

# Eternit

São Paulo, August 14, 2019 – Eternit S.A. – under court-supervised reorganization (B3: ETER3) today announces the results for the second quarter of 2019 (2Q19). Except where stated otherwise, the operational and financial information of the Company is presented on a consolidated basis in Brazilian real, in accordance with the Brazilian Corporations Law and International Financial Reporting Standards (IFRS). All comparisons in this press release are with the second quarter of 2018 (2Q18), except where stated otherwise.

## Sales of fiber-cement roofing panels grow 48% in 2Q19 and 34% in 1H19

### 2Q19

<b>Listing Segment</b>
Novo Mercado of B3
<b>Share Price ETER3 (07/31/2019)</b>
R\$/share 2.47 US\$/share 0.66
<b>Shareholder Base (07/31/2019)</b>
Shares issued 29,833,333 Free Float 99.3%
<b>Market Cap (07/31/2019)</b>
R\$73.3 million US\$19.6 million
<b>Indicators - (Jun/19)</b>
EPS (R\$/share) N/A Price/EPS N/A
<b>Conference Call / Webcast</b>
<b>August 16, 2019, Friday</b> <b>Time:</b> 10:00 a.m. (Brasília) <b>Dial-in:</b> From Brazil <b>+55 (11) 3193-1070</b> or <b>+55 (11) 2820-4070</b> Password: <b>Eternit</b> <b>Webcast (in Portuguese):</b> <a href="http://www.eternit.com.br/ir">www.eternit.com.br/ir</a> or <a href="http://choruscall.com.br/eternit/2t19.htm">http://choruscall.com.br/eternit/2t19.htm</a>
<b>Talk to IR</b>
<a href="mailto:ri@eternit.com.br">ri@eternit.com.br</a> (11) 3194-3881

### Highlights

- Sales of **fiber-cement roofing panels** grew 48% in 2Q19 vs. 2Q18 and 34% in the year.
- **Bathroom chinaware sales** were up 2.2% in 2Q19 vs. 2Q18 and 14% in 1H19 vs. 1H18.
- **Net operating income** stable in 2Q19 compared to 2Q18, while declining 2.7% in 2019, reflecting the suspension of operations at SAMA on February 11, 2019, after the publication of the Supreme Court's decision on exploring and selling asbestos.
- **Negative EBITDA** of R\$21.1 million and **net loss** of R\$29.5 million in 2Q19.
- The General Creditors' Meeting held on May 29, 2019 **approved the court-supervised reorganization plan** for the Company and its subsidiaries who are plaintiffs in the court-supervised reorganization process.
- **Hibernation of assets of the mining company SAMA** since May 31, 2019 due to the Supreme Court's (STF) failure to examine the request for supersedeas requested in the motions for clarification filed solely for resuming asbestos exports.
- Event after the reporting period: on July 16, 2019, approval was given for **capital increase** through the issue of new shares to settle a part of labor claims, as per the court-supervised reorganization plan.
- Event after the reporting period: the **dation of assets** on July 22, 2019, which represented the settlement of R\$57.7 million of bankruptcy debt of Class III creditors.

### Main Indicators

Consolidated - R\$ '000	2Q19	2Q18	% Chg.	1Q19	% Chg.	1H19	1H18	% Chg.
<b>Net revenues</b>	<b>117,005</b>	<b>118,115</b>	<b>(0.9)</b>	<b>123,680</b>	<b>(5.4)</b>	<b>240,685</b>	<b>247,342</b>	<b>(2.7)</b>
Adjusted Gross margin	8%	16%	- 8 p.p.	16%	- 8 p.p.	12%	23%	- 11 p.p.
Operating loss/income (EBIT) <sup>1</sup>	(25,040)	(28,684)	(12.7)	(19,746)	26.8	(44,786)	(33,518)	33.6
<b>Net loss for the period</b>	<b>(29,534)</b>	<b>(34,776)</b>	<b>(15.1)</b>	<b>(25,464)</b>	<b>16.0</b>	<b>(54,998)</b>	<b>(45,914)</b>	<b>19.8</b>
<b>Adjusted Net loss for the period</b>	<b>(18,819)</b>	<b>(32,904)</b>	<b>(42.8)</b>	<b>(20,297)</b>	<b>(7.3)</b>	<b>(39,116)</b>	<b>(42,861)</b>	<b>(8.7)</b>
Adjusted Net margin	-16%	-28%	12 p.p.	-16%	-	-16%	-17%	1 p.p.
Earnings (loss) per share - R\$	(0.9903)	(1.1661)		(0.8538)		(1.8441)	(1.5395)	
CAPEX	1,166	1,625	(28.2)	954	22.2	2,120	3,361	(36.9)
<b>EBITDA</b> <sup>2</sup>	<b>(21,148)</b>	<b>(26,570)</b>	<b>(20.4)</b>	<b>(16,025)</b>	<b>32.0</b>	<b>(37,173)</b>	<b>(28,237)</b>	<b>31.6</b>
<b>Adjusted EBITDA</b>	<b>(5,643)</b>	<b>(19,279)</b>	<b>(70.7)</b>	<b>(7,797)</b>	<b>(27.6)</b>	<b>(13,440)</b>	<b>(14,886)</b>	<b>(9.7)</b>
Adjusted EBITDA Margin	-5%	-16%	11 p.p.	-6%	1 p.p.	-6%	-6%	-

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

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

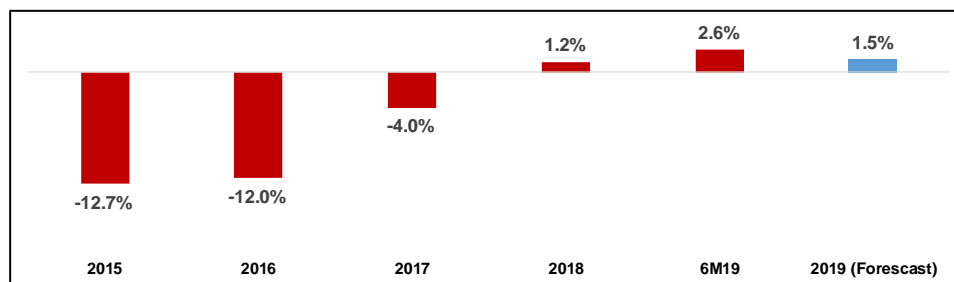


## Economy and Market

The Brazilian economy presents a scenario of stagnation, with GDP growth in 2019 estimated at 0.8%<sup>1</sup>, marked by high unemployment rate (12%<sup>2</sup>) and high level of idleness across industry (21.9%<sup>3</sup>). Construction GDP is expected to decline 1.0%<sup>4</sup>, while construction material sales are expected to grow 1.5%<sup>5</sup>, heavily influenced by the weak performance in 2018 due to the trucker' strike, in addition to the impact of the Government's delay in transferring funds to construction companies who operate in the My Home My Life<sup>6</sup> program.

ABRAMAT reported that the construction materials industry continues to benefit from sales to the retail sector, that is, small household and commercial renovations that end up bringing impetus to the sector, even though public housing and infrastructure works have not been resumed by the new government.

**Deflated revenues of construction material industry (ABRAMAT)**



ANAMACO<sup>7</sup> data for the first half of 2019 showed that the construction materials retail sector expanded 2% compared to the same period last year, with June's performance being affected by lower consumer confidence. In June, the National Consumer Expectation Index (INEC), measured by CNI, declined for the second consecutive time, indicating a worsening of Brazilians' expectations regarding unemployment and higher debt levels of households.

## Management Comments

Operational performance in 2Q19 was marked by the stabilization of the fiber-cement production process, with asbestos fully replaced by synthetic fiber, resulting in the significant 48% growth in tile sales, which totaled 152,000 tons in the period.

Moreover, 2Q19 witnessed important events:

- (i) Approval and ratification of the court-supervised reorganization plan, with the decision published in the Official Gazette of the State of São Paulo on June 11, 2019.
- (ii) Hibernation of assets of its subsidiary SAMA and the consequent layoff of all its employees on May 31, 2019. Note that SAMA's operations had been suspended since February 11, 2019. The suspension was due to the supersedeas plea, not yet examined, requested in the motions for clarification filed in response to the publication of the decisions of the Supreme Court on the Direct Claims of Unconstitutionality no. 3406 and 3470, which judged the use of asbestos in the country on November 29, 2017. Note that until the disclosure of the results, on August 14, 2019, the STF had not yet examined the plea for injunction.

With regard to the court-supervised reorganization, apart from the aforementioned plan, the following is worth noting:

- (i) On July 16, 2019, the Board of Directors approved a capital increase through the issue of new shares as means of settling a part of the labor claims which exceed R\$250,000 (class I), as per the plan, offering preemptive rights to the current shareholders of Eternit, setting the deadline for exercising the rights at August 20, 2019.
- (ii) The winning proposals for receipt, through dation, of the assets designated in Clusters I and II of Option A of Class III, were announced, representing the settlement of R\$57.7 million of bankruptcy debt.

<sup>1</sup> BACEN: Focus market readout of 8/9/2019 issued by the Central Bank of Brazil

<sup>2</sup> IBGE: Brazilian Geography and Statistics Institute

<sup>3</sup> CNI: National Industry Confederation

<sup>4</sup> BACEN: Inflation Report - June 2019

<sup>5</sup> ABRAMAT: Brazilian Construction Materials Industry Association

<sup>6</sup> CBIC: Brazilian Chamber for the Construction Industry

<sup>7</sup> ANAMACO: National Association of Construction Material Dealers



Eternit remains focused on optimizing its production process for fiber-cement roofing panels, on achieving margins that ensure business sustainability and on complying with the reorganization plan, with the focus on the financial restructuring of the Company through divestment of its non-core assets.

## Operational and Financial Aspects

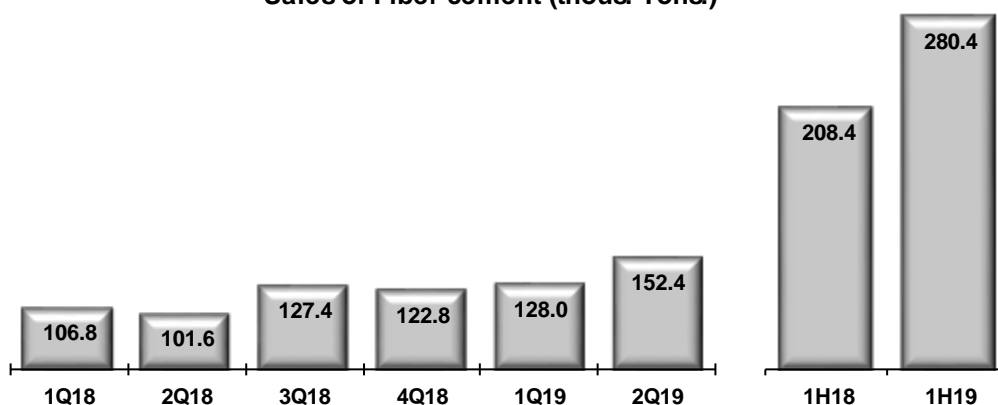
### Sales

#### Fiber-cement roofing panels

Sales of fiber-cement roofing panels increased 48% in 2Q19 in relation to the same period last year. This growth was marked by better manufacturing efficiency and, consequently, greater supply of products for sale, despite the sluggish economic recovery. Worth noting that we recorded sales growth of 18% and 23% this quarter compared to 1Q19 and 4Q18, respectively.

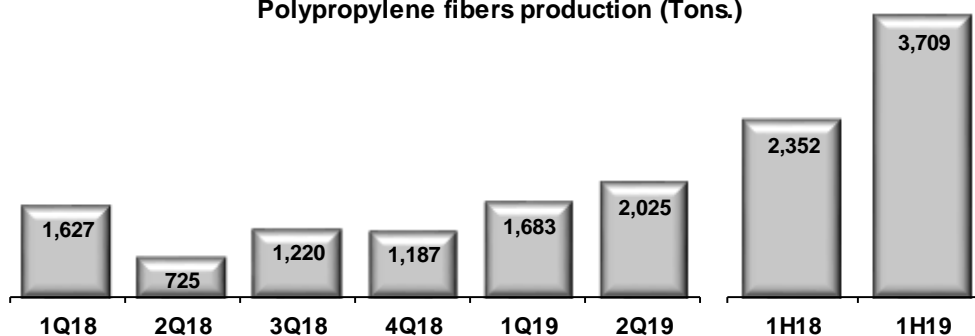
In the first half of 2019, sales volume increased 34%, in line with the aspects mentioned above.

Sales of Fiber-cement (thous. Tons.)



In 2Q19, a new quarterly record was set in polypropylene fibers production at the Manaus unit (total 2,025 tons), driven by captive demand from the fiber-cement business.

Polypropylene fibers production (Tons.)



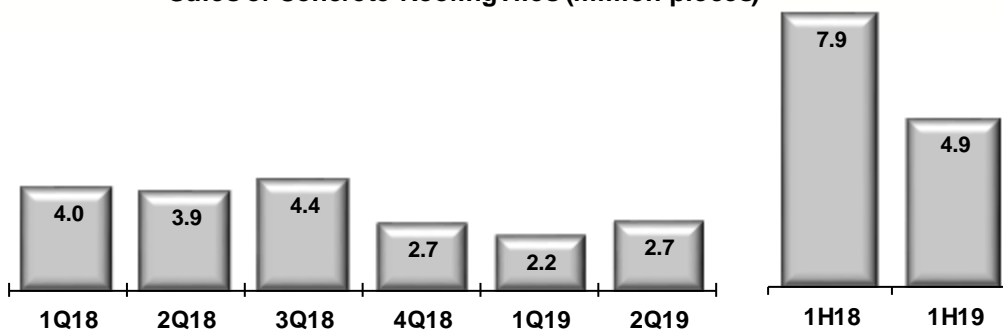
#### Concrete Roofing Tiles

Sales volume in 2Q19 decreased 30% compared to 2Q18, mainly due to lower demand resulting from the My Home My Life (“MHML”) program, whose recovery depends on budget allocation by the Federal Government. The Company maintains its commercial strategy, focused on specialized resellers and the B2C channel, registering sales growth compared to the first quarter of the year.

In 1H19, sales of concrete roofing tiles fell 38% in relation to 1H18.



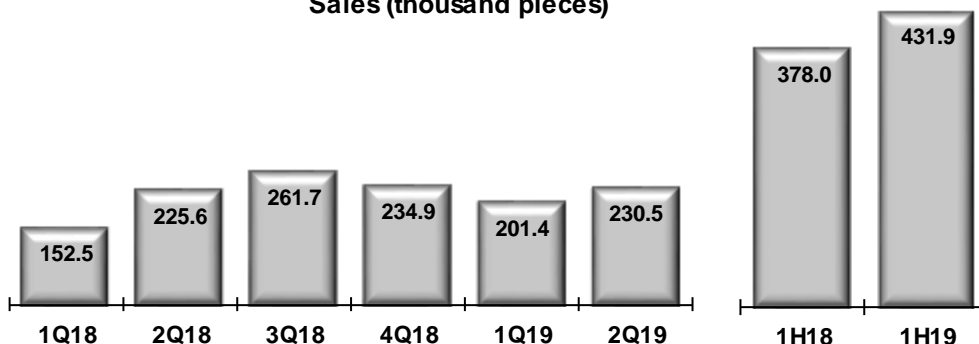
Sales of Concrete Roofing Tiles (million pieces)



**Bathroom Chinaware**

Bathroom chinaware sales were up 2.2% in 2Q19 vs. 2Q18 and 14% in the year, due to better operational and commercial performance in the Northern and Northeastern regions.

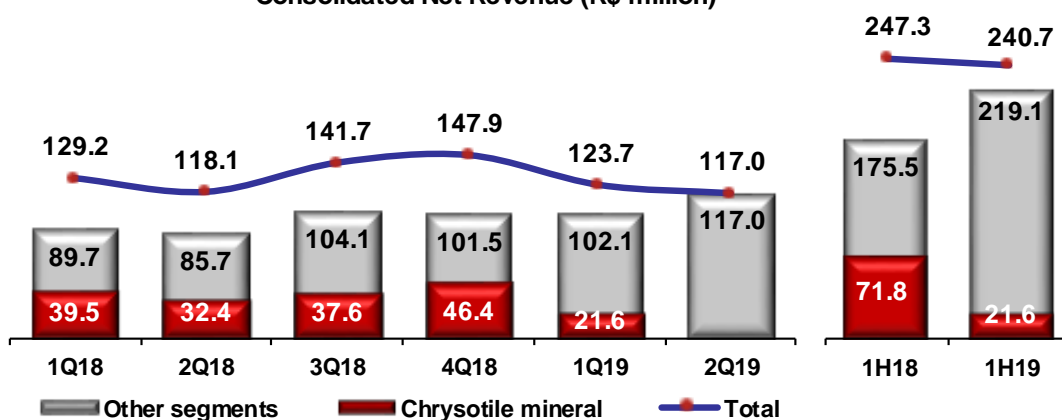
Sales (thousand pieces)



**Net Operating Income**

In the quarter, net revenue amounted to R\$117 million, stable compared to 2Q18, negatively affected by the hibernation of assets at SAMA, whose operations were suspended in February. In the year, net revenue fell 2.7% from the same period in 2018.

Consolidated Net Revenue (R\$ million)





## Cost of Goods and Products Sold

Costs of goods and products sold totaled R\$107 million in 2Q19, up 8.2% from 2Q18, mainly due to higher sales volume of fiber-cement roofing panels.

In 1H19, the increase in adjusted costs corresponded to 11% of the amount booked in 1H18, totaling R\$211 million, also due to sales growth. Adjusted gross margin in the period was 12%, 11 p.p. down from 2018, when SAMA was operational.

R\$ '000	2Q19	2Q18	% Chg.	1Q19	% Chg.	1H19	1H18	% Chg.
Cost of goods sold	(107,239)	(99,347)	7.9	(103,653)	3.5	(210,892)	(191,834)	9.9
<b>Non-recurring events</b>								
Breaking of products from new technologies*	-	262	(100.0)	-	-	-	521	(100.0)
Manufacturing inefficiencies	-	-	-	-	-	-	979.0	-
<b>Adjusted cost of goods sold</b>	<b>(107,239)</b>	<b>(99,085)</b>	<b>8.2</b>	<b>(103,653)</b>	<b>3.5</b>	<b>(210,892)</b>	<b>(190,334)</b>	<b>10.8</b>
Adjusted gross margin	8%	16%	- 8 p.p.	16%	- 8 p.p.	12%	23%	- 11 p.p.

\* Due to the decrease in the production process resulting from the increase of the migration in the productive units in the participation of the synthetic fiber.

## Operating Expenses

In 2Q19, adjusted operating expenses totaled R\$30 million, down 27% from 2Q18, mainly due to the reduction in (i) general and administrative expenses (-32%); (ii) variable selling expenses due to the suspension of SAMA operations; and (iii) provision for tax, civil and labor contingencies. In 1H19, adjusted operating expenses totaled R\$66 million, down 15% from the same period in 2018.

In R\$ '000	2Q19	2Q18	Chg. %	1Q19	Chg. %	1H19	1H18	Chg. %
Selling expenses	(13,243)	(17,517)	(24.4)	(13,726)	(3.5)	(26,969)	(34,454)	(21.7)
General and administrative expenses*	(13,752)	(20,183)	(31.9)	(17,747)	(22.5)	(31,499)	(39,852)	(21.0)
Other operating revenues (expenses), net	(3,050)	(5,522)	(44.8)	(5,285)	(42.3)	(8,335)	(5,668)	47.1
<b>Total operating expenses</b>	<b>(30,045)</b>	<b>(43,222)</b>	<b>(30.5)</b>	<b>(36,758)</b>	<b>(18.3)</b>	<b>(66,803)</b>	<b>(79,974)</b>	<b>(16.5)</b>
<b>Non-recurring event</b>								
Restructuring	148	-	-	190	(22.1)	338	551	-38.7
Expenses related to the judicial recovery process**	374	2,574	(85)	503	(25.6)	877	2,574	-65.9
<b>Total adjusted operating expenses</b>	<b>(29,523)</b>	<b>(40,648)</b>	<b>(27.4)</b>	<b>(36,065)</b>	<b>(18.1)</b>	<b>(65,588)</b>	<b>(76,849)</b>	<b>(14.7)</b>

\* Includes Management Compensation.

\*\* It includes the amounts of legal advice and expenses related to the judicial recovery process

## Equity Pickup

Equity pickup refers to the 60% interest held by Eternit in the bathroom chinaware business, whose plant is located in the state of Ceará.

In 2Q19, equity pickup was a negative R\$4.6 million, virtually stable compared to the negative R\$4.5 million registered in the same period last year. In 1H19, equity pickup was a negative R\$7.4 million, compared to a negative R\$8.7 million in 1H18.

On April 27, 2018, the Eternit Group formalized the acquisition of the entire interest in Companhia Sulamericana de Cerâmica S.A. – under court-supervised reorganization (“CSC”). Considering the approval of the court-supervised reorganization plan, the full acquisition of CSC will be consolidated by the Eternit Group from the 3Q19.

## Net Financial Result

Net financial result in 2Q19 was an expense of R\$4.3 million, up 15% from 2Q18, mainly due to financial charges from the installment payment of federal and state taxes of approximately R\$600,000 and also by fewer ACEs contracted to finance working capital due to the suspension of SAMA operations. In 1H19, net financial result was 13% higher compared to 1H18, as explained above.

In R\$ '000	2Q19	2Q18	Chg. %	1Q19	Chg. %	1H19	1H18	Chg. %
Financial expenses	(3,971)	(4,401)	(9.8)	(3,625)	9.5	(7,596)	(9,490)	(20.0)
installment tax interest	(602)	-	-	(2,233)	(73.0)	(2,835)	-	-
Financial income	493	1,026	(51.9)	1,000	(50.7)	1,493	2,389	(37.5)
Exchange variation	(170)	(313)	(45.7)	(188)	(9.6)	(358)	(1,159)	(69.1)
<b>Net financial result</b>	<b>(4,250)</b>	<b>(3,688)</b>	<b>15.2</b>	<b>(5,046)</b>	<b>(15.8)</b>	<b>(9,296)</b>	<b>(8,260)</b>	<b>12.5</b>



## EBITDA

In 2Q19, EBITDA was a negative R\$21.1 million, negatively affected by the hibernation of assets at SAMA, despite the improvement in fiber-cement roofing panels and bathroom chinaware. In the year, EBITDA was a negative R\$37.1 million.

Reconciliation of consolidated EBITDA - (R\$'000)	2Q19	2Q18	% Chg.	1Q19	% Chg.	1H19	1H18	% Chg.
<b>Net loss</b>	<b>(29,534)</b>	<b>(34,776)</b>	<b>(15.1)</b>	<b>(25,464)</b>	<b>16.0</b>	<b>(54,998)</b>	<b>(45,914)</b>	<b>19.8</b>
Income tax and social contributions	244	2,404	(89.9)	672	(63.7)	916	4,136	(77.9)
Net financial Income	4,250	3,688	15.2	5,046	(15.8)	9,296	8,260	12.5
Depreciation and amortization	3,892	2,114	84.1	3,721	4.6	7,613	5,281	44.2
<b>EBITDA<sup>1</sup></b>	<b>(21,148)</b>	<b>(26,570)</b>	<b>(20.4)</b>	<b>(16,025)</b>	<b>32.0</b>	<b>(37,173)</b>	<b>(28,237)</b>	<b>31.6</b>
Equity pickup	4,613	4,455	3.5	2,825	63.3	7,438	8,726	(14.8)
<b>Non-recurring events</b>								
Restructuring	148	-	-	190	(22.1)	338	551	(38.7)
Expenses related to the judicial recovery process	503	2,574	-	503	(73.2)	877	2,574	-
Breaking of products in the production process*	-	262	(100.0)	-	-	-	521	(100.0)
Production interruption of SAMA	9,367	-	-	4,710	98.9	14,077	-	-
Production interruption of Precon	1,003	-	-	-	-	1,003	-	-
Manufacturing inefficiencies**	-	-	-	-	-	-	979	(100.0)
<b>Recurring and Adjusted EBITDA<sup>2</sup></b>	<b>(5,643)</b>	<b>(19,279)</b>	<b>(70.7)</b>	<b>(7,797)</b>	<b>(27.6)</b>	<b>(13,440)</b>	<b>(14,886)</b>	<b>(9.7)</b>
Adjusted EBITDA Margin	-5%	-16%	11 p.p.	-6%	1 p.p.	-6%	-6%	-

\* Breaking of products in the production process due to the the higher participation of synthetic fibers in fiber-cement tile manufacturing.

\*\* Manufacturing inefficiencies caused by the migration from asbestos to synthetic fiber

<sup>1</sup> Consolidated EBITDA includes results from the joint venture Companhia Sulamericana de Cerâmica (CSC) in accordance with the equity method of accounting and non-recurring events, in compliance with Instruction 527 of October 4, 2012, issued by the Securities and Exchange Commission of Brazil (CVM).

<sup>2</sup> Adjusted and recurring EBITDA is an indicator used by the Company's Management to analyze the operational and financial performance of the Company's wholly-owned businesses, excluding equity pickup, as well as non-recurring events.

## Net Loss

In the period, Eternit recorded net loss of R\$29.5 million, resulting in negative equity of R\$42.7 million at the end of the quarter. Net loss in 1H19 was R\$55 million, due to the factors explained in the EBITDA section.

Consolidated Net loss for the year (R\$'000)	2Q19	2Q18	% Chg.	1Q19	% Chg.	1H19	1H18	% Chg.
<b>Net loss</b>	<b>(29,534)</b>	<b>(34,776)</b>	<b>(15.1)</b>	<b>(25,464)</b>	<b>16.0</b>	<b>(54,998)</b>	<b>(45,914)</b>	<b>19.8</b>
<b>Non-recurring events</b>								
Restructuring	148	-	-	190	(22.1)	338	551	(38.7)
Expenses related to the judicial recovery process	374	2,574	(85.5)	503	(25.6)	877	2,574	(65.9)
Breaking of products from new technologies	-	262	(100.0)	-	-	-	521	(100.0)
Production interruption of SAMA	9,367	-	-	4,710	98.9	14,077	-	-
Production interruption of Precon	1,003	-	-	-	-	1,003	-	-
Manufacturing inefficiencies	-	-	-	-	-	-	979	(100.0)
Effect of Income and social contributions taxes*	(177)	(964)	(81.6)	(236)	(24.7)	(413)	(1,573)	(73.7)
<b>Adjusted Net loss for the period</b>	<b>(18,819)</b>	<b>(32,904)</b>	<b>(42.8)</b>	<b>(20,297)</b>	<b>(7.3)</b>	<b>(39,116)</b>	<b>(42,861)</b>	<b>(8.7)</b>
Adjusted Net margin	-16%	-28%	12 p.p.	-16%	-	-16%	-17%	1 p.p.

\* Impact on Income Tax/Social Contribution on non-recurring events

## Debt

Eternit ended June 2019 with gross debt of R\$125 million, 4.8% lower than in December 2018. Of this amount, R\$45 million refer to trade finance lines contracted after filing for court-supervised reorganization to fund the Company's working capital, while R\$79.5 million refer to bankruptcy-related debt, of which R\$36.4 in Class II and R\$43.1 million in Class III, which will be amortized under the conditions envisaged in the reorganization plan.

DEBT - R\$ '000	06/30/19	12/31/18	% Chg.	03/31/19	% Chg.
Short-term gross debt	46,791	98,824	-52.7%	100,377	-53.4%
Long-term gross debt	77,789	32,101	142.3%	32,101	142.3%
<b>Total gross debt</b>	<b>124,580</b>	<b>130,925</b>	<b>-4.8%</b>	<b>132,478</b>	<b>-6.0%</b>
(-) Cash and cash equivalents	5,691	9,181	-38.0%	4,277	33.1%
<b>(-) Cash and short-term investments</b>	<b>5,691</b>	<b>9,181</b>	<b>-38.0%</b>	<b>4,277</b>	<b>33.1%</b>
<b>Net debt</b>	<b>118,889</b>	<b>121,744</b>	<b>-2.3%</b>	<b>128,201</b>	<b>-7.3%</b>

The debt on June 30, 2019 was made up of 100% in local currency.



## Capex

Capex of Eternit and its subsidiaries amounted to R\$1,100 million in 2Q19 and R\$2.1 billion in 1H19, down 29% and 38%, respectively, from the same periods in 2018. The funds were essentially allocated to the maintenance and modernization of the Group's industrial facilities.

## Capital Markets

Eternit has been a listed company since 1948 and since 2006 its stock has been traded on the Novo Mercado, the highest corporate governance segment of the São Paulo Stock Exchange (B3) under the stock ticker ETER3.

With fragmented ownership and no shareholders' agreement or controlling group, the Company's shareholder base has a high participation of individual investors, who accounted for 72% of the shareholder base on June 30, 2019, while clubs, investment funds and foundations accounted for 25% and foreign investors and legal entities for 3%. On the same date, only four shareholders held more than 5% of the capital stock, with an aggregate interest of 40% of the total capital.

Eternit stock ended 2Q19 quoted at R\$2.36/share, resulting in market cap of R\$70.4 billion. Visit the Company's [IR website](#) for more information.

## Court-Supervised Reorganization

As per the Material Fact notice disclosed on May 29, 2019, General Creditors' Meeting held on that date approved the court-supervised reorganization plan for the Company and its subsidiaries who are plaintiffs in the court-supervised reorganization process, pursuant to article 45 of Federal Law 11,101/2005.

Said plan was ratified by the Judge of the 2<sup>nd</sup> Court of Bankruptcies and Court-Supervised Reorganizations of São Paulo on May 30, 2019, and the decision was published in the state register Diário Oficial do Estado de São Paulo on June 11, 2019.

The complete Court-Supervised Reorganization Plan approved and the minutes of the General Creditors' Meeting were published on the CVM website and the Company's Investor Relations website.

## Hibernation of SAMA assets

As per the Material Fact notice disclosed on May 31, 2019, pursuant to the decision of the Supreme Court ("STF") regarding ADI 3,406, the Company was obliged to hibernate the assets of its subsidiary SAMA and, consequently, terminate all its employees on May 31, 2019.

The plant, property and equipment of SAMA are being kept in a state ready for the quick resumption of production ("hibernation") under the management of a team of Eternit employees, while awaiting the decision of the Supreme Court.

The decision to hibernate the assets of SAMA stems from the STF not examining the supersedeas appeal filed in that case until the judgement of the merits of the motions for clarification filed on February 8, 2019. The motions for clarification included a request to grant a minimum period for shutting down mining activities, during which SAMA would solely operate as an exporter of chrysotile asbestos.

Since February 11, 2019, that is, after more than three months, SAMA's operations were suspended while awaiting the Supreme Court decision on the supersedeas motion, which did not take place.

The temporary suspension of SAMA's operations since February 11, 2019, represented a negative impact of R\$4.7 billion on the Eternit Group's consolidated 1Q19 results, as reported in the financial statements, despite its employees' unpaid leave for a total period of 75 days, which ended on May 30, 2019.

With the hibernation of SAMA's assets, the Company clarified that it will lose revenues from the mining company, which corresponded to 18% of the Eternit Group's consolidated revenue in 1Q19, already reflecting the suspension of operations on February 11, 2019.

## Events after the Reporting Period

### Capital Increase



On July 16, 1919, the Board of Directors approved a Capital Increase within the authorized capital, for private subscription, enabling the capitalization of the dues held by creditors against the Company, as envisaged in paragraph 1 of article 5 of the Bylaws.

The Company will comply with the provisions determined by the Court-Supervised Reorganization Plan ("Plan") duly approved at the General Creditors' Meeting, except the transfer of shares to Class I labor creditors and the consequent settlement of their dues, currently suspended by a preliminary injunction in response to Interlocutory Appeal no. 2140739-28.2019.8.26.0000.

As such, the Capital Increase will strictly comply with the provisions of the plan approved and ratified by the competent court, and the shareholders of the Company are guaranteed preemptive rights to subscribe to the new shares.

The Capital Increase will be at least R\$ 3,105,812.16 ("Minimum Subscription") and not more than R\$ 5,600,000.61 ("Maximum Subscription"), through the private issue of at least 1,278,112 and not more than 2,304,527 registered, common shares with no par value, at the issue price of R\$ 2.43 per share. In case of Minimum Subscription, the capital stock of the Company shall increase from R\$334,251,231.40, represented by 29,833,333 common shares to R\$ 337,357,043.56, represented by 31,111,445 registered, book-entry, common shares with no par value. In case of Maximum Subscription to the Capital Increase, the capital stock of the Company will increase from R\$334,251,231.40, represented by 29,833,333 registered, book-entry, common shares with no par value, to R\$339,851,232.01, represented by 32,137,860 registered, book-entry, common shares with no par value. The Board of Directors can partially ratify the Capital Increase provided Minimum Subscription is reached.

The issue price ("Price") was fixed pursuant to the plan and paragraph 1 of article 170 of the Brazilian Corporations Law, as well as CVM Guidance Update no. 1 of September 27, 1978, as amended. To fix the Price, the lowest issue price indicated by the economic, book and market values was disregarded, that is, the book value was disregarded and the price was fixed based on the arithmetic mean of economic value and market value.

All the information related to the Capital Increase approved, as well as the terms and conditions for exercising preemptive rights by the shareholders of the Company and for the conversion of dues held by creditors, is duly specified and detailed in the respective Notice to Shareholders available on the website ([www.eternit.com.br/ri](http://www.eternit.com.br/ri)).

### **Dation of Assets**

As per the Material Fact notice disclosed on July 22, 1919, the Company informed that, as per the terms of the court-supervised reorganization plan, the winning proposals to receive, through dation, the assets designated as clusters I and II of option A of Class III, had been announced.

The dation of these assets represents a settlement of R\$57.7 million of Class III bankruptcy debt.




**ETERNIT S.A. – under Court-Supervised Reorganization**
**Balance Sheet**

Corporate Law (R\$ '000)

ASSETS	Parent Company		Consolidated	
	06/30/19	12/31/18	06/30/19	12/31/18
<b>Current</b>	<b>148,739</b>	<b>141,012</b>	<b>223,720</b>	<b>270,001</b>
Cash and cash equivalents	3,822	6,438	5,691	9,181
Accounts receivable	60,653	46,514	75,637	125,247
Inventories	64,364	67,429	86,026	90,566
Taxes recoverable	2,450	3,188	14,804	14,026
Related parties	2,487	8,830	9,206	1,764
Other current assets	14,167	7,817	25,050	21,911
Noncurrent assets held for sale	796	796	7,306	7,306
<b>Non-current</b>	<b>254,517</b>	<b>268,813</b>	<b>301,552</b>	<b>299,135</b>
Judicial deposits	7,799	7,658	16,183	15,823
Taxes recoverable	24,946	24,792	38,174	39,650
Deferred income and social contribution taxes	25,468	25,468	39,723	40,095
Related parties	28,953	26,140	15,499	16,945
Other noncurrent assets	783	772	1,466	1,638
Investments	143,518	159,956	57,187	57,187
Right-of-use assets	-	-	11,016	-
Property, Plant and Equipment (PP&E)	22,621	23,636	121,570	126,954
Intangible assets	429	391	734	843
<b>Total assets</b>	<b>403,256</b>	<b>409,825</b>	<b>525,272</b>	<b>569,136</b>

LIABILITIES AND EQUITY	Parent Company		Consolidated	
	06/30/19	12/31/18	06/30/19	12/31/18
<b>Current liabilities</b>	<b>187,399</b>	<b>173,159</b>	<b>180,252</b>	<b>235,898</b>
Trade accounts payable	35,760	23,730	48,935	38,492
Loans and financing	44,734	59,003	46,791	98,824
Related parties	41,058	27,992	91	91
Personnel expenses	13,747	11,537	17,779	19,872
Dividends and interest on equity	-	23	-	23
Provision for post-employment benefits	3,269	3,269	6,515	6,515
Taxes, charges and contributions payable	15,078	13,318	19,533	23,227
Restructuring provision	307	307	345	345
Other provisions	-	-	46	-
Other current liabilities	33,446	33,980	40,217	48,509
<b>Non-Current</b>	<b>258,634</b>	<b>224,439</b>	<b>387,769</b>	<b>320,988</b>
Loans and financing	31,815	-	77,789	32,101
Related parties	51,313	59,779	-	-
Taxes, charges and contributions payable	19,051	19,356	31,252	32,541
Labor obligations	9,019	8,646	13,900	14,110
Provision for tax, civil and labor risks	70,366	67,218	120,541	114,353
Provision for post-employment benefits	39,578	39,387	77,104	76,790
Deferred income tax and social contributions	-	-	18,721	21,040
Provision for decommissioning of mine	37,492	30,053	37,492	30,053
Lease obligations	-	-	10,970	-
<b>Equity</b>	<b>(42,777)</b>	<b>12,227</b>	<b>(42,749)</b>	<b>12,250</b>
Capital	334,251	334,251	334,251	334,251
Capital reserve	19,437	19,437	19,437	19,437
Treasury shares	(174)	(174)	(174)	(174)
Accumulated loss	(362,268)	(307,264)	(362,268)	(307,264)
Other comprehensive income	(34,023)	(34,023)	(34,023)	(34,023)
<b>Equity attributable to controlling interests</b>	<b>(42,777)</b>	<b>12,227</b>	<b>(42,777)</b>	<b>12,227</b>
Noncontrolling interests	-	-	28	23
<b>Total liabilities and equity</b>	<b>403,256</b>	<b>409,825</b>	<b>525,272</b>	<b>569,136</b>


**ETERNIT S.A. – under Court-Supervised Reorganization (PARENT COMPANY)**
**Income Statements**

Corporate Law

R\$ '000	2Q19	2Q18	% Chg.	1Q19	% Chg.	1H19	1H18	% Chg.
<b>Net operating revenue</b>	<b>112,002</b>	<b>68,404</b>	<b>63.7</b>	<b>94,143</b>	<b>19.0</b>	<b>206,145</b>	<b>143,912</b>	<b>43.2</b>
Cost of goods sold	(100,362)	(70,411)	42.5	(84,421)	18.9	(184,783)	(131,263)	40.8
<b>Gross profit</b>	<b>11,640</b>	<b>(2,007)</b>	<b>-</b>	<b>9,722</b>	<b>19.7</b>	<b>21,362</b>	<b>12,649</b>	<b>68.9</b>
<i>Gross margin</i>	<i>10%</i>	<i>-3%</i>	<i>13 p.p.</i>	<i>10%</i>	<i>-</i>	<i>10%</i>	<i>9%</i>	<i>1 p.p.</i>
<b>Operating income (expenses)<sup>1</sup></b>	<b>(22,608)</b>	<b>(32,047)</b>	<b>(29.5)</b>	<b>(20,586)</b>	<b>9.8</b>	<b>(43,194)</b>	<b>(53,182)</b>	<b>(18.8)</b>
Selling expenses	(9,274)	(9,917)	(6.5)	(7,895)	17.5	(17,169)	(17,443)	(1.6)
General and administrative expenses <sup>2</sup>	(9,341)	(13,033)	(28.3)	(8,724)	7.1	(18,065)	(25,036)	(27.8)
Other operating income (expenses), net	(3,993)	(9,097)	(56.1)	(3,967)	0.7	(7,960)	(10,703)	(25.6)
<b>Operating income (expenses) before equity pickup (EBIT)</b>	<b>(10,968)</b>	<b>(34,054)</b>	<b>(67.8)</b>	<b>(10,864)</b>	<b>1.0</b>	<b>(21,832)</b>	<b>(40,533)</b>	<b>(46.1)</b>
<i>EBIT margin</i>	<i>-10%</i>	<i>-50%</i>	<i>40 p.p.</i>	<i>-12%</i>	<i>2 p.p.</i>	<i>-11%</i>	<i>-28%</i>	<i>17 p.p.</i>
Equity pickup	(14,531)	1,921	-	(9,345)	55.5	(23,876)	(48)	49,641.7
Provision for restructuring and desmobilization	(148)	225	-	(190)	(22.1)	(338)	(326)	3.7
Financial income (expenses), net	(3,886)	(2,868)	35.5	(5,071)	(23.4)	(8,957)	(5,007)	78.9
<b>Loss before income and social contribution taxes</b>	<b>(29,533)</b>	<b>(34,776)</b>	<b>(15.1)</b>	<b>(25,470)</b>	<b>16.0</b>	<b>(55,003)</b>	<b>(45,914)</b>	<b>19.8</b>
Deferred (loss) income and social contributions taxes	-	-	-	-	-	-	-	-
<b>Net loss for the year</b>	<b>(29,533)</b>	<b>(34,776)</b>	<b>(15.1)</b>	<b>(25,470)</b>	<b>16.0</b>	<b>(55,003)</b>	<b>(45,914)</b>	<b>19.8</b>
<i>Net margin</i>	<i>-26%</i>	<i>-51%</i>	<i>25 p.p.</i>	<i>-27%</i>	<i>1 p.p.</i>	<i>-27%</i>	<i>-32%</i>	<i>5 p.p.</i>
<b>EBITDA</b>	<b>(24,046)</b>	<b>(31,710)</b>	<b>(24.2)</b>	<b>(19,093)</b>	<b>25.9</b>	<b>(43,139)</b>	<b>(39,891)</b>	<b>8.1</b>
<i>EBITDA margin</i>	<i>-21%</i>	<i>-46%</i>	<i>25 p.p.</i>	<i>-20%</i>	<i>-1 p.p.</i>	<i>-21%</i>	<i>-28%</i>	<i>7 p.p.</i>

**ETERNIT S.A. – under Court-Supervised Reorganization (CONSOLIDATED)**
**Income Statements**

Corporate Law

R\$ '000	2Q19	2Q18	% Chg.	1Q19	% Chg.	1H19	1H18	% Chg.
<b>Net operating revenue</b>	<b>117,005</b>	<b>118,115</b>	<b>(0.9)</b>	<b>123,680</b>	<b>(5.4)</b>	<b>240,685</b>	<b>247,342</b>	<b>(2.7)</b>
Cost of goods sold	(107,239)	(99,347)	7.9	(103,653)	3.5	(210,892)	(191,834)	9.9
<b>Gross profit</b>	<b>9,766</b>	<b>18,768</b>	<b>(48.0)</b>	<b>20,027</b>	<b>(51.2)</b>	<b>29,793</b>	<b>55,508</b>	<b>(46.3)</b>
<i>Gross margin</i>	<i>8%</i>	<i>16%</i>	<i>-8 p.p.</i>	<i>16%</i>	<i>-8 p.p.</i>	<i>12%</i>	<i>22%</i>	<i>-10 p.p.</i>
<b>Operating income (expenses)<sup>1</sup></b>	<b>(30,045)</b>	<b>(43,222)</b>	<b>(30.5)</b>	<b>(36,758)</b>	<b>(18.3)</b>	<b>(66,803)</b>	<b>(79,974)</b>	<b>(16.5)</b>
Selling expenses	(13,243)	(17,517)	(24.4)	(13,726)	(3.5)	(26,969)	(34,454)	(21.7)
General and administrative expenses <sup>2</sup>	(13,752)	(20,183)	(31.9)	(17,747)	(22.5)	(31,499)	(39,852)	(21.0)
Other operating income (expenses), net	(3,050)	(5,522)	(44.8)	(5,285)	(42.3)	(8,335)	(5,668)	47.1
<b>Operating income (expenses) before equity pickup (EBIT)</b>	<b>(20,279)</b>	<b>(24,454)</b>	<b>(17.1)</b>	<b>(16,731)</b>	<b>21.2</b>	<b>(37,010)</b>	<b>(24,466)</b>	<b>51.3</b>
<i>EBIT margin</i>	<i>-17%</i>	<i>-21%</i>	<i>4 p.p.</i>	<i>-14%</i>	<i>-3 p.p.</i>	<i>-15%</i>	<i>-10%</i>	<i>-5 p.p.</i>
Equity pickup	(4,613)	(4,455)	3.5	(2,825)	63.3	(7,438)	(8,726)	(14.8)
Provision for restructuring and desmobilization	(148)	225	-	(190)	(22.1)	(338)	(326)	-
<b>Operating income (expenses) before financial expenses (EBIT*)</b>	<b>(25,040)</b>	<b>(28,684)</b>	<b>(12.7)</b>	<b>(19,746)</b>	<b>26.8</b>	<b>(44,786)</b>	<b>(33,518)</b>	<b>33.6</b>
Financial income (expenses), net	(4,250)	(3,688)	15.2	(5,046)	(15.8)	(9,296)	(8,260)	12.5
<b>Loss before income and social contribution taxes</b>	<b>(29,290)</b>	<b>(32,372)</b>	<b>(9.5)</b>	<b>(24,792)</b>	<b>18.1</b>	<b>(54,082)</b>	<b>(41,778)</b>	<b>29.5</b>
Current (loss) income and social contributions taxes	(236)	(1,147)	(79.4)	(308)	(23.4)	(544)	(2,343)	(76.8)
Deferred (loss) income and social contributions taxes	(8)	(1,257)	(99.4)	(364)	(97.8)	(372)	(1,793)	(79.3)
<b>Net loss for the period</b>	<b>(29,534)</b>	<b>(34,776)</b>	<b>(15.1)</b>	<b>(25,464)</b>	<b>16.0</b>	<b>(54,998)</b>	<b>(45,914)</b>	<b>19.8</b>
<b>Adjusted Net loss for the period</b>	<b>(18,819)</b>	<b>(32,904)</b>	<b>(42.8)</b>	<b>(20,297)</b>	<b>(7.3)</b>	<b>(39,116)</b>	<b>(42,861)</b>	<b>(8.7)</b>
<i>Adjusted Net margin</i>	<i>-16%</i>	<i>-28%</i>	<i>12 p.p.</i>	<i>-16%</i>	<i>-</i>	<i>-16%</i>	<i>-17%</i>	<i>1 p.p.</i>
Loss per share, basic and diluted - R\$	(0.9903)	(1.1661)	(0.8538)	(0.8538)	(1.8441)	(1.5395)		
<b>EBITDA</b>	<b>(21,148)</b>	<b>(26,570)</b>	<b>(20.4)</b>	<b>(16,025)</b>	<b>32.0</b>	<b>(37,173)</b>	<b>(28,237)</b>	<b>31.6</b>
<i>EBITDA margin</i>	<i>-18%</i>	<i>-22%</i>	<i>4 p.p.</i>	<i>-13%</i>	<i>-5 p.p.</i>	<i>-15%</i>	<i>-11%</i>	<i>-4 p.p.</i>
<b>Adjusted EBITDA</b>	<b>(5,643)</b>	<b>(19,279)</b>	<b>(70.7)</b>	<b>(7,797)</b>	<b>(27.6)</b>	<b>(13,440)</b>	<b>(14,886)</b>	<b>(9.7)</b>
<i>Adjusted EBITDA Margin</i>	<i>-5%</i>	<i>-16%</i>	<i>11 p.p.</i>	<i>-6%</i>	<i>1 p.p.</i>	<i>-6%</i>	<i>-6%</i>	<i>-</i>

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

<sup>1</sup> It does not include equity pickup, presented separately from total operating income (expenses)<sup>2</sup> Includes Management Compensation.


**ETERNIT S.A. – under Court-Supervised Reorganization**
**STATEMENTS OF CASH FLOW**

Corporate Law

R\$ '000 - Accumulated	Parent Company		Consolidated	
	06/30/19	06/30/18	06/30/19	06/30/18
<b>Cash flows from operating activities</b>				
<b>Loss (income) before income and social contribution taxes</b>	<b>(55,003)</b>	<b>(45,914)</b>	<b>(54,082)</b>	<b>(41,778)</b>
<b>Adjustments to reconcile pre-tax income (loss) to net cash generated by operating activities:</b>				
Equity pickup	23,876	48	7,438	8,726
Depreciation and amortization	2,907	1,016	7,613	5,281
Gain (loss) on disposal of property, plant and equipment and intangible assets	-	(716)	-	(716)
Write-off of judicial deposits	(142)	17	(122)	63
Allowance for doubtful accounts	370	1,188	626	1,520
Provision for impairment of net realizable value	(1,339)	187	(2,215)	857
Provision for tax, civil and labor risks	3,148	10,104	6,188	10,390
Provision for post-employment benefits	1,825	1,959	3,572	3,231
Provision for decommissioning of mine	-	-	(2,319)	721
Provision for restructuring	338	(450)	338	101
Provision for granting	97	(267)	(42)	(316)
Loss on disposal of investments	-	14	-	-
Financial charges, and monetary and exchange variations	3,787	1,232	3,189	7,683
Short-term investment yield	-	(31)	-	(343)
Net changes in prepaid expenses	6,557	4,158	9,190	6,206
	<b>(13,579)</b>	<b>(27,455)</b>	<b>(20,626)</b>	<b>1,626</b>
<b>Decrease (increase) in operating assets:</b>				
Accounts receivable	(107,204)	12,890	17,142	32,702
Related parties	2,739	1,222	(5,726)	13,567
Inventories	14,711	(11,614)	6,754	(11,355)
Taxes recoverable	724	2,484	2,165	(2,820)
Judicial deposits	1	(1,021)	(238)	(1,183)
Other assets	(12,907)	(12,810)	(12,146)	(19,150)
<b>Increase (decrease) in operating liabilities</b>				
Trade accounts payable	12,030	5,003	10,443	9,761
Related parties	(6,090)	8,963	-	2
Taxes, charges and contributions payable	1,147	14,799	(4,481)	18,009
Personnel expenses	2,583	8,166	(2,303)	12,303
Post-employment benefits	(1,634)	(1,463)	(3,258)	(2,435)
Restructuring expenses	(338)	225	(338)	(1,590)
Other liabilities	(632)	662	(7,570)	(1,044)
<b>Cash provided by operating activities</b>	<b>(108,449)</b>	<b>51</b>	<b>(20,182)</b>	<b>48,393</b>
Interest paid	(654)	(202)	(1,561)	(1,163)
Income and social contribution taxes paid	-	-	(3,062)	(534)
<b>Net cash provided by operating activities</b>	<b>(109,103)</b>	<b>(151)</b>	<b>(24,805)</b>	<b>46,696</b>
<b>Cash flow from investing activities</b>				
Intercompanies loans	-	(15,990)	-	(15,688)
Amount received on disposal of PP&E items	-	801	-	801
Additions to PP&E and intangible assets	(1,930)	(3,077)	(2,120)	(3,362)
Additions to investments	-	(14,328)	-	(14,328)
Short-term investments	-	(6,300)	-	(58,220)
Redemption of short-term investments	-	9,174	-	80,401
<b>Net cash used in investing activities</b>	<b>(1,930)</b>	<b>(29,720)</b>	<b>(2,120)</b>	<b>(10,396)</b>
<b>Cash flows from financing activities</b>				
Loans and financing raised	115,482	648	144,062	64,204
Repayment of loans and financing	(7,065)	(820)	(120,627)	(98,762)
Intercompanies loans	-	50,200	-	-
Repayment of intercompanies loans	-	(22,737)	-	-
<b>Net cash used in financing activities</b>	<b>108,417</b>	<b>27,291</b>	<b>23,435</b>	<b>(34,558)</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>(2,616)</b>	<b>(2,580)</b>	<b>(3,490)</b>	<b>1,742</b>
At beginning of period	6,438	4,922	9,181	6,957
At end of period	3,822	2,342	5,691	8,699
<b>Decrease (Increase) in cash and cash equivalents</b>	<b>(2,616)</b>	<b>(2,580)</b>	<b>(3,490)</b>	<b>1,742</b>