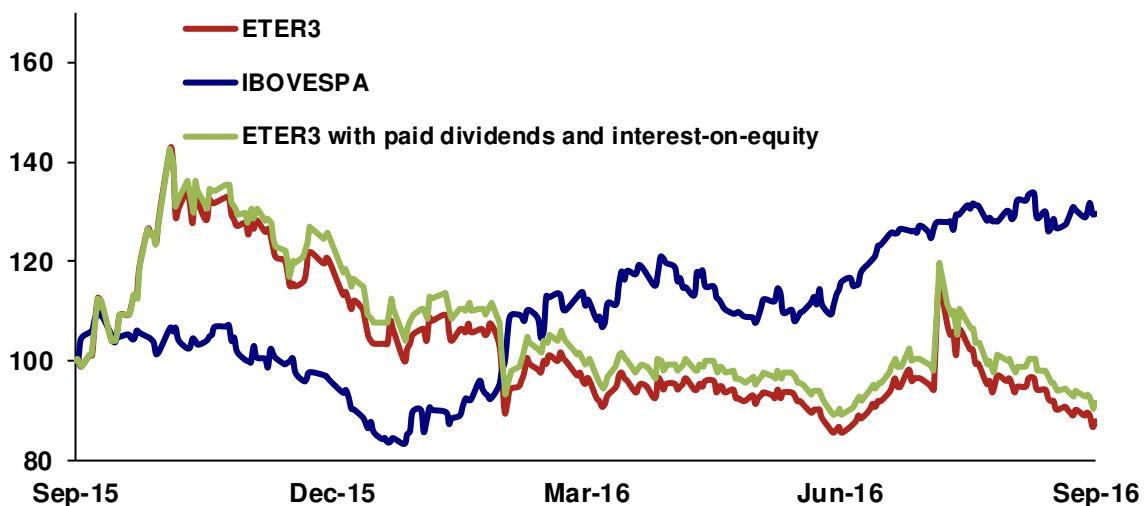
Eternit has been listed on the stock exchange since 1948 and since 2006 its stock has been traded on the Novo Mercado, the segment of the São Paulo Stock Exchange (BM&FBOVESPA) with the highest corporate governance standards, under the stock ticker ETER3.

With highly fragmented ownership and no shareholders' agreement or controlling group, the Company's shareholder base had a high concentration of individual investors, who accounted for 75.8% of the shareholder base on September 30, 2016, while foreign investors accounted for 7.5% and legal entities, clubs, investment funds and foundations accounted for 16.7%. In September 2016, only three shareholders held more than 5% interest in the capital stock, with an aggregate interest of 32.9%, while the Executive Board held 0.9% interest in capital stock.

Eternit stock (ETER3) was quoted at R\$1.53 in September 2016, down 12.1% from September 2015. In the same period, the benchmark Bovespa Index (IBOVESPA) closed at 58,367 points, gaining 29.5%. On September 30, 2016, Eternit's market capitalization stood at R\$273.9 million.

Capital Markets					
ETERNIT (ETER3)	3Q15	4Q15	1Q16	2Q16	3Q16
Closing Price (R\$/Share) - Without dividends	1.74	2.09	1.66	1.51	1.53
Average Volume Traded (Shares)	169,306	217,792	237,653	168,357	993,442
Average Volume Traded (R\$)	381,526	442,848	410,543	272,972	1,753,991
ETER3 - Quarterly Profitability (%)	-	20.1	-20.6	-9.0	1.3
ETER3 - 12 Months Profitability (%)	-	-35.7	-44.3	-46.5	-12.1
IBOVESPA - Quarterly Profitability (%)	-	-3.8	15.5	2.9	13.3
IBOVESPA - 12 Months Profitability (%)	-	-13.3	-2.1	-2.9	29.5
Market Capitalization (R\$ Million)	311.5	374.1	297.1	270.3	273.9

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



Source: Economática



## Dividends and Interest on Equity

In 2016, the dividend yield<sup>1</sup> is 2.2% and payments to shareholders in the form of dividends and interest on equity totaled R\$7.9 million, corresponding to R\$ 0.044 per share. The Company's dividend policy, as determined in the Bylaws, remains unchanged, but fresh distributions will be made once positive results are recorded.

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

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

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

## 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 third quarter of 2016 are shown below:

**ANAMACO 2016 Award** - Eternit received awards from the National Association of Construction Material Merchants (ANAMACO) in the following categories: a) Master - fiber-cement roofing tiles; b) Customer Reach/Large Clients - 2<sup>nd</sup> place - fiber-cement roofing tiles (without asbestos).

**Best Companies to Work For** - in October 2016, Eternit was elected for the fifth consecutive time by the 2016 Guide yearbook published by Você S/A magazine. SAMA, an Eternit subsidiary, was also honored for the tenth straight year by ranking first in the Diverse Industries segment.

Being considered one of the best companies to work for in the country, particularly in a challenging year for people management, is a recognition of the practices focused on the appreciation and well-being of our teams. Above all, having the company's employees giving this recognition is a motivating factor to achieve excellence.

## Change in the Board of Directors

The Company published a Notice to the Market on September 15, 2016, announcing that Mr. Luis Terepins had resigned from his position as director and Chairman of the Board of Directors of the Company, to which he was elected at the Annual Shareholders Meeting held on April 27, 2016, to hold office until the Annual Shareholders Meeting to be held in April 2018.

<sup>1</sup> 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.



As a result of this resignation and the consequent vacancy of the positions of member and Chairman of the Board of Directors, the Directors unanimously resolved: (i) to elect director Mr. Luiz Barsi Filho as Chairman of the Board of Directors; and (ii) leave vacant the position of member of the Board of Directors, which will now have six members.

### **Change in the Advisory Board**

On September 27, 2016, in another Notice to the Market, Mr. Victor Adler announced his resignation from the position of member of the Company's Advisory Board, to which he was elected at the Annual Shareholders Meeting held on April 27, 2016, to hold office until the Annual Shareholders Meeting to be held in April 2017. Consequently, the Advisory Board now has two members.

On October 21, 2016, the Company announced to the market that it received letters dated October 20, 2016, from Luiz Barsi Filho and Leonardo Deeke Boguszewski announcing their resignation from the Company's Advisory Board, to which they were elected at the Annual Shareholders Meeting held on April 27, 2016, to hold office until the Annual Shareholders Meeting to be held in April 2017.

Since the Advisory Board is not a decision-making body, the positions of the resigning members will remain vacant until the next Annual Shareholders Meeting.

### **Outlook**

With an economic scenario of uncertainties and the consequent decrease in investments and private consumption, in lined with credit, employment and income data, projections about the performance of the economy in terms of GDP in 2016, compared to 2015, point to a 3.3% contraction, according to the FOCUS market readout dated November 4, 2016, while the outlook for construction GDP is a decline of 3.6%, as per the September 2016 Inflation report published by BACEN.

In its FOCUS market readout dated November 4, 2016, BACEN forecasts GDP growth of 1.2% and IPCA of 4.9% in 2017, with inflation converging to the target. With the SELIC Rate expected to be lowered to 10.75% at the end of the period, the scenario is promising in terms of a recovery in economic activity, though it should be gradual.

For the construction materials industry, the Brazilian Construction Materials Industry Association (ABRAMAT) points to a decline in real sales by 10.0% in 2016 compared to 2015, due to the negative outlook for construction on account of the difficulties with the reduction in real estate financing, weak performance of the infrastructure segment, cancellations of residential apartments and slower pace of the My Home, My Life program. According to ABRAMAT, a recovery of this weak scenario in the medium term will require government measures to offset these problems, particularly with regard to employment and credit.

The Brazilian Government has been taking measures to stimulate growth in the construction and construction materials sectors through a few proposals, including the reduction in the interest rate for real estate financing through Caixa Econômica Federal, in line with the reduction in the SELIC Rate and the launch, on November 9, 2016, of the Home Renovation Card, which will provide a loan of R\$5,000 for property renovation so that families with income of up to R\$1,800 can purchase construction materials to renovate and expand their homes. The Company considers measures such as these fundamental for the construction materials sector to resume growth, which will contribute positively to the Company's business.

The Company operates in the construction materials segment, whose performance depends on the construction industry and, consequently, the growth of the Brazilian economy. It is important to consider the following challenges facing the country and the industry in which the company operates, which have an impact on our business and the demand for products in our portfolio, particularly those linked to self-managed construction: competition in the Brazilian industry given the infrastructure bottlenecks, tax issues and currency appreciation, job creation and better income distribution, sustainable economic policies, as well as increase in business and consumer confidence.

# Eternit

In the fiber-cement segment, 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 in an optimized manner, in line with market demand. In the chrysotile mining and concrete roofing tiles segments, capacity utilization should accompany market demand. Efforts will continue to focus on reducing operating costs and expenses, as well as on recovering operating margin, optimizing distribution logistics and boosting competitiveness to meet the stiff competition during times of low utilization of installed capacity.

In keeping with the Company's strategy of diversified organic growth, the plant in Manaus, Amazonas, produced and sold the first experimental industrial lots of polypropylene yarns for trials 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, to reduce 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 all to participate in the disclosure of its results for the third quarter of 2016.

Presentation: Rodrigo Lopes da Luz, Chief Financial and Investor Relations Officer

**Date:** Friday, November 11, 2016

**Time:** 2 p.m. (Brasília) / 11 a.m. - Eastern Standard Time (New York) / 4 p.m. GMT (London)

The presentation, give through slides, can be viewed online by registering at [www.ccall.com.br/eternit/3q16.htm](http://www.ccall.com.br/eternit/3q16.htm) or on Eternit's investor relations website: [www.eternit.com.br/ri](http://www.eternit.com.br/ri)

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

Playback: a recording of the call will be available from **November 11, 2016 to November 17, 2016**

Dial-in: **+55 (11) 3193-1012 or 2820-4012** - Access code for participants: **4317837#**

<b>Eternit</b>		
<b>Investor Relations</b>		
Rodrigo Lopes da Luz Paula D. A. Barhum Macedo Thiago Scheider	<a href="mailto:rodrigo.luz@eternit.com.br">rodrigo.luz@eternit.com.br</a> <a href="mailto:paula.barhum@eternit.com.br">paula.barhum@eternit.com.br</a> <a href="mailto:thiago.scheider@eternit.com.br">thiago.scheider@eternit.com.br</a>	+55 (11) 3194-3881 +55 (11) 3194-3872

# **Individual and Consolidated Interim Financial Information**

## **Eternit S.A.**

Quarter ended September 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") and subsidiaries, contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2016, which comprises the balance sheet as at September 30, 2016 and the related statements of income and of comprehensive income (loss) for the quarter and nine-month periods then ended, and statements of changes in equity and of cash flows for the nine-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 also draw 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 nine-month period ended September 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, November 9, 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  
September 30, 2016 and December 31, 2015  
(In thousands of reais)

	Note	Company		Consolidated	
		09/30/2016	12/31/2015	09/30/2016	12/31/2015
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	4	1,186	2,850	2,592	5,578
Short-term investments	5	1,406	3,114	6,279	16,734
Accounts receivable	6	80,948	73,337	158,981	172,342
Inventories	7	100,890	108,428	167,683	184,383
Taxes recoverable	8	8,734	7,638	14,105	15,083
Related parties	10	21,261	30,447	5,119	2,818
Other current assets		4,325	7,501	10,087	15,382
		<b>218,750</b>	<b>233,315</b>	<b>364,846</b>	<b>412,320</b>
Assets held for sale		-	-	1,983	-
		<b>218,750</b>	<b>233,315</b>	<b>366,829</b>	<b>412,320</b>
<b>Noncurrent assets</b>					
Judicial deposits		15,119	11,576	23,022	19,003
Taxes recoverable	8	24,279	24,081	24,724	24,765
Deferred income and social contribution taxes	20.b	38,306	34,264	67,651	63,823
Related parties	10	26,549	9,711	15,557	-
Other noncurrent assets		1,070	339	2,499	2,807
Investments	9	232,960	251,659	5,733	24,782
Property, plant and equipment (PP&E)	11	151,654	154,920	335,346	354,047
Intangible assets	12	6,360	6,950	30,342	31,647
		<b>496,297</b>	<b>493,500</b>	<b>504,874</b>	<b>520,874</b>
Total noncurrent assets		<b>496,297</b>	<b>493,500</b>	<b>504,874</b>	<b>520,874</b>
Total assets		<b>715,047</b>	<b>726,815</b>	<b>871,703</b>	<b>933,194</b>

	Note	Company		Consolidated	
		09/30/2016	12/31/2015	09/30/2016	12/31/2015
Liabilities and equity					
Current liabilities					
Trade accounts payable	13	17,624	23,922	32,346	41,420
Related parties	10	25,417	12,256	-	-
Loans and financing	14	9,340	6,327	69,145	90,307
Personnel expenses	15	17,084	14,858	30,761	27,722
Dividends and interest on equity payable	18.e	484	7,534	484	7,534
Provision for post-employment benefits	17.b	2,754	2,749	4,894	4,890
Taxes, charges and contributions payable	16	12,096	10,697	19,578	19,867
Other current liabilities		5,968	5,940	12,450	14,080
Total current liabilities		90,767	84,283	169,658	205,820
Noncurrent liabilities					
Related parties	10	43,230	40,728	-	-
Loans and financing	14	6,685	16,294	57,997	76,954
Taxes, charges and contributions payable	16	2,437	6,477	5,892	8,969
Provision for tax, civil and labor risks	21	46,589	47,096	86,908	84,281
Provision for post-employment benefits	17.b	33,172	31,839	45,514	44,437
Provision for decommissioning of mine	30	-	-	13,551	12,617
Total noncurrent liabilities		132,113	142,434	209,862	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		155,863	155,738	155,863	155,738
Accumulated losses		(8,056)	-	(8,056)	-
Other comprehensive loss		(9,177)	(9,177)	(9,177)	(9,177)
Equity attributable to controlling interests		492,167	500,098	492,167	500,098
Noncontrolling interests		-	-	16	18
Total equity		492,167	500,098	492,183	500,116
Total liabilities and equity		715,047	726,815	871,703	933,194

See accompanying notes.

## Eternit S.A.

### Income statements

Quarters and nine-month periods ended September 30, 2016 and 2015

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

	Note	Company				Consolidated			
		3Q16	3Q15	09/30/2016	09/30/2015	3Q16	3Q15	09/30/2016	09/30/2015
Net operating revenue	22	<b>126,110</b>	128,295	<b>373,936</b>	379,628	<b>204,309</b>	244,986	<b>636,939</b>	734,127
Cost of goods sold	23	<b>(101,874)</b>	(95,613)	<b>(294,931)</b>	(285,931)	<b>(140,315)</b>	(144,731)	<b>(429,689)</b>	(446,526)
Gross profit		<b>24,236</b>	32,682	<b>79,005</b>	93,697	<b>63,994</b>	100,255	<b>207,250</b>	287,601
Operating income (expenses)									
Selling expenses	23	<b>(16,826)</b>	(14,179)	<b>(46,875)</b>	(42,539)	<b>(27,771)</b>	(27,419)	<b>(81,721)</b>	(85,373)
General and administrative expenses	23	<b>(10,491)</b>	(14,381)	<b>(30,398)</b>	(38,014)	<b>(22,460)</b>	(27,663)	<b>(67,456)</b>	(79,190)
Management compensation	23	<b>(1,603)</b>	(1,297)	<b>(5,094)</b>	(4,894)	<b>(2,230)</b>	(2,751)	<b>(7,618)</b>	(8,333)
Other operating income (expenses), net	24	<b>(2,817)</b>	(600)	<b>(10,905)</b>	(1,130)	<b>(4,754)</b>	(1,977)	<b>(14,617)</b>	(713)
Equity pickup	9	<b>(20)</b>	4,538	<b>6,797</b>	36,971	<b>(6,919)</b>	(9,856)	<b>(19,049)</b>	(22,068)
Total operating income (expenses)		<b>(31,757)</b>	(25,919)	<b>(86,475)</b>	(49,606)	<b>(64,134)</b>	(69,666)	<b>(190,461)</b>	(195,677)
Financial expenses	25	<b>(4,458)</b>	(17,898)	<b>(22,944)</b>	(26,594)	<b>(10,274)</b>	(84,912)	<b>(57,658)</b>	(128,511)
Financial income	25	<b>2,051</b>	12,375	<b>18,316</b>	17,918	<b>4,540</b>	69,288	<b>42,103</b>	109,763
Financial income (expenses), net		<b>(2,407)</b>	(5,523)	<b>(4,628)</b>	(8,676)	<b>(5,734)</b>	(15,624)	<b>(15,555)</b>	(18,748)
(-) Net loss/income before income and social contribution taxes		<b>(9,928)</b>	1,240	<b>(12,098)</b>	35,415	<b>(5,874)</b>	14,965	<b>1,234</b>	73,176
Income and social contributions taxes									
Current	20	-	-	-	-	<b>(3,314)</b>	(14,645)	<b>(13,120)</b>	(41,799)
Deferred	20	<b>2,608</b>	3,493	<b>4,042</b>	6,262	<b>1,867</b>	4,414	<b>3,828</b>	10,301
(-) Net loss/income for the periods		<b>(7,320)</b>	4,733	<b>(8,056)</b>	41,677	<b>(7,321)</b>	4,734	<b>(8,058)</b>	41,678
Attributable to:									
Controlling interests		<b>(7,320)</b>	4,733	<b>(8,056)</b>	41,677	<b>(7,320)</b>	4,733	<b>(8,056)</b>	41,677
Noncontrolling interests		-	-	-	-	<b>(1)</b>	1	<b>(2)</b>	1
(-) Net loss/income for the periods		<b>(7,320)</b>	4,733	<b>(8,056)</b>	41,677	<b>(7,321)</b>	4,734	<b>(8,058)</b>	41,678
(-) Earnings (loss) per share - basic and diluted - R\$	18.c	<b>(0.041)</b>	0.026	<b>(0.045)</b>	0.233	<b>(0.041)</b>	0.026	<b>(0.045)</b>	0.233

See accompanying notes.

## Eternit S.A.

Statements of comprehensive income (loss)

Quarters and nine-month periods ended September 30, 2016 and 2015

(In thousands of reais)

	Company				Consolidated			
	3Q16	3Q15	09/30/2016	09/30/2015	3Q16	3Q15	09/30/2016	09/30/2015
(-) Net loss/income for the periods	(7,320)	4,733	(8,056)	41,677	(7,321)	4,734	(8,058)	41,678
Other comprehensive income (loss)	-	-	-	-	-	-	-	-
Comprehensive income (loss) for the periods	(7,320)	4,733	(8,056)	41,677	(7,321)	4,734	(8,058)	41,678
Attributable to:								
Controlling interests	(7,320)	4,733	(8,056)	41,677	(7,320)	4,733	(8,056)	41,677
Noncontrolling interests	-	-	-	-	(1)	1	(2)	1

See accompanying notes.

## Eternit S.A.

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

	Note	Capital reserve			Income reserves			Retained earnings (Accumulated losses)	Other comprehen sive loss	Total Company	Noncontrolling interests	Total equity	
		Capital	Investment grants	Premium on acquisition of shares	Treasury shares	Statutory	Legal						Retained profits
Balances at January 1, 2015		334,251	19,437	23	(174)	31,251	34,891	102,603	-	(7,491)	514,791	17	514,808
Unclaimed dividends		-	-	-	-	-	-	120	-	-	120	-	120
Net loss for the period		-	-	-	-	-	-	-	41,677	-	41,677	1	41,678
Interest on equity - R\$0.122 per outstanding share	18	-	-	-	-	-	-	-	(21,831)	-	(21,831)	-	(21,831)
Dividends - R\$0.072 per outstanding share	18	-	-	-	-	-	-	-	(12,883)	-	(12,883)	-	(12,883)
Balances at September 30, 2015		<b>334,251</b>	<b>19,437</b>	<b>23</b>	<b>(174)</b>	<b>31,251</b>	<b>34,891</b>	<b>102,723</b>	<b>6,963</b>	<b>(7,491)</b>	<b>521,874</b>	<b>18</b>	<b>521,892</b>
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		-	-	-	-	-	-	125	-	-	125	-	125
Net loss for the period		-	-	-	-	-	-	-	(8,056)	-	(8,056)	(2)	(8,058)
Balances at September 30, 2016		<b>334,251</b>	<b>19,437</b>	<b>23</b>	<b>(174)</b>	<b>32,722</b>	<b>36,362</b>	<b>86,779</b>	<b>(8,056)</b>	<b>(9,177)</b>	<b>492,167</b>	<b>16</b>	<b>492,183</b>

See accompanying notes.



## Eternit S.A.

### Cash flow statements

Nine-month periods ended September 30, 2016 and 2015

(In thousands of reais)

Note	Company		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Cash flows from operating activities				
	(12,098)	35,415	1,234	73,176
Net income (loss) before income and social contribution taxes				
Adjustments to reconcile pre-tax income gain (loss) to net cash generated by operating activities:				
Equity pickup	9	(36,971)	19,049	22,068
Depreciation and amortization	11/12	9,745	29,297	29,349
Gain (loss) on disposal of permanent assets		(98)	(3,118)	(126)
Allowance for doubtful accounts				
	6	1,084	3,179	1,712
Provision for tax, civil and labor risks	21	747	4,924	3,308
Provision for sundry losses		599	1,930	1,839
Financial charges, and monetary and exchange variations		5,770	(2,001)	7,653
Short-term investment yield		(878)	(669)	(2,702)
Net changes in prepaid expenses		2,886	5,622	3,950
		712	59,447	140,227
(Increase) decrease in operating assets:				
Accounts receivable		(8,325)	7,816	(19,326)
Receivables from related parties		(4,974)	(2,301)	(712)
Inventories	7	(33,504)	16,784	(36,078)
Taxes recoverable		(991)	6,653	(4,091)
Judicial deposits		(3,694)	(4,019)	(4,212)
Dividends and interest on equity received		71,093	-	-
Other assets		(2,660)	3	(10,577)
Increase (decrease) in operating liabilities				
Trade accounts payable	13	(730)	(9,074)	(999)
Payables to related parties		13,436	-	-
Taxes, charges and contributions payable		886	(10,095)	2,641
Provisions and social charges	15	6,494	3,039	7,004
Other liabilities		605	(3,924)	3,824
Interest paid		(314)	(5,554)	(4,266)
Income and social contribution taxes paid		-	(11,173)	(46,756)
Net cash generated by operating activities		55,621	47,602	26,679
Cash flows from investing activities				
Intercompany loan receivable		3,932	(15,146)	(12,870)
Amount received on disposal of PP&E items		782	3,376	873
Additions to PP&E and intangible assets	11/12	(16,100)	(11,532)	(28,466)
Addition to capitalized exchange variation	11	-	-	(13,902)
Capital contribution at subsidiaries	9	(29,522)	-	-
Short-term investments		(49,800)	(110,588)	(187,936)
Redemption of short-term investments		58,920	121,701	204,959
Net cash used in investing activities		(31,788)	(12,189)	(37,342)
Cash flows from financing activities				
Loans and financing raised		12,506	59,442	242,441
Repayment of loans and financing		(3,232)	(90,965)	(198,055)
Intercompany loan payable		4,888	-	-
Payment of dividends and interest on equity		(42,224)	(6,876)	(42,224)
Net cash generated by (used in) financing activities		(28,062)	(38,399)	2,162
		(1,664)	(2,986)	(8,501)
(Decrease) in cash and cash equivalents				
Increase (decrease) in cash and cash equivalents				
At beginning of period	4	5,711	5,578	13,367
At end of period	4	1,482	2,592	4,866
(Decrease) in cash and cash equivalents		(4,229)	(2,986)	(8,501)

See accompanying notes.

## Eternit S.A.

### Statements of value added

Nine-month periods ended September 30, 2016 and 2015

(In thousands of reais)

	Note	Company		Consolidated	
		09/30/2016	09/30/2015	09/30/2016	09/30/2015
<b>Revenues</b>					
Sales of goods, products and services	22	<b>494,789</b>	508,186	<b>805,597</b>	923,655
Other income		<b>109</b>	98	<b>4,077</b>	37,304
Allowance for doubtful accounts		<b>(1,997)</b>	(1,084)	<b>(3,179)</b>	(1,693)
<b>Total</b>		<b>492,901</b>	507,200	<b>806,495</b>	959,266
<b>Inputs acquired from third parties</b>					
Cost of products, goods and services sold		<b>(218,244)</b>	(240,489)	<b>(332,011)</b>	(406,317)
Materials, electric energy, third-party services and other		<b>(102,182)</b>	(97,446)	<b>(121,802)</b>	(155,181)
Loss/recovery of asset values		<b>(4,417)</b>	(5,096)	<b>(5,315)</b>	(5,672)
Other discounts, rebates and donations		<b>(1,363)</b>	(2,205)	<b>(3,153)</b>	(3,852)
		<b>(326,206)</b>	(345,236)	<b>(462,281)</b>	(571,022)
<b>Gross value added</b>		<b>166,695</b>	161,964	<b>344,214</b>	388,244
Depreciation, amortization and depletion	11/12	<b>(11,058)</b>	(9,745)	<b>(29,297)</b>	(29,349)
<b>Net value added generated by the Company</b>		<b>155,637</b>	152,219	<b>314,917</b>	358,895
<b>Value added received in transfer</b>					
Equity pickup	9	<b>6,797</b>	36,971	<b>(19,049)</b>	(22,068)
Financial income	25	<b>18,316</b>	17,918	<b>42,103</b>	109,763
Other		<b>278</b>	3,492	<b>1,446</b>	7,564
		<b>25,391</b>	58,381	<b>24,500</b>	95,259
<b>Total value added to be distributed</b>		<b>181,028</b>	210,600	<b>339,417</b>	454,154
<b>Personnel:</b>					
Direct compensation		<b>56,267</b>	53,662	<b>95,715</b>	98,443
Benefits		<b>17,364</b>	20,225	<b>34,526</b>	37,602
Unemployment Compensation Fund (FGTS)		<b>4,967</b>	4,297	<b>8,837</b>	8,760
		<b>78,598</b>	78,184	<b>139,078</b>	144,805
<b>Taxes, charges and contributions:</b>					
Federal		<b>53,536</b>	43,146	<b>67,238</b>	87,588
State		<b>27,206</b>	15,456	<b>60,217</b>	34,086
Local		<b>1,669</b>	1,433	<b>3,205</b>	2,692
		<b>82,411</b>	60,035	<b>130,660</b>	124,366
<b>Debt remuneration:</b>					
Interest		<b>22,944</b>	25,570	<b>57,657</b>	127,336
Lease		<b>5,131</b>	5,134	<b>20,080</b>	15,969
		<b>28,075</b>	30,704	<b>77,737</b>	143,305
<b>Equity remuneration:</b>					
Dividends		-	12,883	-	12,883
Interest on equity (IOE)		-	21,831	-	21,831
Retained earnings (accumulated losses)	18 c	<b>(8,056)</b>	6,963	<b>(8,056)</b>	6,963
<b>Noncontrolling interests in accumulated losses</b>					
		-	-	<b>(2)</b>	1
		<b>(8,056)</b>	41,677	<b>(8,058)</b>	41,678
<b>Distribution of value added</b>		<b>181,028</b>	210,600	<b>339,417</b>	454,154

See accompanying notes.

## Eternit S.A.

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

### 1. Operations

Eternit S.A. (“Company” or “Eternit”), headquartered at Rua Dr. Fernandes Coelho, 85 - 8º andar, 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	Manufacture and sale of concrete roofing and roofing accessories.
Precon Goiás Industrial Ltda.	99.99%	99.99%	Anápolis/GO	Manufacture and sale of fiber cement products.
Pre 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	Manufacture, 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)  
September 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, manufacture, use, sale and transportation of chrysotile asbestos and products 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, manufacturing, 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)  
September 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 November 8, 2016 and approved by the Company's Board of Directors on November 9, 2016 for disclosure on November 10, 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 September 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)  
September 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)  
September 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)

September 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 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	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Cash and banks	1,186	2,850	2,532	5,463
Short-term cash commitments	-	-	-	115
	<b>1,186</b>	<b>2,850</b>	<b>2,592</b>	<b>5,578</b>

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	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Investment Fund	1,406	3,114	6,279	16,734

Most investment funds are fixed-income investments, remunerated at average CDI rates of 100.1% (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 Company and its subsidiaries.



## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
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### 6. Accounts receivable

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Domestic market	86,276	77,222	123,600	111,336
Foreign market	-	-	45,037	69,316
(-) Present value adjustment	-	-	-	(319)
	86,276	77,222	168,637	180,333
Allowance for doubtful accounts	(5,328)	(3,885)	(9,656)	(7,991)
	80,948	73,337	158,981	172,342

#### Aging list of accounts receivable

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Falling due	77,380	68,163	144,719	153,946
Overdue:				
Within 30 days	2,100	2,690	8,738	14,439
From 31 to 60 days	362	536	1,269	1,319
Above 60 days	1,106	1,948	4,255	2,638
Total receivable	80,948	73,337	158,981	172,342

#### Changes in allowance for doubtful accounts

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Opening balance	(3,885)	(3,307)	(7,991)	(6,689)
Addition	(2,037)	(1,720)	(3,644)	(2,786)
Reversal	41	227	465	255
Write-off	553	915	1,514	1,229
Closing balance	(5,328)	(3,885)	(9,656)	(7,991)

### 7. Inventories

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Finished products	65,038	61,591	109,324	110,595
Semi-finished products	-	-	2,266	3,486
Goods for resale	6,757	8,371	9,904	11,700
Raw materials	23,049	32,438	26,182	33,936
Storeroom	7,120	7,626	21,894	26,637
(-) Allowance for doubtful accounts (*)	(1,074)	(1,598)	(1,887)	(1,971)
	100,890	108,428	167,683	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)  
September 30, 2016  
(In thousands of reais - R\$, unless otherwise stated)

### 7. Inventories (Continued)

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Opening balance	(1,598)	(1,865)	(1,971)	(2,238)
Provision	(972)	(398)	(1,413)	(398)
Reversal	1,496	665	1,497	665
Closing balance	(1,074)	(1,598)	(1,887)	(1,971)

Over the nine-month period ended September 30, 2016, consumption of raw material reached approximately R\$191,141 (R\$184,767 at September 2015), recorded as cost in Company, and R\$282,042 (R\$300,380 at September 2015) Consolidated, as mentioned in Note 23.

### 8. Taxes recoverable

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Current:				
State Value-Added Tax (ICMS)	2,868	2,208	4,315	4,365
Withholding Income Tax (IRRF)	202	201	575	475
Corporate Income Tax (IRPJ)	1,517	1,027	1,817	1,570
Social Contribution Tax on Net Profit (CSLL)	475	276	578	333
IRRF on interest on equity	1,816	1,646	1,816	1,646
FOMENTAR fund - ICMS (*)	1,121	1,542	1,121	1,542
Contribution Tax on Gross Revenue for Social Security Financing (COFINS) and other	735	738	3,883	5,152
	<b>8,734</b>	<b>7,638</b>	<b>14,105</b>	<b>15,083</b>
Noncurrent:				
State Value-Added Tax (ICMS)	888	1,419	1,275	2,045
Withholding Income Tax (IRRF)	14,885	14,421	14,886	14,422
Corporate Income Tax (IRPJ)	8,506	8,241	8,506	8,241
Social Security Tax (INSS)	-	-	57	57
	<b>24,279</b>	<b>24,081</b>	<b>24,724</b>	<b>24,765</b>

(\*) 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)  
September 30, 2016  
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### 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	33,296	28,587	7,333	88,738	3,513	49,201	5,733	216,401
Surplus value of net assets	-	-	-	16,559	-	-	-	16,559
<b>Balances at September 30, 2016</b>	<b>33,296</b>	<b>28,587</b>	<b>7,333</b>	<b>105,297</b>	<b>3,513</b>	<b>49,201</b>	<b>5,733</b>	<b>232,960</b>

	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)	(870)	(13,887)	(2,600)	-	-	(18,912)
Interest on equity (IOE)	-	(1,576)	-	(5,008)	-	-	-	(6,584)
Equity pickup	4,031	4,827	382	21,532	1,979	(6,905)	(19,049)	6,797
<b>Balances at September 30, 2016</b>	<b>33,296</b>	<b>28,587</b>	<b>7,333</b>	<b>105,297</b>	<b>3,513</b>	<b>49,201</b>	<b>5,733</b>	<b>232,960</b>

The investment balance in the consolidated interim financial information at September 30, 2016, amounting to R\$5,733 (R\$24,782 at December 31, 2015), refers to investment in the joint venture with CSC.

## Eternit S.A.

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

### 9. Investments (Continued)

The balances of subsidiaries and interest held in the joint venture as of September 30, 2016 are as follows:

	Subsidiaries						Joint venture
	Eternit da Amazônia	Precon	Prel	SAMA	Tégula	Wagner	Companhia Sulamericana de Cerâmica
Current assets	13,977	25,179	1,241	130,050	25,188	524	91,497
Noncurrent assets	88,936	15,144	6,191	111,256	46,697	4,564	117,940
Current liabilities	18,202	7,514	99	87,308	7,978	15	83,842
Noncurrent liabilities	50,680	4,220	-	60,819	14,701	1,554	116,040
Equity	34,031	28,589	7,333	93,179	49,206	3,519	9,555
Proportional interest	99.9900%	99.9946%	99.9977%	99.9977%	99.9900%	99.8400%	60%
Unrealized income in inventories	(732)	-	-	(4,439)	-	-	-
Book value of investment	33,296	28,587	7,333	88,738	49,201	3,513	5,733
Net operating revenue	14,511	51,418	-	247,983	37,990	-	34,651
Cost of goods sold	(12,153)	(38,904)	-	(145,791)	(29,019)	-	(40,176)
Unrealized income in inventories	(48)	-	-	1,261	-	-	-
Net income (loss) for continuing operations	4,031	4,827	382	21,532	(6,906)	1,982	(31,749)
Attributable to:							
Company interest	4,031	4,827	382	21,532	(6,905)	1,979	(19,049)

## Eternit S.A.

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

### 10. Related parties

#### a) Balances and transactions of the Company with related parties

	<b>Company</b>	
	<b>09/30/2016</b>	<b>12/31/2015</b>
Balances:		
Current assets		
Eternit da Amazônia (ii)	37	255
Precon (i)	174	1,096
SAMA (ii)	401	1,254
Tégula (i) and (ii)	55	171
Companhia Sulamericana de Cerâmica (i) and (ii)	5,119	2,818
	<b>5,786</b>	<b>5,594</b>
Dividends and interest on equity receivable:		
SAMA	7,832	17,848
Prel	-	122
Precon	569	2,723
Tégula	706	706
	<b>9,107</b>	<b>21,399</b>
Advances to suppliers:		
Eternit da Amazônia (i)	6,368	3,454
	<b>6,368</b>	<b>3,454</b>
<b>Total current assets</b>	<b>21,261</b>	<b>30,447</b>
Noncurrent assets		
Intercompany loan		
Companhia Sulamericana de Cerâmica (iii)	15,557	-
Tégula (iii)	10,992	9,711
<b>Total noncurrent assets</b>	<b>26,549</b>	<b>9,711</b>
<b>Total assets</b>	<b>47,810</b>	<b>40,158</b>
Current liabilities		
Trade accounts payable		
Eternit da Amazônia (i)	2,813	4,545
Precon (i)	127	707
SAMA (i)	22,146	6,681
	<b>25,086</b>	<b>11,933</b>
Other accounts payable		
Precon (ii)	156	29
Prel (ii)	102	110
Wagner (ii)	3	13
Tégula (i)	35	100
SAMA (ii)	35	71
	<b>331</b>	<b>323</b>
<b>Total current liabilities</b>	<b>25,417</b>	<b>12,256</b>

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
September 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)

	<b>Company</b>	
	<b>09/30/2016</b>	<b>12/31/2015</b>
Balances:		
Noncurrent liabilities		
Intercompany loan		
SAMA (iii)	<b>38,494</b>	35,382
Prel (iii)	<b>1,736</b>	2,346
Wagner (iii)	<b>3,000</b>	3,000
<b>Total noncurrent liabilities</b>	<b>43,230</b>	40,728
<b>Total liabilities</b>	<b>68,647</b>	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.

	<b>Company</b>							
	<b>Sales</b>		<b>Purchases</b>		<b>Expense</b>		<b>Other income</b>	
	<b>09/30/2016</b>	<b>09/30/2015</b>	<b>09/30/2016</b>	<b>09/30/2015</b>	<b>09/30/2016</b>	<b>09/30/2015</b>	<b>09/30/2016</b>	<b>09/30/2015</b>
Precon	<b>6,841</b>	1,499	<b>3,324</b>	-	-	-	-	-
Tégula	<b>178</b>	195	-	-	-	-	-	-
SAMA	-	-	<b>52,889</b>	61,924	-	-	-	-
Eternit da Amazônia Companhia	-	-	<b>14,521</b>	7,486	-	-	-	-
Sulamericana de Cerâmica	<b>1,413</b>	-	-	-	-	-	-	-
Administrative expenses - Prel	-	-	-	-	<b>901</b>	818	-	-
Interest on loan - SAMA	-	-	-	-	<b>3,806</b>	3,056	-	-
Tégula Companhia	-	-	-	-	-	-	<b>1,036</b>	820
Sulamericana de Cerâmica	-	-	-	-	-	-	<b>530</b>	-
IOE – SAMA	-	-	-	-	-	-	<b>5,009</b>	3,973
IOE - Precon	-	-	-	-	-	-	<b>1,576</b>	1,010
<b>Total</b>	<b>8,432</b>	1,694	<b>70,734</b>	69,410	<b>4,707</b>	3,874	<b>8,151</b>	5,803

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)  
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(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 September 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	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Salaries, fees and benefits	<b>3,591</b>	3,603	<b>4,252</b>	4,404
Social charges	<b>1,069</b>	994	<b>1,342</b>	1,243
Profit sharing (PLRE)	<b>1,080</b>	1,479	<b>1,220</b>	1,582
Supplementary bonus	-	714	-	737
Post-employment benefits	<b>65</b>	64	<b>65</b>	64
	<b>5,805</b>	6,854	<b>6,879</b>	8,030

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 period ended September 30, 2016, Executive Board's shareholding position was 1,650,648 shares - ETER3 (1,852,748 shares - ETER3 for the year ended December 31, 2015).

Changes in shares held by the Executive Board	
<b>December 31, 2015</b>	<b>1,852,748</b>
Purchase	-
Sale	(202,100)
<b>At September 2016</b>	<b>1,650,648</b>

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
September 30, 2016  
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### 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
<b>Cost</b>										
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	-	-	-	-	-	-	-	-	6,544	6,544
Write-offs	-	(1)	(167)	-	(30)	(66)	(20)	(171)	-	(455)
Transfers	-	185	8,132	542	478	-	32	100	(9,469)	-
<b>Balances at September 30, 2016</b>	<b>3,178</b>	<b>35,438</b>	<b>150,958</b>	<b>14,078</b>	<b>86,946</b>	<b>1,349</b>	<b>6,423</b>	<b>4,664</b>	<b>7,530</b>	<b>310,564</b>
Average depreciation rates	-	4%	8,6%	15%	10%	20%	10%	20%	-	-
<b>Accumulated depreciation</b>										
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	-	(625)	(3,687)	(475)	(4,254)	(38)	(369)	(345)	-	(9,793)
Write-offs	-	1	155	-	30	66	16	170	-	438
<b>Balances at September 30, 2016</b>	<b>-</b>	<b>(21,494)</b>	<b>(55,598)</b>	<b>(11,887)</b>	<b>(61,407)</b>	<b>(959)</b>	<b>(3,997)</b>	<b>(3,568)</b>	<b>-</b>	<b>(158,910)</b>
<b>Net book value</b>										
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
<b>Balances at September 30, 2016</b>	<b>3,178</b>	<b>13,944</b>	<b>95,360</b>	<b>2,191</b>	<b>25,539</b>	<b>390</b>	<b>2,426</b>	<b>1,096</b>	<b>7,530</b>	<b>151,654</b>



## Eternit S.A.

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

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

	Consolidated													
	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 works in mine	Construction in progress	Total
<b>Cost</b>														
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
<b>Balances at December 31, 2015</b>	<b>6,561</b>	<b>88,111</b>	<b>327,327</b>	<b>30,713</b>	<b>27,322</b>	<b>240,610</b>	<b>23,674</b>	<b>1,718</b>	<b>18,311</b>	<b>9,699</b>	<b>5,778</b>	<b>13,387</b>	<b>12,832</b>	<b>806,043</b>
Additions	-	-	-	-	-	-	-	-	-	-	-	-	10,702	10,702
Write-offs	(20)	(144)	(3,931)	-	-	(523)	(165)	-	(57)	(171)	-	-	-	(5,011)
Transfers	-	258	9,898	146	542	3,065	-	-	88	149	805	-	(14,951)	-
<b>Balances at September 30, 2016</b>	<b>6,541</b>	<b>88,225</b>	<b>333,294</b>	<b>30,859</b>	<b>27,864</b>	<b>243,152</b>	<b>23,509</b>	<b>1,718</b>	<b>18,342</b>	<b>9,677</b>	<b>6,583</b>	<b>13,387</b>	<b>8,583</b>	<b>811,734</b>
Average depreciation rates	-	4%	8,6%	28,4%	15%	10%	20%	26,8%	10%	20%	2,9%	5,3%	-	-
<b>Accumulated depreciation</b>														
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)	-	-	-	-	-
<b>Balances at December 31, 2015</b>	<b>-</b>	<b>(50,981)</b>	<b>(116,737)</b>	<b>(27,809)</b>	<b>(24,475)</b>	<b>(184,532)</b>	<b>(21,078)</b>	<b>(1,670)</b>	<b>(10,613)</b>	<b>(7,237)</b>	<b>(1,781)</b>	<b>(5,083)</b>	<b>-</b>	<b>(451,996)</b>
Additions	-	(1,656)	(9,076)	(1,743)	(1,203)	(10,484)	(656)	(45)	(862)	(671)	(197)	(617)	-	(27,210)
Write-offs	-	175	1,929	-	-	339	165	-	40	170	-	-	-	2,818
<b>Balances at September 30, 2016</b>	<b>-</b>	<b>(52,462)</b>	<b>(123,884)</b>	<b>(29,552)</b>	<b>(25,678)</b>	<b>(194,677)</b>	<b>(21,569)</b>	<b>(1,715)</b>	<b>(11,435)</b>	<b>(7,738)</b>	<b>(1,978)</b>	<b>(5,700)</b>	<b>-</b>	<b>(476,388)</b>
<b>Net book value</b>														
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
<b>Balances at September 30, 2016</b>	<b>6,541</b>	<b>35,763</b>	<b>209,410</b>	<b>1,307</b>	<b>2,186</b>	<b>48,475</b>	<b>1,940</b>	<b>3</b>	<b>6,907</b>	<b>1,939</b>	<b>4,605</b>	<b>7,687</b>	<b>8,583</b>	<b>335,346</b>

Due to legal proceedings, subsidiary SAMA gave in warranty PP&E items (machinery and equipment) in the net book value of R\$2,150 (R\$567 at December 31, 2015).

## Eternit S.A.

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### 12. Intangible assets

Company	Software	Software in progress	Other	Total
<b>Cost</b>				
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
<b>Additions</b>	-	675	-	675
<b>Transfer</b>	1,595	(1,595)	-	-
<b>Balance at September 30, 2016</b>	<b>14,652</b>	<b>773</b>	<b>11</b>	<b>15,436</b>
<u>Useful life (in years)</u>	5	-	-	-
<b>Amortization</b>				
Balance at January 1, 2015	(6,393)	-	-	(6,393)
Additions	(1,418)	-	-	(1,418)
Balance at December 31, 2015	(7,811)	-	-	(7,811)
<b>Additions</b>	(1,265)	-	-	(1,265)
<b>Balance at September 30, 2016</b>	<b>(9,076)</b>	<b>-</b>	<b>-</b>	<b>(9,076)</b>
<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
<b>Balance at September 30, 2016</b>	<b>5,576</b>	<b>773</b>	<b>11</b>	<b>6,360</b>

Consolidated	Software	Goodwill	Trademarks and patents	Software in progress	Other	Total
<b>Cost</b>						
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	-	-	-	830	-	830
Write-offs	(1)	-	-	-	(47)	(48)
Transfers	1,750	-	-	(1,750)	-	-
<b>Balance at September 30, 2016</b>	<b>24,387</b>	<b>19,995</b>	<b>1,416</b>	<b>773</b>	<b>28</b>	<b>46,599</b>
<u>Useful life (in years)</u>	5	-	-	-	-	-
<b>Amortization</b>						
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	(2,087)	-	-	-	-	(2,087)
<b>Balance at September 30, 2016</b>	<b>(16,256)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(16,257)</b>
<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
<b>Balance at September 30, 2016</b>	<b>8,131</b>	<b>19,995</b>	<b>1,416</b>	<b>773</b>	<b>27</b>	<b>30,342</b>

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
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### 13. Trade accounts payable

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Domestic market	17,624	21,244	30,687	36,318
Foreign market	-	2,678	1,659	5,102
	<b>17,624</b>	<b>23,922</b>	<b>32,346</b>	<b>41,420</b>

### 14. Loans and financing

Borrowing costs were not capitalized in the period of 2016, as there was no acquisition of qualifying assets by means of borrowings. The amount capitalized in 2015 totaled R\$13,959 and the effective interest rate to determine the amount of borrowing costs subject to capitalization was 2.26%.

	Interest rate and commissions %	Company		Consolidated	
		09/30/2016	12/31/2015	09/30/2016	12/31/2015
<b>Current:</b>					
Domestic currency for acquisition of machinery and equipment	From 1.14% to 10% p.a. + TJLP	1,537	1,610	2,618	5,105
Foreign currency for acquisition of machinery and equipment	From 0.66% to 2.91% p.a.	4,199	3,151	13,125	14,979
Foreign currency for acquisition of raw material	From 1.91% to 2.65% p.a.	3,604	1,566	3,605	1,566
Domestic currency (finance lease) for acquisition of vehicle and IT equipment	1.23% p.a.	-	-	40	251
Domestic currency for working capital	From 7.06% to 8.24% fixed, and 116% to 123.9% of CDI	-	-	27,331	68,406
Foreign currency for working capital (Advances on Export Contracts - ACE)	Average of 2.8% p.a.	-	-	6,528	-
Foreign currency for working capital (Export Credit Note – NCE)	Average of 3.46% to 3.65%	-	-	15,898	-
<b>Total current</b>		<b>9,340</b>	<b>6,327</b>	<b>69,145</b>	<b>90,307</b>

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
September 30, 2016  
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### 14. Loans and financing (Continued)

	Interest rate and commissions %	Company		Consolidated	
		09/30/2016	12/31/2015	09/30/2016	12/31/2015
<b>Noncurrent:</b>					
Domestic currency for acquisition of machinery and equipment	From 1.14% to 10% p.a. + TJLP	1,746	2,763	2,492	4,207
Foreign currency for acquisition of machinery and equipment	From 0.66% to 2.91% p.a.	2,728	5,274	16,801	36,245
Foreign currency for acquisition of raw material	From 1.91% to 2.65% p.a.	2,211	8,257	2,211	8,257
Domestic currency for working capital	From 7.06% to 8.24% fixed, and 116% to 123.9% of CDI	-	-	36,493	28,245
<b>Total noncurrent</b>		<b>6,685</b>	<b>16,294</b>	<b>57,997</b>	<b>76,954</b>
		<b>16,025</b>	<b>22,621</b>	<b>127,142</b>	<b>167,261</b>

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Noncurrent payment flow:				
From October 2017	4,612	10,984	14,406	24,408
2018	2,073	5,231	11,153	19,967
2019	-	79	5,336	9,565
From 2020 to 2027	-	-	27,102	23,014
	<b>6,685</b>	<b>16,294</b>	<b>57,997</b>	<b>76,954</b>

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

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
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### 15. Personnel expenses

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
13 <sup>th</sup> monthly salary	4,783	-	8,043	-
Vacation pay	8,577	9,297	14,442	15,726
Profit sharing (a)	1,349	2,821	4,104	7,120
Unemployment Compensation Fund (FGTS)	411	622	684	1,056
Social Security Tax (INSS)	1,958	2,115	3,274	3,352
Other	6	3	214	468
	<b>17,084</b>	<b>14,858</b>	<b>30,761</b>	<b>27,722</b>

(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	
	09/30/2016	09/30/2015
Company	109	3,732
Consolidated	2,205	6,868

### 16. Taxes, charges and contributions payable

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Current:				
Income taxes				
Corporate Income Tax (IRPJ)	-	-	779	1,188
Social Contribution Tax on Net Profit (CSLL)	-	-	312	698
Other taxes				
State Value Added Tax (ICMS)	6,910	5,176	9,520	7,989
Federal Value Added Tax (IPI)	2,160	2,227	2,516	2,538
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	1,880	1,175	3,098	2,444
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	388	241	629	508
Withholding Income Tax (IRRF)	587	1,708	1,244	2,504
Tax on Financial Transactions (IOF)	30	12	70	28
Mineral resource offsetting financial contribution	-	-	1,039	1,423
Other	141	158	371	547
	<b>12,096</b>	<b>10,697</b>	<b>19,578</b>	<b>19,867</b>
Noncurrent:				
State Value-Added Tax (ICMS) (*)	2,437	6,477	5,892	8,969

(\*) ICMS deriving from tax incentive programs PRODUZIR and DESENVOLVE in the Company; FOMENTAR in subsidiary Precon; FUNDOPEM and PRODUZIR 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)  
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### 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>09/30/2016</u>	<u>12/31/2015</u>	<u>09/30/2016</u>	<u>12/31/2015</u>
Current liabilities	2,754	2,749	4,894	4,890
Noncurrent liabilities	33,172	31,839	45,514	44,437
	<u>35,926</u>	<u>34,588</u>	<u>50,408</u>	<u>49,327</u>

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

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2016</u>	<u>09/30/2015</u>
Current service and interest cost	3,401	2,948	4,750	4,419
Benefits paid	(2,063)	(1,884)	(3,669)	(2,758)
<b>Net expense with the benefit</b>	<u>1,338</u>	<u>1,064</u>	<u>1,081</u>	<u>1,661</u>

#### 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 September 30, 2016 are required.

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

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2016</u>	<u>09/30/2015</u>
Contributions made in the periods ended:	876	766	2,357	2,530

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
September 30, 2016  
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### 18. Equity

#### a) Capital

At September 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	09/30/2016		12/31/2015	
	Shareholders	Shares	Shareholders	Shares
Individuals	11,004	134,991,357	10,753	126,183,006
Legal entities	84	3,399,336	92	3,213,774
Residents abroad	78	13,645,560	91	14,323,451
Clubs, funds and foundations	74	26,905,015	88	35,221,037
	<b>11,240</b>	<b>178,941,268</b>	11,024	178,941,268
Treasury shares	1	58,732	1	58,732
	<b>11,241</b>	<b>179,000,000</b>	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 September 30, 2016, market value of treasury share was R\$90 (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.

	09/30/2016	09/30/2015
Dilutive effect		
(-) Net income/loss for the periods attributable to noncontrolling interests	<b>(8,056)</b>	41,677
Weighted average number of outstanding common shares, less the average of treasury common shares	<b>178,941</b>	178,941
(-) Basic and diluted earnings/loss per share - R\$	<b>(0.045)</b>	0.233

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

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
September 30, 2016  
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### 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 September 30, 2016 represents:

	<u>Company and Consolidated</u>	
	<u>09/30/2016</u>	<u>12/31/2015</u>
Interest on equity (IOE)	-	7,118
Prior year's amounts	<b>484</b>	416
	<b>484</b>	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.

For the period ended September 30, 2016, this benefit totaled R\$591 (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. The Company used the totality of the contracted amount of R\$6,910, with no remaining balance to be used.

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\$25,972 of the amount contracted, remaining a balance of R\$16,612 to be used until the expiration of the benefit contract on 12/31/2020.

For the period ended September 30, 2016, this benefit totaled R\$1,036 (R\$2,914 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 S.A.**

Notes to individual and consolidated interim financial information (Continued)  
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### **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. Tégula used R\$28,059 of the amount contracted, remaining a balance of R\$34,497 to be used until the expiration of the benefit contract on 12/31/2020.

For the period ended September 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 S/A - 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.

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
September 30, 2016  
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### 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	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Income (loss) before income and social contribution taxes	(12,098)	35,415	1,234	73,176
Nominal rate	34%	34%	34%	34%
Income and social contribution taxes at statutory rates	4,113	(12,041)	(420)	(24,880)
Effect of income and social contribution taxes on permanent and temporary differences:				
Equity pickup	2,311	12,570	(6,477)	(7,503)
Interest on equity (IOE)	(2,238)	5,728	-	7,423
Donations and gifts	(41)	(75)	(598)	(573)
Nondeductible taxes and fines	(96)	(27)	(157)	(44)
Tax incentive	-	-	48	351
Provision for PIS and COFINS (financial income)	(298)	-	(298)	-
Gains (losses) on swap transactions	(154)	-	(270)	-
Tax loss without set up of deferred tax	-	-	(2,429)	(6,909)
Other (additions) exclusions, net	445	107	1,309	637
Income and social contribution taxes on P&L	4,042	6,262	(9,292)	(31,498)
Effective rate	-33.4%	17.7%	-750.6%	43.0%

#### 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	6,495	53,248
Reversal of temporary differences	(5,837)	(52,178)
Setup on tax loss	3,384	3,384
Income in inventories	-	(626)
<b>Balance at September 30, 2016</b>	<b>38,306</b>	<b>67,651</b>

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
September 30, 2016  
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### 20. Income and social contribution taxes (Continued)

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

	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Income and social contribution tax losses	16,410	13,026	22,816	19,432
Post-employment benefits	12,213	11,760	17,137	18,224
Provision for tax, civil and labor risks	5,352	7,702	16,348	17,841
Unrealized income in inventories	-	-	2,664	3,289
Allowance for doubtful accounts	1,812	1,321	3,265	2,699
Provision for profit sharing	459	959	1,385	2,398
Provision for losses on PP&E	1,271	1,271	1,271	1,271
Unshipped products	-	-	1,080	1,470
Other provisions	789	(1,775)	1,685	(2,801)
	<b>38,306</b>	<b>34,264</b>	<b>67,651</b>	<b>63,823</b>

#### *Expected realization of tax credits*

i. Income and social contribution tax losses

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

	Company	Consolidated
	09/30/2016	09/30/2016
From October 2016	356	675
2017	766	1,160
2018	1,296	1,764
2019	1,544	2,108
From 2020 to 2025	12,448	17,109
	<b>16,410</b>	<b>22,816</b>

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 for 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.

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
September 30, 2016  
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### 20. Income and social contribution taxes (Continued)

i. Income and social contribution tax losses (Continued)

As of September 30, 2016, subsidiary Tégula had accumulated income tax loss of R\$56,235 and social contribution tax loss of R\$56,385, 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>09/30/2016</u>	<u>09/30/2016</u>
October/2016	5,905	10,871
2017	1,777	8,931
2018	1,777	2,608
2019	1,777	4,409
From 2020 to 2025	10,660	18,016
	<u>21,896</u>	<u>44,835</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)  
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### 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	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Labor claims (i)	38,030	39,177	48,000	48,581
Civil claims	-	-	6,480	4,918
Tax claims (ii)	8,559	7,919	32,428	30,782
	<b>46,589</b>	<b>47,096</b>	<b>86,908</b>	<b>84,281</b>

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

	Company		
	Provisions for labor claims	Provisions for tax claims	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	1,155	640	1,795
Payments	(2,078)	-	(2,078)
Reversals	(224)	-	(224)
<b>Balance at September 30, 2016</b>	<b>38,030</b>	<b>8,559</b>	<b>46,589</b>

	Consolidated			
	Provisions for labor claims	Provisions for civil claims	Provisions for tax claims	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	2,164	1,562	1,646	5,372
Payments	(2,297)	-	-	(2,297)
Reversals	(448)	-	-	(448)
<b>Balance at September 30, 2016</b>	<b>48,000</b>	<b>6,480</b>	<b>32,428</b>	<b>86,908</b>

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
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### 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 claims 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 September 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\$19,848 (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)  
September 30, 2016  
(In thousands of reais - R\$, unless otherwise stated)

### 21. Provisions 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, in the total case amount of R\$20,000.
- 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, in the total case amount of R\$38,795, as well as annulment action and enforcement proceeding totaling R\$13,729.
- 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\$1,000,000. In parallel to this action, another 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	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Gross sales revenue	494,789	508,186	805,597	923,655
Unconditional discounts and rebates	(1,263)	(2,118)	(1,525)	(2,526)
Sales taxes	(119,590)	(126,440)	(167,133)	(187,002)
Net operating revenue	373,936	379,628	636,939	734,127

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)

September 30, 2016

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

### 23. Information on the nature of expenses

	Company		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Cost of products and goods sold	<b>(294,931)</b>	(285,931)	<b>(429,689)</b>	(446,526)
Selling expenses	<b>(46,875)</b>	(42,539)	<b>(81,721)</b>	(85,373)
General and administrative expenses	<b>(30,398)</b>	(38,014)	<b>(67,456)</b>	(79,190)
Management compensation	<b>(5,094)</b>	(4,894)	<b>(7,618)</b>	(8,333)
	<b>(377,298)</b>	(371,378)	<b>(586,484)</b>	(619,422)
Raw material used	<b>(191,141)</b>	(184,767)	<b>(282,042)</b>	(300,380)
Personnel expenses and charges	<b>(86,157)</b>	(90,706)	<b>(119,016)</b>	(125,490)
Material, electric energy and services	<b>(35,444)</b>	(33,045)	<b>(44,190)</b>	(39,999)
Third-party services	<b>(15,976)</b>	(18,867)	<b>(39,139)</b>	(43,853)
Depreciation and amortization	<b>(11,058)</b>	(9,745)	<b>(29,297)</b>	(29,349)
Sales commissions	<b>(9,291)</b>	(9,086)	<b>(13,718)</b>	(15,127)
Variable selling expenses	<b>(4,915)</b>	(5,199)	<b>(21,348)</b>	(25,812)
Lease of chattels	<b>(4,958)</b>	(4,976)	<b>(7,805)</b>	(8,409)
Travel expenses	<b>(2,826)</b>	(4,232)	<b>(4,784)</b>	(6,352)
Expenses with materials and IT services	<b>(2,744)</b>	(3,113)	<b>(4,345)</b>	(4,971)
Advertising and publicity	<b>(7,738)</b>	(3,029)	<b>(8,663)</b>	(6,528)
Trade union dues	<b>(1,155)</b>	(1,948)	<b>(4,574)</b>	(7,082)
Taxes and charges	<b>(892)</b>	(511)	<b>(3,216)</b>	(2,354)
Expense with allowance for doubtful accounts	<b>(1,996)</b>	(1,084)	<b>(3,180)</b>	(1,712)
Other	<b>(1,007)</b>	(1,070)	<b>(1,167)</b>	(2,004)
	<b>(377,298)</b>	(371,378)	<b>(586,484)</b>	(619,422)



## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
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### 24. Other operating income (expenses), net

	Company		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
<u>Other operating income:</u>				
PP&E disposals	114	782	3,468	873
Sample for product testing	-	1,186	-	-
Dividends and interest on equity	33	37	33	37
Reversal of provision for labor risks	-	1,753	222	1,753
Lease	-	-	639	1,187
Previously unused credit	-	-	3,733	2,470
Credit - ICMS	-	-	1,852	-
FI Fund - Private Pension (i)	-	-	-	1,809
Receipt of appeal deposit	-	-	245	-
Other	246	516	1,431	2,411
	<b>393</b>	<b>4,274</b>	<b>11,623</b>	<b>10,540</b>
<u>Other operating expenses:</u>				
Provision for tax, civil and labor risks	(129)	(92)	(951)	(92)
Provision for post-employment benefits	(3,401)	(2,948)	(4,750)	(4,419)
Environmental restoration	-	-	(935)	(810)
Taxes on other sales	(27)	(36)	(403)	(654)
Quality control	(701)	(711)	(876)	(1,015)
Replacement of defective products	(642)	(321)	(943)	(334)
Expenses with unexpected halts	(1,811)	-	(4,457)	(1,281)
Expenses with labor and civil indemnifications	(4,326)	(528)	(4,642)	(859)
Cost of PP&E disposals	(6)	(684)	(247)	(747)
FibraPrev - Private Pension Plan	-	-	(5,388)	-
Other	(255)	(84)	(2,648)	(1,042)
	<b>(11,298)</b>	<b>(5,404)</b>	<b>(26,240)</b>	<b>(11,253)</b>
Total	<b>(10,905)</b>	<b>(1,130)</b>	<b>(14,617)</b>	<b>(713)</b>

(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)  
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### 25. Financial income and expenses

	Company		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Financial income:				
Short-term investment yield - including Bank Deposit Certificates (CDB)	206	879	1,052	3,097
Discounts obtained	226	72	533	150
Interest income	2,547	2,543	3,667	4,394
Monetary gains	841	695	854	719
Foreign exchange gains	14,496	13,729	35,997	101,397
Other financial income	-	-	-	6
	<b>18,316</b>	17,918	<b>42,103</b>	109,763
Financial expenses:				
Interest on financing	(803)	(352)	(3,927)	(1,723)
Interest on loan	(3,806)	(3,056)	(22)	-
Interest expense	(154)	(162)	(6,782)	(3,008)
Bank expenses	(1,621)	(999)	(1,945)	(1,251)
Discounts granted	(2,384)	(842)	(3,768)	(2,244)
Tax on Financial Transactions (IOF)	(439)	(349)	(644)	(788)
PIS and COFINS - Interest on Equity (IOE)	(813)	(1,024)	(872)	(1,084)
Foreign exchange losses	(11,240)	(17,841)	(34,715)	(113,581)
Monetary losses	(1,393)	(1,704)	(4,346)	(4,393)
Other	(291)	(265)	(637)	(439)
	<b>(22,944)</b>	(26,594)	<b>(57,658)</b>	(128,511)
Financial income (expenses), net	<b>(4,628)</b>	(8,676)	<b>(15,555)</b>	(18,748)

### 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)

September 30, 2016

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

### 26. Segment reporting (Continued)

Significant consolidated segment reporting for the periods ended September 30, 2016 and 2015 is as follows:

		09/30/2016		09/30/2016					
		Total assets	Liabilities	Net revenue	Gross profit	Income (loss) before taxes	Depreciation and amortization	Financial income (expenses)	IRPJ/CSLL
<b>Fiber cement and synthetic fiber cement</b>									
	Southeast	260,303	25,879	71,699	15,149	(1,617)	(3,450)	(767)	497
	South	46,705	35,109	113,216	23,958	(2,515)	(3,900)	(1,211)	786
	Midwest	84,269	45,859	140,719	33,529	626	(3,563)	(1,505)	976
	North and Northeast	30,783	24,721	69,860	14,760	(1,575)	(1,933)	(747)	485
		422,060	131,568	395,494	87,396	(5,081)	(12,846)	(4,230)	2,744
<b>Chrysotile Mineral</b>									
	Domestic market	241,304	148,126	77,409	60,679	29,712	(4,524)	(5,860)	(3,978)
	Foreign market	-	-	106,268	43,794	1,283	(6,581)	(8,044)	(5,461)
		241,304	148,126	183,677	104,473	30,995	(11,105)	(13,904)	(9,439)
<b>Concrete roof tiles</b>	Domestic market	62,443	19,700	33,000	7,793	(5,430)	(2,724)	(1,119)	(655)
<b>Other (*)</b>	Domestic market	145,896	80,127	24,768	7,588	(19,250)	(2,622)	3,698	(1,942)
<b>Total</b>		<b>871,703</b>	<b>379,520</b>	<b>636,939</b>	<b>207,250</b>	<b>1,234</b>	<b>(29,297)</b>	<b>(15,555)</b>	<b>(9,292)</b>

(\*) Including (R\$19,049) of equity pickup of the joint venture Companhia Sulamericana de Cerâmica, which operates in the bathroom chinaware segment. See Note 9 "Investments".

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Notes to individual and consolidated interim financial information (Continued)

September 30, 2016

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

### 26. Segment reporting (Continued)

	12/31/2015		09/30/2015					
	Total assets	Liabilities	Net revenue	Gross profit	Income (loss) before taxes	Depreciation and amortization	Financial income (expenses)	IRPJ/CSLL
<b>Fiber cement and synthetic fiber cement</b>								
Southeast	226,850	48,611	69,879	17,337	(867)	2,541	(1,320)	521
South	52,191	64,034	109,646	27,110	(1,452)	3,655	(2,071)	818
Midwest	83,936	79,226	157,033	42,603	1,697	2,659	(2,966)	1,171
North and Northeast	26,908	42,140	75,368	18,601	(1,031)	1,560	(1,424)	562
	389,885	234,011	411,926	105,651	(1,653)	10,415	(7,781)	3,072
<b>Chrysotile Mineral</b>								
Domestic market	271,088	87,166	104,640	84,045	58,887	5,453	1,139	(13,727)
Foreign market	-	-	151,525	79,722	43,291	7,897	1,649	(19,877)
	271,088	87,166	256,165	163,767	102,178	13,350	2,788	(33,604)
<b>Concrete roof tiles</b>								
Domestic market	71,814	24,133	41,132	11,019	(5,959)	3,846	(1,770)	(904)
<b>Other (*)</b>								
Domestic market	200,407	87,768	24,904	7,164	(21,390)	1,738	(11,985)	(62)
<b>Total</b>	<b>933,194</b>	<b>433,078</b>	<b>734,127</b>	<b>287,601</b>	<b>73,176</b>	<b>29,349</b>	<b>(18,748)</b>	<b>(31,498)</b>

(\*) The investment in the bathroom chinaware segment is included, consolidated by the equity method. See Note 9 "Investments".

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### 27. Insurance coverage

At September 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	<u>R\$297,700</u>

### 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	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
	Level 1	Level 1	Level 1	Level 1
<b>Financial assets</b>				
Cash and cash equivalents	1,186	2,850	2,592	5,578
Short-term investments	1,406	3,114	6,279	16,734
Accounts receivable - foreign market	-	-	45,037	69,316
	<u>2,592</u>	<u>5,964</u>	<u>53,908</u>	<u>91,628</u>
Measured at amortized cost	Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
<b>Financial liabilities</b>				
Trade accounts payable	17,624	23,922	32,346	41,420
Loans and financing	16,025	22,621	127,143	167,261
	<u>33,649</u>	<u>46,543</u>	<u>159,489</u>	<u>208,681</u>

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
September 30, 2016  
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### 28. Financial instruments (Continued)

#### 28.1. Identification and assessment of financial instruments (Continued)

##### b) Fair value hierarchy

Over the period ended September 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.

The Company and its subsidiaries are exposed to market risks related to interest, foreign exchange and credit rate fluctuations.

The Group adopts procedures to administer and use hedge instruments.

##### 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)  
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### 28. Financial instruments (Continued)

#### 28.2. Financial risk management (Continued)

##### I. Market risk (Continued)

##### a) Currency risk (Continued)

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

	Consolidated		Quotation at 09/30/2016 (US\$ / € 1.00 = R\$ 1.00)
	09/30/2016	12/31/2015	
Foreign market customers	45,037	69,316	3.2462
Foreign market suppliers	(1,659)	(5,102)	3.2462
Advances on Export Contracts (ACE)	(6,528)	-	3.2462
Financing (USD)	(51,640)	(58,847)	3.2462
Financing (EUR)	-	(2,200)	3.6484
<b>Total currency exposure</b>	<b>(14,790)</b>	<b>3,167</b>	

##### 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 September 30, 2016, as follows:

Balances (foreign currency) - Consolidated	Risk	Rate (*)	Rate depreciation		Rate appreciation	
		Position at 09/30/2016	Scenario I (-50%)	Scenario II (-25%)	Scenario III (+25%)	Scenario IV (+50%)
<b>USD</b>		<b>3.2462</b>	<b>1.6231</b>	<b>2.4347</b>	<b>4.0578</b>	<b>4.8693</b>
Foreign market customers	USD	45,037	22,518	33,778	56,296	67,555
Foreign market suppliers	USD	(1,659)	(830)	(1,245)	(2,074)	(2,489)
Advances on Export Contracts (ACE)	USD	(6,528)	(3,264)	(4,896)	(8,160)	(9,792)
Financing	USD	(51,640)	(25,820)	(38,730)	(64,550)	(77,460)
<b>Total exposure</b>		<b>(14,790)</b>	<b>(7,396)</b>	<b>(11,093)</b>	<b>(18,488)</b>	<b>(22,186)</b>

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

##### a 2) Derivative transactions:

I - In derivative transactions there are no checks, monthly settlements or margin calls, and the contract is settled on maturity, recorded at fair value, considering the market conditions as regards terms and interest rates.

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
September 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 2) Derivative transactions (Continued)

USD and CDI swap agreements

II – The Company has three agreements of this type, in the aggregate amount of US\$5,272 thousand, maturing up to 10/17/2017, with long position in US dollars and short position in CDI.

III - The fair value of the financial instruments was calculated using the market price for both long and short positions, where the difference results in the swap market value.

Breakdown of the Group's agreements at September 30, 2016

	Table					
	Notional reference value		Fair value		Accumulated effect	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015	09/30/2016	12/31/2015
<b>Swap agreements</b>						
<b>Long position</b>						
Foreign currency (USD)	5,272	-	5,311	-	39	-
<b>Short position</b>						
CDI (R\$)	(17,545)	-	(18,080)	-	(535)	-

##### 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.



## Eternit S.A.

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

### 28. Financial instruments (Continued)

#### 28.3. Financial risk management (Continued)

##### I. Market risk (Continued)

##### b) *Interest rate risks* (Continued)

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

	<b>Company</b>		<b>Consolidated</b>	
	<b>09/30/2016</b>	12/31/2015	<b>09/30/2016</b>	12/31/2015
Short-term investments (cash equivalents)	<b>917</b>	-	<b>960</b>	115
Short-term investments	<b>1,406</b>	3,114	<b>6,279</b>	16,734
<b>Total exposure to interest rate</b>	<b>2,323</b>	3,114	<b>7,239</b>	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)  
September 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 09/30/2016	Probable scenario	Reduction risk		Increase risk	
				Scenario I (-50%)	Scenario II (-25%)	Scenario III (+25%)	Scenario IV (+50%)
<b>CDI</b>			14.13%	7.07%	10.60%	17.66%	21.20%
Short-term investments (cash equivalents)	CDI	960	1,096	892	858	1,130	1,164
Short-term investments	CDI	6,279	7,166	5,835	5,614	7,388	7,610

Loans and financing - consolidated	Index	Position at 09/30/2016	Probable scenario	Reduction risk		Increase risk	
				Scenario I (-50%)	Scenario II (-25%)	Scenario III (+25%)	Scenario IV (+50%)
<b>CDI</b>			14.13%	7.07%	10.60%	17.66%	21.20%
Loans and financing	CDI	27,174	31,014	25,252	24,294	31,974	32,937
<b>TJLP</b>			7.50%	3.75%	5.63%	9.38%	11.25%
Loans and financing	TJLP	1,576	1,695	1,517	1,488	1,724	1,754
<b>SELIC</b>			14.25%	7.13%	10.69%	17.81%	21.23%
Loans and financing	SELIC	505	577	469	451	595	613

##### 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), , bathroom chinaware, sanitary seats and metal fixtures. Except for constructive solutions and bathroom chinaware items, third parties' skills are used in other segments.

## Eternit S.A.

Notes to individual and consolidated interim financial information (Continued)  
September 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 fixtures 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 September 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)  
September 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 period ended September 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			
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Loans and financing	16,025	22,621	127,143	167,261
(-) Cash and cash equivalents	(1,186)	(2,850)	(2,592)	(5,578)
<b>Net debt</b>	<b>14,839</b>	<b>19,771</b>	<b>124,551</b>	<b>161,683</b>
<b>Equity</b>	<b>492,167</b>	<b>500,098</b>	<b>492,183</b>	<b>500,116</b>
<b>Net debt and equity</b>	<b>477,328</b>	<b>480,327</b>	<b>367,632</b>	<b>338,433</b>

### 29. Commitments and guarantees

At September 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\$5,014, 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)  
September 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\$2,150, 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 with Tégula Soluções para Telhados Ltda., amounting to R\$1,510, with Banco Bradesco, maturing on June 27, 2017;
- (x) Guarantee Insurance Policy No. 54-0776-19-011056 for purchase and sale of electric energy No. TBLC-15.2015-CVEL-CL, borrower Eternit S.A., totaling R\$1,511 thousand, from Pottencial Seguradora S.A., maturing on 12/31/2016, and beneficiary Tractebel Energia Comercializadora Ltda.;

## Eternit S.A.

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

### 29. Commitments and guarantees (Continued)

- (xi) Guarantee Insurance Policy No. 44-0776-19-0011136 for purchase and sale of electric energy No. TBLC-15.2015-CVEL-CL, borrower Companhia Sulamericana de Cerâmica, totaling interest held of R\$206, from Pottencial Seguradora S.A., maturing on 12/31/2016, and beneficiary Tractebel Energia Comercializadora Ltda.

### 30. Provision for decommissioning of mine

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

	<u>2016 and 2015</u>	
Discount rate	10% p.a.	
Long-term inflation rate	5% p.a.	
	<u>Consolidated</u>	
<u>Present value of expected cash outlays</u>	<u>09/30/2016</u>	<u>12/31/2015</u>
2032	5,093	4,742
2033	4,371	4,070
2034	2,265	2,109
2035 to 2043	1,822	1,696
Total	<u>13,551</u>	<u>12,617</u>

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

The expenses recognized for environmental restoration of the mine for the nine-month period ended September 30, 2016 totaled R\$935 (R\$810 at September 30, 2015), calculated based on the current production of Chrysotile, as disclosed in Note 24.

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 09/30/2016 (In Units)		
Shareholder	Ordinary Shares		Total		
	Qty.	%	Qty.	%	
Luiz Barsi Filho	24.485.500	13,68	24.485.500	13,68	
Victor Adler and Controlled	19.028.600	10,63	19.028.600	10,63	
Generation L. Pair Shares Investment Fund	15.673.100	8,76	15.673.100	8,76	
Shares in treasury	58.732	0,03	58.732	0,03	
Others	119.754.068	66,90	119.754.068	66,90	
<b>Total</b>	<b>179.000.000</b>	<b>100,00</b>	<b>179.000.000,00</b>	<b>100,00</b>	

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 09/30/2015 (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	12.955.000	7,24	12.955.000	7,24	
Shares in treasury	58.732	0,03	58.732	0,03	
Others	116.666.268	65,18	116.666.268	65,18	
<b>Total</b>	<b>179.000.000</b>	<b>100,00</b>	<b>179.000.000</b>	<b>100,00</b>	

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 09/30/2016	%	Quantity of ordinary shares (in units) Activity		Quantity of ordinary shares (in units) 09/30/2015	%
<b>Controller</b>	N/A	-	N/A		N/A	-
<b>Administrators</b>						
Board of Directors	24.502.502	13,69	-172.564		24.675.066	13,78
Management	1.650.648	0,92	-475.900		2.126.548	1,19
<b>Tax Council</b>	724.700	0,40	-35.000		759.700	0,42
<b>Shares in treasury</b>	58.732	0,03	0		58.732	0,03
<b>Other shareholders</b>	152.063.418	84,95	683.464		151.379.954	84,58
<b>Total</b>	<b>179.000.000</b>	<b>100,00</b>	<b>0</b>		<b>179.000.000</b>	<b>100,00</b>
<b>Current shares</b>	<b>152.063.418</b>	<b>84,95</b>	<b>683.464</b>		<b>151.379.954</b>	<b>84,58</b>

## **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") and subsidiaries, contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2016, which comprises the balance sheet as at September 30, 2016 and the related statements of income and of comprehensive income (loss) for the quarter and nine-month periods then ended, and statements of changes in equity and of cash flows for the nine-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 also draw 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 nine-month period ended September 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, November 9, 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 September 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, November 8, 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, November 9, 2016.

The Management