FINANCIAL STATEMENTS

BALANCE SHEETS
DECEMBER 31, 2012
(IN THOUSANDS OF *REAIS*)

Assets	Note	Company 12/31/2012	Company 12/31/2011	Consolidated 12/31/2012	Consolidated 12/31/2011
Current assets					
Cash and cash equivalents	4	**3,852**	21,352	**16,656**	42,333
Short-term investments	5	**48,612**	26,588	**78,930**	26,588
Accounts receivable	6	**79,158**	72,592	**177,982**	156,273
Inventories	7	**81,925**	72,913	**127,560**	110,483
Taxes recoverable	8	**11,167**	5,083	**13,881**	6,539
Related parties	10	**21,648**	22,864	**-**	-
Other current assets		**4,439**	2,978	**11,022**	8,670
Total current assets		**250,801**	224,370	**426,031**	350,886
Non-current assets					
Judicial deposits		**6,640**	5,943	**13,047**	10,698
Taxes recoverable	8	**21,114**	20,957	**24,534**	23,600
Deferred income and social contribution taxes	20.b	**19,994**	22,951	**51,820**	52,370
Related parties	10	**7,214**	9,314	**-**	-
Investments	9	**221,916**	183,487	**13,029**	-
Property, plant and equipment	11	**123,060**	119,873	**252,457**	225,889
Intangible assets	12	**2,514**	2,853	**26,040**	25,956
Other non-current assets		**440**	181	**3,162**	2,536
Total non-current assets		**402,892**	365,559	**384,089**	341,049
Total assets		**653,693**	589,929	**810,120**	691,935

Liabilities and equity	Note	Company 12/31/2012	Company 12/31/2011	Consolidated 12/31/2012	Consolidated 12/31/2011
Current liabilities					
Trade accounts payable	13	**30,417**	20,171	**48,968**	38,709
Loans and financing	14	**1,519**	2,744	**55,839**	40,553
Provisions and social charges	15	**17,310**	14,834	**34,938**	27,861
Dividends and interest on equity payable	18.f	**18,133**	17,346	**18,133**	17,346
Provision for future benefits to former employees	17.d	**1,645**	1,645	**2,926**	2,965
Taxes, charges and contributions payable	16	**11,801**	10,712	**36,932**	23,454
Other current liabilities		**2,344**	2,852	**10,358**	11,697
Total current liabilities		**83,169**	70,304	**208,094**	162,585
Non-current liabilities					
Provision for future benefits to former employees	17.d	**18,263**	19,492	**30,019**	26,308
Loans and financing	14	**7,266**	1,671	**24,107**	7,891
Related parties	10	**35,533**	33,573	**-**	-
Provision for civil, tax and labor contingencies	21	**22,657**	20,085	**51,116**	46,845
Other taxes payable	16	**7,285**	6,698	**8,139**	6,812
Deferred income and social contribution taxes	21	**-**	13	**-**	13
Environmental restoration of degraded mining areas	30	**-**	-	**8,201**	2,773
Other non-current assets		**-**	-	**910**	602
Total non-current liabilities		**91,004**	81,532	**122,492**	91,244
Equity					
Capital	18.a	**334,251**	334,251	**334,251**	334,251
Capital reserve	18	**19,388**	18,536	**19,388**	18,536
Treasury stock		**(174)**	(174)	**(174)**	(174)
Income reserve	18	**126,055**	85,480	**126,055**	85,480
Net equity attributable to non-minority shareholders		**479,520**	438,093	**479,520**	438,093
Minority shareholders		**-**	-	**14**	13
Total equity		**479,520**	438,093	**479,534**	438,106
Total liabilities and equity		**653,693**	589,929	**810,120**	691,935

See accompanying notes.

INCOME STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(IN THOUSANDS OF *REAIS* — R$, EXCEPT NET EARNINGS PER SHARE)

	Note	Company		Consolidated	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
Net operating revenue	23	**469,922**	465,084	**906,317**	820,238
Cost of goods sold	24	**(331,498)**	(336,531)	**(509,603)**	(496,455)
Gross profit		**138,424**	128,553	**396,714**	323,783
Operating revenue (expenses)					
Selling expenses	24	**(54,546)**	(51,940)	**(113,263)**	(97,294)
General and administrative expenses	24	**(45,019)**	(34,356)	**(105,066)**	(84,119)
Management compensation	10b	**(11,383)**	(8,818)	**(14,078)**	(11,727)
Other operating revenue (expenses), net	25	**(2,842)**	(7,866)	**(8,223)**	(13,342)
Equity pickup	9	**89,392**	65,112	**(531)**	-
Total operating revenue (expenses)		**(24,398)**	(37,868)	**(241,161)**	(206,482)
Financial expenses	26	**(8,748)**	(7,205)	**(36,757)**	(29,820)
Financial income	26	**9,496**	22,436	**39,006**	43,659
Financial result, net		**748**	15,231	**2,249**	13,839
Income before income and social contribution taxes		**114,774**	105,916	**157,802**	131,140
Income and social contribution taxes					
Current	20	**1,174**	(8,372)	**(44,261)**	(37,138)
Deferred	20	**(2,944)**	(351)	**(537)**	3,191
Net income for the year		**113,004**	97,193	**113,004**	97,193
Attributable to:					
Non-minority shareholders		**113,004**	97,193	**113,003**	97,193
Minority shareholders		**-**	-	**1**	-
Net income for the year		**113,004**	97,193	**113,004**	97,193
Basic and diluted earnings per share — R$	20	**1.26**	1.09	**1.26**	1.09

See accompanying notes.

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(IN THOUSANDS OF *REAIS*)

	Company		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Net income for the year	**113,004**	97,193	**113,004**	97,193
Other comprehensive income	–	–	–	–
Other comprehensive income for the year	**113,004**	97,193	**113,004**	97,193
Attributed to non-minority shareholders	**113,004**	97,193	**113,003**	97,193
Attributed to minority shareholders	**–**	–	**1**	–

See accompanying notes.

STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011

(IN THOUSANDS OF *REAIS*)

	Note	Capital	Capital reserve Subsidies for investment	Goodwill in the acquisition of shares	Treasury shares
Balances at January 1, 2011		334,251	18,513	23	(174)
Net income for the year					
Setting up of reserves			-	-	
Allocation of net income:					
Interest on equity capital — R$0.066 outstanding shares	18	-	-	-	-
Dividends — R$0.314 per outstanding share	18	-	-	-	-
Balances at December 31, 2011		**334,251**	**18,513**	**23**	**(174)**
Net income for the year		-	-	-	-
Setting up of reserves	18	-	852		-
Allocation of net income:					
Interest on equity capital — R$0.269 per outstanding share	18	-	-	-	-
Dividends — R$0.531 per outstanding share	18	-	-	-	-
Balances at December 31, 2012		**334,251**	**19,365**	**23**	**(174)**

See accompanying notes.

Income reserves							
Statutory	Legal	Income retention	Retained earnings	Other comprehensive income	Total company	Minority shareholders	Total equity
11,364	15,004	33,495	–	–	412,476	13	412,489
						–	
			97,193	–	97,193	–	97,193
4,859	4,859	15,899	(25,617)	–	–	–	
–	–	–	(23,620)	–	(23,620)	–	(23,620)
–	–	–	(47,956)	–	(47,956)	–	(47,956)
16,223	**19,863**	**49,394**	**–**	**–**	**438,093**	**13**	**438,106**
–	**–**	**–**	**113,004**	**–**	**113,004**	**1**	**113,005**
5,650	**5,650**	**29,275**	**(41,427)**		**–**	**–**	**–**
							–
–	**–**	**–**	**(24,068)**	**–**	**(24,068)**	**–**	**(24,068)**
–	**–**	**–**	**(47,509)**	**–**	**(47,509)**	**–**	**(47,509)**
21,873	**25,513**	**78,669**	**–**	**–**	**479,520**	**14**	**479,534**

CASH FLOW STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(IN THOUSANDS OF *REAIS*)

	Note	Company		Consolidated	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
Cash flows from operating activities					
Income before income and social contribution taxes		**114,774**	105,916	**157,802**	131,140
Adjustments to reconcile pre-tax income with net cash provided by operating activities:					
Equity pickup	9	**(89,392)**	(65,112)	**531**	-
Depreciation and amortization	11/12	**11,184**	11,460	**28,773**	22,806
Gain (loss) from disposal of permanent assets		**(42)**	5,661	**181**	5,843
Provision for impairment losses on accounts receivable		**410**	615	**48**	409
Provision for civil, tax and labor contingencies	21	**2,572**	1,628	**4,271**	8,011
Reversal (provision) for sundry losses		**(2,942)**	(651)	**4,429**	(999)
Financial charges, monetary and foreign exchange variation		**1,650**	3,199	**(1,628)**	115
Short-term investment yield		**(3,897)**	(3,489)	**(6,445)**	(3,489)
Net changes in prepaid expenses		**859**	81	**1,435**	1,079
		35,176	59,308	**189,397**	162,757
(Increase) decrease in operating assets:					
Trade accounts receivable	6	**(5,227)**	(13,863)	**(17,210)**	(21,547)
Related parties — accounts receivable		**137**	-	**-**	-
Inventories	7	**(9,012)**	1,905	**(17,273)**	(11,138)
Taxes recoverable	8	**(2,597)**	2,638	**(5,623)**	821
Judicial deposits		**(697)**	1,036	**(2,349)**	630
Other assets		**(3,033)**	2,360	**(4,256)**	8,456
Increase (decrease) in operating liabilities					
Trade accounts payable	13	**10,210**	(4,216)	**10,187**	(2,367)
Related parties accounts payable	10	**148**	-	**-**	-
Taxes, charges and contribution payable	16	**(42)**	443	**(1,026)**	(13,983)
Provisions and social charges		**2,476**	(4,804)	**7,077**	(6,981)

	Note	Company 12/31/2012	Company 12/31/2011	Consolidated 12/31/2012	Consolidated 12/31/2011
Other liabilities		**1,561**	1,150	**1,037**	2,318
Interest paid		**(135)**	(411)	**(271)**	(175)
Income and social contribution taxes paid		**(1,779)**	(8,643)	**(33,545)**	(29,939)
Dividends received	9	**81,522**	55,721	**-**	-
Cash generated from operating activities		**108,708**	92,624	**126,145**	88,852
Cash flow from investing activities					
Loan from related party receivable	10	**1,963**	(9,314)	**-**	-
Cash receipt from the sale of property, plant & equipment		**124**	54	**188**	203
Additions to property, plant and equipment and intangible assets	11/12	**(14,114)**	(13,233)	**(55,794)**	(46,356)
Capital increase in subsidiaries	9	**(30,560)**	-	**(13,560)**	-
Short-term investments		**(210,303)**	-	**(378,191)**	-
Temporary investments		**-**	17,799	**-**	17,799
Redemptions from short-term investments		**192,176**	-	**332,294**	-
Net cash used in investing activities		**(60,714)**	(4,694)	**(115,063)**	(28,354)
Cash flows from financing activities					
Loans and financing raised		**7,059**	2,464	**199,479**	147,147
Amortization of loans and financing	14	**(2,828)**	(512)	**(166,830)**	(123,588)
Loan with related party	10	**(317)**	(2,156)	**-**	-
Payment of dividends and interest on equity	18	**(69,408)**	(81,475)	**(69,408)**	(81,475)
Net cash used in financing activities		**(65,494)**	(81,679)	**(36,759)**	(57,916)
(Decrease) increase in cash and cash equivalents		**(17,500)**	6,251	**(25,677)**	2,582
(Decrease) increase in cash and cash equivalents					
At the beginning of the year	4	**21,352**	15,101	**42,333**	39,751
At the end of the year	4	**3,852**	21,352	**16,656**	42,333
(Decrease) increase in cash and cash equivalents		**(17,500)**	6,251	**(25,677)**	2,582

See accompanying notes.

STATEMENTS OF VALUE ADDED
YEARS ENDED DECEMBER 31, 2012 AND 2011

(IN THOUSANDS OF *REAIS*)

	Note	Company		Consolidated	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
Revenues					
Sales of goods, products and services	23	**631,126**	628,960	**1,159,627**	1,071,780
Other income		**127**	3,478	**48,955**	6,454
Provision for accounts receivable impairment losses		**-**	12	**-**	2,195
		(566)	(615)	**(965)**	(409)
Total		**630,687**	631,835	**1,207,617**	1,808,020
Input products acquired from third parties					
Cost of goods, products and services sold		**(336,167)**	(300,764)	**(523,053)**	(465,104)
Materials, energy, third-party services and others		**(90,900)**	(117,570)	**(161,998)**	(159,859)
Loss/recovery of asset values		**(7,271)**	(9,363)	**(7,271)**	(9,363)
Other donations		**(931)**	(454)	**(3,926)**	(1,053)
		(435,269)	(428,151)	**(696,248)**	(635,379)
Gross value added		**195,418**	203,684	**511,369**	444,641
Depreciation, amortization and exhaustion	11/12	**(11,184)**	(11,460)	**(28,773)**	(22,806)
Net value added produced by the entity		**184,234**	192,224	**482,596**	421,835
Value added received in transfer					
Equity pickup	9	**89,392**	65,112	**(531)**	-
Financial income	26	**9,496**	22,436	**39,006**	43,659
Other		**8,864**	(3,712)	**7,548**	(3,358)
		107,752	83,836	**46,023**	40,301

	Note	Company		Consolidated	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
Total value added to be distributed		**291,986**	276,060	**528,619**	462,136
Distribution of value added		**291,986**	276,060	**528,619**	462,136
Personnel:					
Direct remuneration		**54,806**	51,418	**112,991**	105,313
Benefits		**27,695**	21,458	**53,571**	44,490
FGTS		**5,349**	5,011	**9,074**	8,907
		87,850	77,887	**175,636**	158,710
Taxes, charges and contributions:					
Federal		**56,129**	68,323	**123,215**	122,919
State		**18,947**	20,616	**47,603**	46,129
Municipal		**1,030**	857	**1,312**	1,255
		76,106	89,796	**172,130**	170,303
Remuneration of third-party capital:					
Interest		**8,748**	7,205	**36,016**	28,300
Rent		**6,278**	3,979	**31,833**	7,630
		15,026	11,184	**67,849**	35,930
Equity remuneration:					
Dividends	18	**47,509**	47,956	**47,509**	47,956
Interest on equity	18	**24,068**	23,620	**24,068**	23,620
Retained earnings	18	**41,427**	25,617	**41,427**	25,617
		113,004	97,193	**113,004**	97,193

See accompanying notes.

1. OPERATIONS

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

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

According to the "Material News Release" disclosed in October 2011, the Company, following its expansion and activity diversification plan, started a project to install its 12th plant in the Industrial District of Porto de Pecém, Municipality of Caucaia, Ceará state, through a joint venture between the Company and Organizações Corona S.A. ("Corona"), a Colombian multinational company, one of the largest sanitary ware manufacturers, with more than 130 years experience and a diversified industrial hub with 17 plants in Colombia and 2 in the United States of America.

The Company will have ownership interest of 60% and Corona of 40% in the joint venture, denominated "Companhia Sulamericana de Cerâmica S.A."

This is a strategic alliance to jointly develop the business of sanitary ware production and sale, to which Corona will contribute its development and production knowledge and the Company will contribute its market knowledge, logistic efficiency and a distribution network with more than 16 thousand points of sale.

This plant will have initial capacity of 1,500,000 parts/year and forecast investments of approximately R$100 million, which will be preferable raised using third party funds. The works are scheduled to be concluded by the end of 2013.

The Group is composed as follows:

- The Company has four plants in the Bahia, Goiás, Paraná and Rio de Janeiro states.
- Subsidiary Sama S.A. Minerações Associadas ("Sama"), a privately held corporation, located in Goiás state, is the only chrysotile mining company in Brazil, with the business purpose of chrysotile ore mining and processing, which is sold in Brazil and abroad.
- Subsidiary Tégula Soluções para Telhados Ltda. ("Tégula") has six plants in the Bahia, Goiás, Rio Grande do Sul, Santa Catarina and São Paulo states. Its main business purpose is the manufacture and sale of concrete roofing and roofing accessories.
- Subsidiary Precon Goiás Industrial Ltda. ("Precon") has a plant in Anápolis in Goiás state with the business purpose of production and sale of fiber cement products.
- Subsidiary Prel Empreendimentos e Participações Ltda. ("Prel"), located in São Paulo in the São Paulo state, has as its business purpose participation in industrial and commercial companies.
- Subsidiary Engedis Distribuição Ltda. ("Engedis"), located in Minaçu in Goiás state, does not have any economic activity.
- Subsidiaries Wagner Ltda. ("Wagner") and Wagner da Amazônia Ltda. ("Wagner da Amazônia"), located in São Paulo in the São Paulo State do not have economic activities.
- Jointly-controlled subsidiary Companhia Sulamericana de Cerâmica S.A., located in the city of Caucaia in the Ceará state, with the business purpose of import, production, sale, export and distribution of sanitary wares and related accessories in general.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

Statement of compliance and basis for preparation

The presentation of the financial statements were approved and authorized on March 6, 2013 by the Board of Directors for publication on March 15, 2013.

The Company's financial statements include:

- The consolidated financial information prepared in accordance with International Financial reporting Standards issued by the International Accounting Standard Board (IASB), accounting practices adopted in Brazil identified as consolidated IFRS and BR GAAP; and

- The Company's individual financial statements prepared in accordance with accounting practices adopted in Brazil identified as Company — BR GAAP. The accounting practices adopted in Brazil include those included in Brazilian legislation and pronouncements, guidance and interpretations issued by the Brazilian Accounting Pronouncements Committee — CPC and approved by the CVM.

The individual financial information presents investments in subsidiaries, joint ventures and affiliates by the equity method, in accordance with current Brazilian legislation. Therefore, the Company's individual financial statements are not considered to be in accordance with the IFRS, which require the evaluation of these investments in separate financial statements of the parent company at fair value or cost of acquisition.

As there is no difference between consolidated equity and consolidated income attributable to shareholders of the Company included in the consolidated financial statements prepared in accordance with IFRS and accounting practices adopted in Brazil and the net equity and net income of the Company stated in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company opted to present these individual and consolidated financial statements in a single statement, side by side.

The financial information was prepared based on historic cost, except certain financial instruments measured at fair value, as described in the significant accounting practices. Historic cost is generally based on fair value of consideration paid in exchange for the assets.

The main accounting practices applied in the preparation of these financial statements are defined as under. These accounting practices were applied consistently in the prior year presented except when otherwise stated.

Basis on consolidation and investments in subsidiaries

Consolidated financial statements include the Company's financial statements and those of its subsidiaries. Control is obtained when the Company has the power to control financial and operational policies and appoint or dissolve the majority of management and members of the Board of Directors of an entity in order to earn benefits from its activities.

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

The holdings of minority shareholders of fully consolidated companies are carried in the consolidated statements of income and in the statements of changes in equity.

In the Company's individual financial statements, the financial statements of the subsidiaries are recognized by the equity method.

The main consolidation adjustments include the following eliminations:

- Asset and liability balance as well as revenue and expense amounts between the parent company and subsidiaries so that the consolidated financial statements represent the effective balances of accounts payable and receivables with third parties.
- Participation in capital and net income (loss) of the year of the subsidiaries.

The financial year of the subsidiaries included in the consolidated financial statements is the same as that of the parent company and the parent company's accounting policies were applied uniformly and are consistent with those used in the prior year. All transactions and balances between the companies were eliminated from the consolidated financial statements. Transactions between the Company and subsidiaries are realized under conditions established between the parties.

The subsidiaries' income (loss) earned or written-off during the year are included in the consolidated income statements as from the effective date of acquisition up to the effective date of disposal, as applicable.

When necessary the subsidiaries financial statements are adjusted to meet the accounting policies established by the Group. All transactions, balances, revenues and expenses between the companies of the Group are totally eliminated from the consolidated financial statements.

Reclassification for comparability purposes

In order to improve the information presented in the financial statements and to ensure better comparability between balances the Company made the following reclassifications in the balances at December 31, 2011: i) balance under Other investments under Noncurrent assets amounting to R$8 and R$250, company and consolidated, respectively were reclassified to Other noncurrent assets under noncurrent assets; and (ii) tax incentives amounting to R$41 and R$566, company and consolidated, respectively, initially classified under Judicial deposits under Noncurrent assets were reclassified to Other noncurrent assets under Noncurrent assets.

Determination of profit and loss

Revenue is measured at fair value of the matching entry received or receivable less any estimates of returns, sales discounts and/or bonuses granted to the buyer and other similar deductions.

Sale of products

The sale of products is recognized when all the following conditions have been met:

- The Group transferred to the buyer all significant risks and benefits related to ownership of the goods;
- The Group does not maintain continued involvement in the management of goods sold to a degree normally associated with ownership or effective control over the goods;
- The value of revenue can be reliably measured;
- The costs incurred and to be incurred related to the transactions can be measured with sufficient certainty.

More specifically revenue from sale of goods is recognized when the goods are delivered and legal ownership is transferred.

Revenue from dividends and interest

Revenue from investment dividends is recognized when the right of shareholders to receive such dividends has been established (assuming it is probable that the future economic benefits shall flow to the Group and the revenue can be measured with sufficient certainty).

Revenue from interest bearing financial assets is recognized when it is probable that the future economic benefits shall flow to the Group and revenue can be reliably measured. Interest income is recognized by the straight line method based on the period and the effective interest rate on the outstanding principal amount. The effective interest rate is that which exactly discounts receivable from estimated future cash flows during the estimated life of the financial asset in relation to the initial net account amount of the assets.

Goodwill

Goodwill resulting from a business combination is stated at cost on the business combination date net of accumulated impairment losses.

In order to test impairment losses goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) which would benefit from business combination synergy.

The cash generating units for which goodwill was allocated are submitted to annual impairment testing, or more frequently whenever there is any indication that a unit may post impairment losses. If the impairment loss of a cash generating unit is lower than book value that impairment loss is firstly allocated to reduce the book value of goodwill allocated to that unit, and subsequently, to other assets of that unit proportionally to the book value of each of its assets. Any impairment loss in goodwill is directly recognized in the income statement. Impairment losses in subsequent periods are not reversed.

Foreign exchange

In the preparation of the financial statements for each company of the Group the transactions in foreign currency, i.e. any currency distinct from each companies' functional currency are recorded at the effective rates on the dates of those transactions. At the end of each reporting period the foreign exchange monetary items are translated at the rates in force at year end. The non-monetary items recorded at fair value calculated in foreign currency are retranslated at the rates in force when fair value was determined. The non-monetary items that are measured at historical cost in foreign exchange should be translated using the rate in force of the transaction date.

Borrowing costs

Costs of loans directly attributed to the acquisition, construction or production of qualifying assets, which necessarily take substantial time to be ready for use or intended sale, are included in the cost of such assets through the date on which they are ready for the intended use or sale, where applicable. At December 31, 2012 and 2011 the Company did not perform the effective capitalization of borrowing costs related to construction in progress due to the fact that the amounts involved were not significant.

All other charges with loans are recognized in profit & loss for the year, as incurred.

Government subsidies

Government subsidies are not recognized until there is sufficient certainty that the Group shall meet the conditions related to the subsidies to be received.

Government subsidies are systematically recognized in the income statements during the periods in which the Group recognizes the corresponding costs that the subsidies are intended to offset as expenses.

Private pension plan costs

The payments under the defined contribution pension plan are recognized as expenses when the services that grant the right to these payments are provided.

Taxation

Taxes on sales

Taxes levy over revenues and expenses are recognized net of sales taxes, except when the taxes are incurred in the acquisition of goods or services that are not recoverable from the tax authorities. This occurs when the sales taxes are recognized as part of the cost of acquisition of the asset or expenses item as applicable; and

When the amounts receivable or payable are stated with the sales tax amount.

When net sales tax amount, either recoverable or payable, is included as a component of payables or receivables in the balance sheet.

Current income and social contribution taxes

The income and social contribution tax provision is based in taxable profit for the year. Taxable profit is distinct from income stated in the income statements as it excludes taxable revenue or expenses or deductible amounts in other years, as well as excludes nontaxable or nondeductible items on a permanent basis. The provision for income and social contribution taxes is calculated individually for each company of the Group based in the rate in force at the end of the year (See Note 20).

Deferred taxes

Deferred income and social contribution taxes (deferred taxes) are recognized on temporary difference at the end of each reporting period, between the asset and liability balances recognized in the financial statements and the corresponding tax bases used in the calculation of taxable income including tax losses when applicable. The deferred tax liabilities are generally recognized on all temporary tax differences and deferred tax assets are recognized on all temporary deductible differences only when it is probable that the Company will post future taxable income at an amount sufficient for temporary deductible difference to be utilized (See Note 20b). Deferred tax assets and liabilities are measured at the tax rate expected to be applied for the year the asset will be realized or the liability will be settled, based on tax rates (and tax law) published as of the balance sheet date.

The recoverability of deferred tax assets is reviewed at the end of each reporting period and adjusted by the amount that are expected to be recovered.

Current and deferred income and social contribution taxes are recognized as expenses or revenue on the income statements for the year except when these related to items recorded under other comprehensive income, when applicable.

Property, plant and equipment

These items are stated at cost, less depreciation and impairment losses when applicable. Professional fees directly attributable to place an asset at the location and condition for use and the cost of borrowing are recorded as part of the cost of construction in progress, until those assets are concluded. The spending incurred with maintenance and repair are recorded as assets only if the associated economic benefits of these items are probable and these can be reliably measured. All other maintenance and repair coats are recognized in the income statements when incurred.

The depreciation of these assets begins when these are ready for their intended use and on the same basis as other property, plant and equipment items.

Depreciation is recognized based on the estimated useful lives of each asset by the straight line method, in accordance with the assessment made in 2010 so that the cost value less the book value after an item's useful life is fully written-off (except for land and construction in progress). The estimated useful lives, book values and depreciation methods are reviewed on the balance sheet dates and the effect of any changes in estimates is recorded prospectively.

A property, plant and equipment item is written-off after disposal or when not further economic benefit is expected from continued use of the asset. Any gains or losses from the sale or write-off of a property, plant and equipement item is determined by the difference between the amounts received from the sale and the book value of the asset and recognized in the income statements.

Intangible assets

Intangible assets with finite useful lives and separately acquired are recorded at cost, less amortization and accumulated impairment. Amortization is recognized on a straight line based on the estimated useful lives of the assets. The estimated useful lives and the amortization methods are revised at the end of each year and the effect of any changes in estimates is recorded prospectively. Intangible assets with infinite useful lives and separately acquired are recorded at cost, less amortization and accumulated impairment.

Spending with research activities is recognized as expense for the period in which it was incurred.

The Group does not have internally generated intangible assets.

Impairment of tangible and intangible assets, excluding goodwill

At the end of each year, the Group reviews the carrying value of its tangible and intangible assets with finite useful lives to determine if there is any indication that those assets have suffered any impairment loss.

If there is any indication that the recoverable amount of the asset is estimated in order to measure the loss amount if any.

If the calculated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the book value of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in the income statements.

Inventories

These are presented at the lower value between cost and net realizable value. The inventory costs are determined by the average cost method. The net realizable amount corresponds to the estimated sales price of the inventories less all estimated costs for conclusion and necessary selling costs.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or non-formalized) as a result of a past event, when it is probable that economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the Group expects to fully or partially reimburse a provision, in virtue of an insurance agreement, for example, such reimbursement is recognized as a separate asset item, but only when the amount is more likely than not to be reimbursed.

Expenses related to any provision are stated in profit & loss, net of any reimbursements.

Provision for future benefits to former employees

The provision for future benefits to former employees is recorded based on actuarial estimates as stated in Note 17.

Provision for environmental restoration of degraded mining areas

The subsidiary Sama records a provision for possible environmental liabilities based on best estimates of clean up and repair costs, uses specialist environmental teams to manage all the phases of the environmental program uses external specialists, when required, and in accordance with the Recovery of Degraded Area Program — PRAD, and assessed the spending based on market quotes.

Provision for civil, tax and labor contingencies

The Group is party to various judicial and administrative proceedings. Provisions are set up for contingencies relating to judicial proceedings, for which an outflow of funds is probable in order to settle the contingency/ obligation and the amount can be reliably estimated. Assessment of the likelihood of loss includes analysis of available evidence, hierarchy of laws, available case law, latest court decisions and their relevance in the legal system, as well as the opinion of legal counsel. Provisions are reviewed and adjusted considering changes in circumstances, such as applicable statute of limitations, tax audit conclusions or additional exposures identified based on new matters or court decisions.

Present value adjustment

The balances of accounts receivable and payable are adjusted to present value considering the discounted SELIC rate. The recognition of these adjustments is recorded reducing the original accounts and realization is recorded under "financial income/expenses" in the income statements.

Financial instruments

Financial assets and liabilities are recognized when a company of the Group is party to the instrument's contractual provisions.

Financial assets and liabilities are initially measured at fair value. The transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities (except financial assets and liabilities recognized at fair value in the income statements) are increased or decreased by the fair value of financial assets or liabilities, if applicable, after initial recognition. Transactions cost directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognized in the income statements.

Loans and financing

These are initially recognized at fair value on the receipt of funds, net of transaction costs. Thereafter these are measured at amortized cost using the effective interest rate method, i.e. plus charges, interest, monetary and foreign exchange variation as provided in the agreements, incurred up to the balance sheet date as stated in Note 14. The effective interest method is used to calculate the amortized cost of a financial liability and allocated to interest expenses for the respective period. The effective interest rate is the interest rate that discounts exactly the estimated future cash flows (including fees and items paid or received that constitute the full effective interest rate, transaction costs, other bonuses or discounts) over the estimated useful life of the financial liability or, when applicable, over a shorter period, to initial net book value.

Interest on equity

Interest on equity is calculated based on the number of outstanding shares on the dates of the respective Board of Directors' meeting and receive the same accounting treatment as dividends (Note 18).

Statements of value added (SVA)

This statement is intended to evidence the wealth created by the Company and its distribution in the year and is presented by the Company as required by Brazilian corporate legislation as part of its individual financial statements and as supplementary information for the consolidated financial statements, as it is not a statement required or mandatory under IFRS.

The statement of value added was prepared based in information obtained from accounting records that serve as the basis of the financial statements and meet the provisions included in CPC 9 — Statement of Value Added.

Cash flow statements

Cash flow statements were prepared by the indirect method and are presented in accordance with CVM Ruling No. 641 dated October 7, 2010 that approved CPC 3 (R2) (IAS 7) — Cash Flow Statements issued by the CPC.

New standards, changes and interpretation of standards

a) New or revised standards applied for the first time in 2012

The accounting practices adopted in 2012 are consistent with those adopted in the financial statements in the prior year except or the following IFRS amendments in force as from January 1, 2012:

- IAS 12 Income tax (Amendment) — Deferred Taxes — Recovery of Underlying Assets — the amendment clarifies the calculation in deferred taxes on investment property measured at fair value. This introduces a rebuttable assumption that the deferred taxes on investment property measured at fair value set out in IAS 40 (CPC 31) should be defined based on the fact that their carrying amount will be recovered through sale. In addition it introduced a requirement that deferred taxes on assets are not subject to depreciation and are measured using the valuation model from IAS 16 (CPC 27) always measured based on the sale of an asset. This amendment shall be effective as from January 1, 2012. This amendment did not generate an impact on the financial position, the performance or disclosures of the Group.

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

- IFRS 1 First-time Adoption of IFRS (amendment) — Severe Hyperinflation and the Removal Fixed dates for First-Time Adopters (Amendment). The IASB has provided guidance on how to resume presenting IFRS financial statements when the functional currency ceases to be subject to severe hyperinflation. This amendment shall be effective as from January 1, 2011. This amendment did not generate an impact on the financial position, the performance or disclosures of the Group.
- IFRS 7 Financial Instruments — Disclosure — Greater Demand for Disclosure of Derecognition. The amendment requires additional disclosure on financial assets that were transferred but not derecognized to allow users of the Group's financial statements to understand the relationship between assets that were not derecognized and the corresponding liabilities. In addition the review requires disclosure of the continued involvement of an entity in derecognized assets to allow users to assess the nature of that involvement and the related risks. The revised standard shall be effective for year beginning July 1, 2011. The Group does not hold assets with these characteristics and therefore there is no impact on the financial statements.

b) Standards, interpretation and changes of existing standards that are not yet effective and were not adopted early by the Company

Standard	Main requirements	Effective
• IFRS 9 — Financial Instruments	Classification and Measurement – concludes the first part of the project for substitution of "IAS 39 — Financial Instruments: Recognition and Measurement", this new standard uses a simple approach to determine whether a financial asset is measured at amortized cost or fair value, based on the manner in which an entity manages its financial instruments (its business model) and the contractual cash flow characteristic of financial assets. IFRS 9 further requires adoption of only one method to determine impairment of assets.	Applicable to financial years started on or after January 1, 2013.
• IFRS 10 — Consolidated Financial Statements	IFRS 10 establishes principles for presentation and preparation of consolidated financial statements when an entity controls one or more entities. IFRS 10 replaces the consolidation requirements of SIC-12 Consolidation of Specific Purpose Entities and of IAS 27 — Consolidated and Separate Financial Statements. The Company's management assessed the impacts of IFRS 10 and projects that the adoption does not have any impact on its financial statements.	Applicable to financial years started on or after January 1, 2013.

c) Standards, interpretation and changes of existing standards that are not yet effective and were not adopted early by the Company

Standard	Main requirements	Effective
• IFRS 11 — Joint Arrangements	IFRS 11 provides for a more realistic reflection about joint arrangements, focusing on rights and obligations of the arrangement, instead on its legal form. The standard addresses inconsistencies in the treatment of a joint arrangement, requiring a sole method to treat jointly-controlled entities, by the equity method. IFRS 13 replaces IAS 31 — Joint Ventures and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Shareholders. Early adoption is allowed. The main effects from adoption of IFRS 11 will be the end of proportional consolidation. The Company's management assessed the impacts of IFRS 11 and projected that the adoption does not have any impact on its financial statements given that the Company did not carry out the proportional consolidation of its joint subsidiary that is consolidated in equity pickup.	Applicable to financial years started on or after January 1, 2013.
• IFRS 12 — Disclosure of Interests in Other Entities	IFRS 12 is a new and comprehensive standard about requirements of disclosure of all interests in other entities, including subsidiaries, joint ventures, associates and unconsolidated structured entities. The Company's management assessed the impacts of IFRS 11 and projected that the adoption does not have any impact on its financial statements.	Applicable to financial years started on or after January 1, 2013.
• IFRS 13 — Fair Value Measurement	Substitutes and consolidates all guidance and requirements related to fair value measurement contained in other IFRS pronouncements into a sole pronouncement. IFRS 13 defines fair value and provides guidance about how to determine fair value and the disclosure requirements related to fair value measurement. However, it does not introduce any new requirement or change in relation to the items that should be measured at fair value, which remain in the original pronouncements. Management assessed the impacts of IFRS 13 and projected that its adoption does not have any impact on the financial statements.	Applicable to financial years started on or after January 1, 2013
• IAS 27 Consolidated and Separate Financial Statements (reviewed in 2011)	As a consequence of the recent IFRS 10 and IFRS 12, IAS 27 is restricted to the accounting of subsidiaries, joint-controlled entities and associate companies in separate financial statements. The Company's management assessed the impacts of IFRS 11 and projects that the adoption should not have any impact on its financial statements given that the Company did not carry out the proportional consolidation of its joint subsidiary that is consolidated based on equity pickup.	Applicable to financial years started on or after January 1, 2013.

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Standard	Main requirements	Effective
• IAS 28 – (Revised in 2011) Investments in Associates and Jointly Controlled Entities	As a consequence of the recent IFRS 11 and IFRS 12, IAS 28 became IAS 28 Investments in Associates and Joint Ventures and describes the application of the equity method for investments in joint ventures, in addition to investment in associates.	Applicable to financial years started on or after January 1, 2013.
• Changes in IAS 19 — Employee Benefits	Elimination of the corridor approach, with actuarial gains or losses being recognized as other comprehensive income for pension plans, and P&L for other long term benefits, when incurred, among other changes. The Company's management assessed the impacts of the amendment and projected that the adoption should not have any impact on its financial statements.	Applicable to financial years started on or after January 1, 2013.
• Changes in IAS 1 — Presentation of Financial Statements	Introduces the requirement that items recorded in other comprehensive income be segregated and totalized between items that are and those that are not subsequently reclassified to P&L. The Company's management assessed the impacts of the amendment and projected that the adoption should not have any impact on its financial statements given that there is no other comprehensive income.	Applicable to financial years started on or after January 1, 2013.
• IAS 16 Property, plant and equipment	This improvement clarifies the main spare parts and equipment to render services that meet the definition of PP&E and do not form part of inventories. These improvements should not have an impact on the Group's financial position, performance or disclosure.	Applicable to financial years started on or after January 1, 2013.
• IFRS 1 — Government Loans — Amendments to IFRS 1	This amendment established for first time application of requirements of IAS 20 Accounting for Government Grants and Disclosures, prospectively, government loans on the IFRS transition date IFRS. Entities may opt to apply requirements of IFRS 9 (or IAS 39, if applicable) and IAS 20 to government loans retrospectively, if the information required had not been obtained at the moment of initial recognition of those loans. The exemption shall apply to entities adopting the standard for the first time for retrospective measurement of government loans with interest rates that are lower than those in the market. The amendment should not have an impact on the Group's accounts.	Applicable to financial years started on or after January 1, 2013.

Standard	Main requirements	Effective
• IAS 34 Interim Financial Statements	The amendment aligns requirements for disclosure of total segment assets with total segment liabilities in interim financial statements. This clarification also guarantees that interim disclosures are aligned with annual disclosures. This amendment should not have an impact on the Group's financial position, performance or disclosure.	Applicable to financial years started on or after January 1, 2013.
• IAS 32 Offsetting of Financial Assets and Financial liability — Amendments to IAS 32	These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments should not have an impact on the Group's financial position, performance or disclosure.	Applicable to financial years started on or after January 1, 2013.

The Group intends to adopt such standards when they become effective, disclosing and recognizing any impacts on the financial statements that may occur upon adoption thereof.

Considering the current operations of the Company and its subsidiaries, management does not expect that these new standards, interpretations and changes will have material effect on the financial statements as from adoption thereof.

The Committee of Accounting Pronouncements ("CPC") has not yet issued the related pronouncements and changes related to the aforementioned new and amended IFRS. As a consequence of the commitment of the CPC and the CVM to maintain an updated set of standards issued based on changes made by IASB, it is expected that these pronouncements and modifications will be issued by the CPC and approved by the CVM until the date of their mandatory adoption.

There are no other standards and interpretations issued but not yet adopted that may, in the opinion of management, have a significant impact on income or on equity amounts disclosed by the Group.

3. SIGNIFICANT ACCOUNTING JUDGMENT AND SOURCES OF UNCERTAINTIES IN ESTIMATES

In the application of the Group's significant accounting practices, management has to make judgments and estimates about book value of assets and liabilities when this is not easily obtainable from other sources. Estimates and assumptions are based on historic experience and other relevant factors. Actual results may differ from these estimates.

Accounting estimates and assumptions are periodically evaluated and are based on historic experience among other factors, including expectation relating to future events considered reasonable in the circumstances. Such estimates and assumptions may differ from actual results, also the effects from reviews of accounting estimates are recognized in the period of the review.

The main assumptions about future and other sources of uncertainties in estimates at the end of each reporting period that may lead to significant adjustments in the book value of assets and liabilities in the next period are set out below.

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Goodwill recoverability considering expected future profitability

In order to determine whether there is goodwill impairment, it is necessary to estimate the value in use of cash generating units to which goodwill was allocated. Calculation of value in use requires that management estimate expected future cash flows from the cash generating units and the adequate discount rate for calculation of present value.

No evidence of goodwill impairment was identified.

	Consolidated	
Subsidiary:	**12/31/12**	**12/31/11**
Sama	**16,559**	16,559
Tégula	**3,436**	3,436
	19,995	19,995

Useful lives of property, plant and equipment items

The Group reviews the estimated useful lives of property, plant and equipment items on an annual basis at the end of each reporting period.

Income and social contribution taxes

The Group recognizes deferred assets and liabilities based on differences between the book value presented in the financial statements and the tax base of assets and liabilities using tax rates in force. Group management periodically reviews deferred tax assets in terms of possibility of recovery, considering generated historic profit and projected future taxable profit, based on a technical feasibility study.

Provision for civil, tax and labor contingencies

The Group is party to several judicial and administrative proceedings, as described in Note 21. Provisions are set up for all contingencies related to judicial proceedings involving probable losses estimated with reasonable certainty. The assessment of the chances of loss includes evaluation of available evidence, the hierarchy of laws, available case law, most recent court rulings and their relevance in the legal system, as well as the opinion of legal counsel. Group management believes that these provisions for contingencies are correctly presented in the financial statements.

Provision for future benefits to former employees

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

Environmental restoration of degraded mining areas

The subsidiary, Sama, in accordance with the Recovery of Degraded Area Program — PRAD recorded as provision for possible environmental liabilities based on best estimates of clean up and repair costs. The subsidiary has a specialist environmental team to manage all the phases of the environmental program and use of external specialists, when required.

4. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Cash and banks	**1,801**	2,011	**3,585**	5,243
Investment in bank deposit certificates	**2,051**	19,341	**13,071**	37,090
Total	**3,852**	21,352	**16,656**	42,333

At December 31, 2012, investment funds yield is on average of 103% of Interbank Deposit Certificate - CDI (104% at December 31, 2011). The balances are readily redeemable, in order to meet short-term cash commitments, and subject to a insignificant risk of change in value.

5. SHORT-TERM INVESTMENTS

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Investment funds (i)	**31,873**	-	**62,191**	-
Temporary investment funds (ii)	**16,739**	26,588	**16,739**	26,588
Total	**48,612**	26,588	**78,930**	26,588

As from 2012 the Company concentrated its investment in investment funds, which portfolios are mainly made up of fixed income and other investment funds. The funds are remunerated at the average rate of 103% of CDI at December 31, 2012 (104% at December 31, 2011)

(i) The funds are immediately redeemable as there is no grace period for the redemption of the units. The units can be redeemed with earnings, as required by the Company.

(ii) The investments are intended to finance investment in property, plant and equipment or for future Company investment. The amount is defined in accordance with the Company investment plan.

6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Trade accounts receivable	**82,728**	77,501	**124,241**	124,075
Trade accounts receivable from foreign customers:	**-**	-	**61,228**	44,184
(-) Adjustment to present value	**(328)**	(2,077)	**(969)**	(5,516)
Provision for impairment losses on accounts receivable	**(3,242)**	(2,832)	**(6,518)**	(6,470)
Total	**79,158**	72,592	**177,982**	156,273

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Expenses related to the provision for impairment losses on accounts receivable are recorded in statements of operations under "selling expenses".

Aging of trade accounts receivable

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Not due	**75,208**	70,849	**162,284**	147,853
Overdue:				
Up to 30 days	**3,569**	745	**13,094**	5,926
From 30 to 60 days	**225**	163	**1,480**	350
Overdue for more than 60 days	**156**	835	**1,124**	2,144
	79,158	72,592	**177,892**	156,273

Provision for impairment losses on accounts receivable

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Opening balance	**(2,832)**	(2,217)	**(6,470)**	(6,383)
Additions	**(572)**	(884)	**(1,546)**	(1,083)
Reversal	**6**	8	**581**	(57)
Exclusions	**156**	261	**917**	1,053
Total	**(3,242)**	(2,832)	**(6,518)**	(6,470)

7. INVENTORIES

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Finished goods	**35,082**	35,368	**59,957**	53,280
Semi – finished goods	**-**	-	**2,757**	1,553
Resale	**20,862**	18,128	**26,005**	23,423
Raw material	**22,117**	16,445	**21,110**	15,698
Support materials	**3,864**	2,972	**18,666**	17,268
(–) provision for losses*	**-**	-	**(935)**	(739)
	81,925	72,913	**127,560**	110,483

(*) The matching entry for the provision for losses is recorded in the heading "cost of goods sold" in the income statements.

Changes in the provision for losses

	Company	Consolidated
Balance at January 1, 2011	(900)	(1.569)
(+) supplement of provision for year	-	(70)
(–) provision amounts written-off	900	900
Balance at December 31, 2011	**-**	**(739)**
(+) supplement of provision for year	**-**	**(196)**
Balance at December 31, 2012	**-**	**(935)**

8. TAXES RECOVERABLE

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Current:				
State VAT — ICMS	**1,067**	1,486	**1,946**	1,972
Withholding Income Tax — IRRF	**284**	432	**518**	603
Income tax — IRPJ	**4,636**	1,211	**5,422**	1,681
Social contribution tax on net profit — CSLL	**1,415**	92	**1,602**	248
Withholding Income Tax on interest on equity	**2,169**	373	**2,169**	373
FOMENTAR fund — ICMS (*)	**729**	1,080	**729**	1,092
Social Contribution Tax on Gross Revenue for Social Security Funding — COFINS and others	**641**	409	**1,267**	570
	11,167	5,083	**13,881**	6,539
Non-current:				
State VAT — ICMS	**840**	1,145	**4,260**	3,786
Withholding Income Tax — IRRF	**13,004**	12,606	**13,004**	12,608
Income tax — IRPJ	**7,206**	7,206	**7,206**	7,206
Other	**64**	-	**64**	-
	21,114	20,957	**24,534**	23,600

(*) 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.

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

9. INVESTMENTS

Subsidiaries and jointly-controlled subsidiary of the Company are as follows:

Company	Company Ownership held by the Company — %	
	12/31/12	12/31/11
Precon	**99.99**	99.99
Prel	**99.99**	99.99
Sama	**99.99**	99.99
Tégula	**99.99**	99.99
Wagner	**99.85**	99.85
Companhia Sulamericana de Cerâmica S.A. ("CSC") (i)	**60.00**	-
Engedis (ii)	**99.94**	99.94

(i) Jointly controlled subsidiary
(ii) Indirect controlled

Summary of main information about subsidiaries:

Company	Localization	Main activity
Sama	Minaçu/GO	Mining and processing of chrysotile asbestos ore.
Engedis	Minaçu/GO	No economic activity.
Precon	Anápolis/GO	Production and sale of fiber cement products and devices.
Prel	São Paulo/SP	Participation in industrial and commercial companies, among others.
Wagner	São Paulo/SP	No economic activity.
Wagner da Amazônia	São Paulo/SP	No economic activity.
Tégula	Atibaia/SP	Production and sale of concrete roof tiles and accessories.
Companhia Sul Americana de Ceramica	Porto de Pecém/CE	The main business purpose of subsidiary Sociedade Anônima Companhia Sulamericana de Cerâmica, located in the city of Caucaia, State of Ceará, is import, production, sale, export, distribution of sanitary wares and related accessories in general.

Investments are comprised as follows:

	Company					
	Precon	Prel	Sama	Tégula	Wagner	Total
Investments	15,694	7,866	85,557	53,752	4,059	166,928
Goodwill	–	–	16,559	–	–	16,559
Balance at December 31, 2011	15,694	7,866	102,116	53,752	4,059	183,487

	Company						
	Precon	**Prel**	**Sama**	**CSC**	**Tégula**	**Wagner**	**Total**
Investments	**17,578**	**7,821**	**90,624**	**13,029**	**72,246**	**4,059**	**207,299**
Goodwill	**–**	**–**	**16,559**	**–**	**–**	**–**	**16,559**
Balance at December 31, 2012	**17,578**	**7,821**	**107,183**	**13,029**	**72,246**	**4,059**	**221,916**

	Precon	Prel	Sama	CSC	Tégula	Wagner	Total
At December 1, 2011	14,116	7,969	97,269		52,134	3,953	175,441
Dividends	(7,600)	(1,763)	(38,364)	–	–	(14)	(14,741)
Interest on equity capital	(668)	(436)	(5,053)		(2,958)	(25)	(9,140)
Equity pickup	9,853	2,153	48,357		4,604	145	65,112
Depreciation of supplementary monetary restatement IFRS	(7)	(57)	(93)	–	(28)	–	(185)
December 31, 2011	15,694	7,866	102,116	–	53,752	4,059	183,487
Dividends	**(7,927)**	**(1,896)**	**(62,958)**	**–**	**–**	**(104)**	**(72,885)**
Interest on equity capital	**(640)**	**–**	**(5,158)**	**–**	**(2,839)**	**–**	**(8,637)**
Equity pickup	**10,451**	**1,851**	**73,183**	**(531)**	**4,333**	**104**	**89,392**
Organization of jointly controlled subsidiary	**–**	**–**	**–**	**13,560**	**–**	**–**	**13,560**
Capital increase	**–**	**–**	**–**	**–**	**17,000**	**–**	**17,000**
At December 31, 2012	**17,578**	**7,821**	**107,183**	**13,029**	**72,246**	**4,059**	**221,916**

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

The balance of investment in the consolidated financial statements at December 31, 2012 amounting to R$13,029 refers to investment in the jointly controlled subsidiary with CSC.

The balance of subsidiaries is below December 31, 2012:

	Precon	Prel	Sama	Tégula	CSC	Wagner
Assets	33,935	8,653	270,553	99,237	22,600	5,632
Liabilities	16,356	787	175,061	26,983	240	1,566
Equity	17,579	7,823	95,491	72,252	22,360	4,066
Net operating revenue	64,963	–	379,035	87,734	–	–
Net income (loss) for the year	10,451	1,896	73,744	4,342	(885)	104

10. RELATED PARTIES

a) Company balances and transactions with related parties

	Company	
	12/31/12	12/31/11
Balances:		
Current assets		
Accounts receivable:		
Precon (i) e (ii)	**1,376**	1,925
Sama (ii)	**132**	–
Tégula (i) e (ii)	**269**	7
Wagner (ii)	**18**	–
	1,795	1,932
Dividends and interest on equity capital receivable:		
Sama	**15,396**	13,922
Prel	**702**	1,174
Precon	**3,038**	2,180
Tégula	**706**	3,656
Wagner	**11**	–
	19,853	20,932

	Company	
	12/31/12	12/31/11
	21,648	22,864
Noncurrent assets (loans – Tégula): (iii)	**7,214**	9,314
Current liabilities		
Trade accounts payable (i)		
Sama	**8,174**	8,108
Other accounts payable		
Prel	**83**	25
Sama	**23**	–
Tégula	**1**	–
Noncurrent liabilities		
Loans		
Sama	**27,252**	25,440
Total	**35,533**	33,573

(i) There are purchases and sales between related parties, therefore the balances refer to supplies of raw materials (chrysotile) and finished products, which were eliminated in the consolidated financial statements of the Company according to CPC 26.

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

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

	Company	
	12/31/12	12/31/11
Transactions:		
Sales:		
Precon	**10,519**	15,421
Tégula	**-**	137
Total	**10,519**	15,558
Purchases:		
Sama	**74,823**	80,157
Discounts obtained — Sama	**122**	3,485
Administrative expenses — Prel	**936**	281
Total	**75,881**	83,923
Interest on loan:		
Expense — Sama	**2,129**	2,667
Expense — Prel	**-**	179
Total	**2,129**	2,846

	Company	
	12/31/12	12/31/11
Revenues:		
Interest on loans — Tégula	**917**	369
Interest on equity capital:		
Sama	**5,157**	5,053
Prel	**-**	436
Precon	**640**	668
Wagner	**-**	25
Tégula	**2,839**	2,958
Total	**9,553**	9,509

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

At December 31, 2012 and 2011 there were on outstanding guarantees with related parties.

b) Remuneration of key management personnel

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

Company

2012	Board of Directors	Consultative Council	Statutory Officers	Total
FIXED REMUNERATION	**852**	**323**	**4,432**	**5,607**
Salaries	710	269	2,847	3,826
Benefits	-	-	301	301
Other (ii)	142	54	1,284	1,479

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Company

2012	Board of Directors	Consultative Council	Statutory Officers	Total
VARIABLE REMUNERATION	**972**	**-**	**4,499**	**5,471**
Profit sharing — PLRE	972	-	3,283	4,255
Supplementary bonus (i)	-	-	886	886
Other (ii)	-	-	330	330
POST EMPLOYMENT BENEFITS	**-**	**-**	**305**	**305**
POST EMPLOYMENT BENEFITS	-	-	305	305
Total	**1.824**	**323**	**9,326**	**11,383**

Consolidated

2012	Board of Directors	Consultative Council	Statutory Officers	Total
FIXED REMUNERATION	**852**	**323**	**5,961**	**7,136**
Salaries	710	269	3,941	4,920
Benefits	-	-	377	377
Other (ii)	142	54	1,643	1,839
VARIABLE REMUNERATION	**972**	**-**	**5,531**	**6,503**
Profit sharing - PLRE	972	-	4,112	5,084
Supplementary bonus (i)	-	-	1,037	1,037
Other (ii)	-	-	382	382
POST EMPLOYMENT BENEFITS	**-**	**-**	**439**	**439**
POST EMPLOYMENT BENEFITS	-	-	439	439
Total	**1,824**	**323**	**11,931**	**14,078**

(i) Remuneration based on the stock option plan paid to the Board of Directors, under the heading profit sharing.
(ii) INSS and FGTS charge in remuneration of Board of Directors members the Consultative Council and the Executive Board.

The Group's Board of Directors approved a plan for the purchase of Company shares by its officers. The Group grants additional bonus to officers that invest up to 100% of their profit sharing net amount for the purchase of Company shares. This bonus is proportional to the net amount of profit sharing that is so invested and must be fully used to acquire Company shares. The plan establishes specific share purchase and sale rules, such as minimum term of three years after share purchase for purposes of share sale, limited to 30% after the third year, 30% after the fourth year, 30% after the fifth year, and the remaining 10% may only be sold upon officer's dismissal/retirement. Share purchase and sale guidelines in CVM Rule No 358/02 must also be followed by officers.

At December 31, 2012, officers acquired 1,369,755 shares — ETER3 (1,454,277 shares — ETER3 at December 31, 2011).

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

	Company									
	Land	Buildings Leasehold	Machinery and equipment	Tools and molds	Facilities	Vehicles	Furniture and fixtures	IT equipment	Construction in progress	Total
Cost										
Balances at January 1, 2011	701	31,320	90,221	11,371	74,127	3,566	3,718	2,910	6,154	224,088
Additions	-	-	-	-	-	-	-	-	11,628	11,628
Write-offs	-	-	(6,096)	(5)	(217)	(67)	(25)	(54)	-	(6,464)
Transfers	-	485	5,672	1,406	2,870	(1)	257	367	(11,056)	-
Balances at December 31, 2011	701	31,805	89,797	12,772	76,780	3,498	3,950	3,223	6,726	229,252
Additions	-	-	437	-	-	-	-	-	13,241	13,678
Exclusions	-	-	(14)	-	(35)	(270)	(14)	(30)	-	(363)
Transfers	-	360	4,719	105	364	350	1,173	179	(7,250)	-
Balances at December 31, 2012	701	32,165	94,939	12,877	77,109	3,578	5,109	3,372	12,717	242,567
Average annual depreciation rates	-	4%	8,6	15%	10%	20%	10%	20%	-	
Accumulated depreciation										
Balances at January 1, 2011	-	(17,236)	(40,672)	(6,553)	(28,786)	(2,067)	(1,697)	(2,078)	-	(99,089)
Additions	-	(682)	(2,359)	(1,008)	(5,922)	(391)	(306)	(280)	-	(10,948)
Exclusions	-	-	468	2	54	66	16	52	-	658
Transfers	-	(10)	183	(15)	(161)	1	2	—	—	—
Balances at December 31, 2011	-	(17,928)	(42,380)	(7,574)	(34,815)	(2,391)	(1,985)	(2,306)	—	(109,379)
Additions	-	(703)	(1,786)	(1,077)	(5,863)	(341)	(336)	(304)	-	(10,410)
Exclusions	-	-	14	-	35	201	11	21	-	282
Balances at December 31, 2012	-	(18,631)	(44,152)	(8,651)	(40,643)	(2,531)	(2,310)	(2,589)	-	(119,507)
Book value										
At January 1, 2011	701	14,084	49,549	4,818	45,341	1,499	2,021	832	6,154	124,999
At December 31, 2011	701	13,877	47,417	5,198	41,965	1,107	1,965	917	6,726	119,873
At December 31, 2012	701	13,534	50,787	4,226	36,466	1,047	2,799	783	12,717	123,060

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

	Consolidated					
	Lands	Buildings Improvements	Machinery equipment	Excavation equipment	Tools and molds	Facilities
Cost						
Balances at January 1, 2011	4,084	72,727	160,369	16,023	25,416	191,129
Additions	-	3,038	11,604	-	2,476	1,459
Write-offs	-	(22)	(6,333)	-	(3,701)	(217)
Transfers	-	2,334	5,553	337	1,406	10,946
Balances at December 31, 2011	4,084	78,077	171,193	16,360	25,597	203,317
Additions	**-**	**860**	**3,282**	**-**	**565**	**551**
Write-offs	**-**	**(9)**	**(512)**	**-**	**(32)**	**(109)**
Transfers	**-**	**1,657**	**7,529**	**8,250**	**349**	**4,639**
Balances at December 31, 2012	**4,084**	**80,585**	**181,492**	**24,610**	**26,479**	**208,398**
Average rates of depreciation	-	4%	8,6%	28,4%	15%	10%
Accumulated depreciation						
Balances at January 1, 2011	-	(42,846)	(93,837)	(13,140)	(16,325)	(127,335)
Additions	-	(1,428)	(4,656)	(136)	(2,328)	(9,713)
Write-offs	-	(70)	599	-	3,548	54
Transfers	-	(262)	434	—	(15)	(161)
Balances at December 31, 2011	-	(44,466)	(97,460)	(13,276)	(15,120)	(137,155)
Additions		**(1,629)**	**(4,343)**	**(1,758)**	**(2,585)**	**(10,445)**
Write-offs	**-**	**9**	**265**	**-**	**30**	**107**
Transfers	**-**	**(140)**	**-**	**-**	**140**	**-**
Balances at December 31, 2012	**-**	**(46,226)**	**(101,538)**	**(15,034)**	**(17,535)**	**(147,493)**
Book value						
At January 1, 2011	4,084	29,881	66,532	2,883	9,091	63,794
At December 31, 2011	4,084	33,611	73,733	3,084	10,477	66,162
At December 31, 2012	**4,084**	**34,359**	**79,954**	**9,576**	**8,944**	**60,905**

Consolidated							
Vehicles	Off road vehicles	Furniture and fixtures	IT equipment	Environment restoration of degraded mining area	Mineral resources	Construction in progress	Total
11,987	3,829	10,626	6,366	1,847	13,387	9,384	527,174
1,303	–	1,275	183	–	–	22,602	43,940
(483)	–	(187)	(113)	–	–	–	(11,056)
279	276	840	609	–	–	(22,580)	–
13,086	4,105	12,554	7,045	1,847	13,387	9,406	560,058
479	**–**	**757**	**165**	**–**	**–**	**47,708**	**54,367**
(363)	**(47)**	**(147)**	**(112)**	**–**	**–**	**–**	**(1,331)**
11,849	**222**	**2,202**	**416**	**3,931**	**–**	**(41,044)**	**–**
25,051	**4,280**	**15,366**	**7,514**	**5,778**	**13,387**	**16,070**	**613,094**
20%	25%	10%	20%	2,9%	5,3%	–	
(7,814)	(3,810)	(5,604)	(4,829)	(158)	(1,487)	–	(317,185)
(1,419)	(10)	(897)	(555)	(53)	(696)	–	(21,891)
422	–	156	58	–	–	–	4,907
2	–	2	–	–	–	–	–
(8,809)	(3,820)	(6,343)	(5,326)	(211)	(2,183)	–	(334,169)
(3,346)	**(83)**	**(1,316)**	**(615)**	**(614)**	**(696)**	**–**	**(27,430)**
294	**47**	**109**	**101**	**–**	**–**	**–**	**962**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(11,861)	**(3,856)**	**(7,550)**	**(5,840)**	**(825)**	**(2,879)**	**–**	**(360,637)**
4,173	19	5,022	1,537	1,689	11,900	9,384	209,989
4,277	285	6,211	1,719	1,636	11,204	9,406	225,889
13,190	**424**	**7,816**	**1,674**	**4,953**	**10,508**	**16,070**	**252,457**

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Subsidiary Sama provided fixed assets with residual value of R$892 as guarantee in connection with certain judicial proceedings.

12. INTANGIBLE ASSETS

Company	Softwares	Others	Total
Cost			
Balances at January 1, 2011	5,298	26	5,324
Additions	1,605	–	1,605
Write-offs	(133)	(15)	(148)
Balances at December 31, 2011	6,770	11	6,781
Additions	**–**	**436**	**436**
Write-offs	**(21)**	**–**	**(21)**
Transfers	**436**	**(436)**	**–**
Balances at December 31, 2012	**7,185**	**11**	**7,196**
Useful life (in years)	5	–	–
Amortization			
Balances at January 1, 2011	(3,513)	–	(3,513)
Additions	(512)	–	(512)
Write-offs	97	–	97
Balances at December 31, 2011	(3,928)	–	(3,928)
Additions	**(774)**	**–**	**(774)**
Write-offs	**20**	**–**	**20**
Balances at December 31, 2012	**(4,682)**	**–**	**(4,682)**
Book value			
Balance at January 1, 2011	1,785	26	1,811
Balance at December 31, 2011	2,842	11	2,853
Balance at December 31, 2012	**2,503**	**11**	**2,514**

Consolidated	Softwares	Goodwill	Trademarks and patents	Intangible assets in progress	Others	Total
Cost						
Balances at January 1, 2011	9,306	19,995	1,156		90	30,547
Additions	2,416	-	-	-	-	2,416
Balances at December 31, 2011	11,722	19,995	1,156	-	90	32,963
Additions	**200**	**-**	**-**	**1,227**	**-**	**1,427**
Write-offs	**(21)**	**-**	**-**	**-**	**-**	**(21)**
Transfers	**1,242**	**-**	**-**	**(1,227)**	**(15)**	**-**
Balance at December 31, 2012	**13,143**	**19,995**	**1,156**	**-**	**75**	**34,369**
Useful life (in years)	5					
Amortization						
Balances at January 1, 2011	(6,092)	-	-	-	(1)	(6,093)
Additions	(915)	-	-	-	-	(915)
Write-offs	1	-	-	-	-	1
Balances at December 31, 2011	(7,006)	-	-	-	(1)	(7,007)
Additions	**(1,343)**	**-**	**-**	**-**	**-**	**(1,343)**
Write-offs	**21**	**-**	**-**	**-**	**-**	**21**
Balance at December 31, 2012	**(8,328)**	**-**	**-**	**-**	**(1)**	**(8,329)**
Book value						
Balance at January 1, 2011	3,214	19,995	1,156	-	89	24,454
Balance at December 31, 2011	4,716	19,995	1,156	-	89	25,956
Balance at December 31, 2012	**4,815**	**19,995**	**1,156**	**-**	**74**	**26,040**

13. TRADE ACCOUNTS PAYABLE

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Domestic Market	**22,473**	17,590	**40,615**	36,072
Foreign Market	**8,056**	2,729	**8,492**	2,848
(-) Present value adjustment (internal/ external market)	**(112)**	(148)	**(139)**	(211)
Total	**30,417**	20,171	**48,968**	38,709

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

14. LOANS AND FINANCING

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Current:				
Loans and financing (a) e (d)	**1,519**	2,744	**9,091**	4,199
ACE (b)	**–**	–	**26,319**	36,354
ACC (c)	**–**	–	**20,429**	–
	1,519	2,744	**55,839**	40,553
Noncurrent:				
Loans and financing (a) and (d)	**7,266**	1,671	**24,107**	7,891
Total	**8,785**	4,415	**79,946**	48,444
Noncurrent repayment schedule:				
2013	**–**	1,353	**–**	2,978
2014	**7,202**	282	**13,756**	1,936
2015	**37**	36	**5,471**	2,977
2016	**22**	–	**3,513**	–
2017	**5**	–	**1,367**	–
Total	**7,266**	1,671	**24,107**	7,891

(a) Subsidiary SAMA raised financing from BNDES/Finame for the purchase of vehicles (trucks) at average interest rate of 6.171% and 4.430% p.a. plus TJLP, which did not include covenants but do require meeting other specific obligations. At December 31, 2012, all obligations specified in the agreement were complied with.

(b) Advance on Export Contracts — ACE — These are funds to increase working capital of subsidiary Sama, raised in US dollars at average exchange rate of R$2.041 and restated by the current exchange rate of R$2.0429 at December 31, 2012. The average PRIME lending rate is of 3.25% p.a. and, owing to the characteristics of the transaction; such advances mature within up to 360 days. The Company is guarantor of part of the operation the value of which at December 31, 2012 was R$26,319.

(c) Advance on Foreign Exchange Contracts — ACC — These are funds to increase working capital of subsidiary Sama. The average PRIME lending rate is of 3.25% p.a. and the advances were denominated in US dollars at average exchange rate of R$2.041 and restated at the rate of R$2.0429 at December 31, 2012, maturing within up to 360 days. These funds were raised due to expected increase in exports. The Company is guarantor of part of the ACC transaction for the subsidiary SAMA the value of which at December 31, 2012 was R$20,429.

(d) The Company raised Finimp 4 financing for the acquisition of machinery and equipment for operating activities at an interest rate of 2.84% p.a. referring to the PTAX US Dollar rate of 2.0758 and restated at the current rate of R$2.0429 at December 31, 2012 maturing within 24 months, with monthly amortization and payment of annual interest. At December 31, 2012, all obligations specified in the agreement were met.

15. PROVISIONS AND SOCIAL CHARGES

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Vacation	**6,699**	6,231	**12,291**	11,403
Profit sharing (a)	**4,680**	6,004	**14,388**	11,694
FGTS	**537**	449	**995**	2,680
INSS	**1,832**	1,303	**3,227**	827
Private pension plan (b)	**3,557**	900	**3,985**	1,254
Syndicate contribution	**5**	(53)	**52**	3
Total	**17,310**	14,834	**34,938**	27,861

(a) Profit sharing

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. Recorded profit sharing amounts are as follows:

	Profit sharing	
	12/31/12	12/31/11
Company	**8,289**	5,787
Consolidated	**18,195**	13,767

(b) Private pension plan

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

16. TAXES, CHARGES AND CONTRIBUTION PAYABLE

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Current taxes				
Income taxes				
Corporate income tax — IRPJ	**-**	-	**14,101**	4.232
Social contribution tax on net profit — CSLL	**-**	-	**3,402**	592

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Other taxes				
ICMS	**6,332**	5,327	**9,105**	8,792
IPI	**2,138**	2,201	**2,367**	2,457
COFINS	**1,970**	2,058	**3,835**	3,755
PIS	**358**	442	**764**	810
IRRF	**908**	579	**1,722**	1,336
CSL	**-**	-	**1,358**	1,169
Other	**95**	105	**278**	311
Total	**11,801**	10,712	**36,932**	23,454
Noncurrent:				
ICMS(*)	**7,285**	6,698	**8,139**	6,812

(*) ICMS deriving from the FUNDOPEM E PRODUZIR tax incentive programs related to the Company, and the FOMENTAR tax incentive program related to subsidiary Precon as well as FUNDOPEM E PRODUZIR in the subsidiary Tegula.

17. PROVISION FOR FUTURE BENEFITS TO FORMER EMPLOYEES

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

a) Main actuarial assumptions used to determine benefits present value

	12/31/12	12/31/11
Actual actuarial annual interest rate	**3.5%**	5.6%
Actual annual medical cost increase rate	**1.0%**	1.0%
Annual projected inflation rate	**5.2%**	5.2%
General mortality table	**GAM83**	GAM83

b) Valuation

	Company		Consolidated	
	12/31/12	**12/31/11**	**12/31/12**	**2/31/11**
Number of participants	**310**	325	**527**	542
Present value of actuarial liabilities at the beginning of the period	**21,500**	21,374	**30,457**	30,800
Interest on actuarial liabilities	**2,482**	2,328	**3,590**	3,305
Expenses incurred in the period	**(2,499)**	(2,202)	**(3,933)**	(3,648)
Actuarial (income)/losses in the period	**(1,070)**	–	**4,216**	–
Present value of actuarial liabilities at the end of the period	**20,413**	21,500	**34,330**	30,457

c) Amortization of actuarial gains

	Company		Consolidated	
	12/31/12	**12/31/11**	**12/31/12**	**2/31/11**
Unrecognized actuarial losses	**–**	879	**–**	1,914
Corridor — 10% of actuarial liabilities present value	**2,041**	2,150	**3,433**	3,046

d) Reconciliation of liabilities

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Book balance at the beginning of the period	**21,137**	20,931	**29,273**	29,405
Expenses incurred in the period	**(2,499)**	(2,202)	**(3,933)**	(3,648)
Provision supplementation and interest for the period	**1,270**	2,408	**7,605**	3,516
Book balance at the end of the period	**19,908**	21,137	**32,945**	29,273
Current	**1,645**	1,645	**2,926**	2,965
Noncurrent	**18,263**	19,492	**30,019**	26,308
Total	**19,908**	21,137	**32,945**	29,273

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

18. EQUITY

a) Capital

At December 31, 2012, Company capital amounting to R$334,251 was divided into 89,500,000 common voting shares, with no par value and with voting rights during the general meeting deliberations, held as follows:

	12/31/12		12/31/2011	
Shareholding structure	**Shareholders**	**Shares**	**Shareholders**	**Shares**
Individuals	**6,745**	**54,404,983**	6,302	54,816,669
Legal entities	**91**	**1,752,168**	126	24,164,645
Foreign individuals	**131**	**9,732,774**	73	6,399,123
Clubs, funds and foundations	**177**	**23,580,709**	132	4,090,197
Subtotal	**7,144**	**89,470,634**	6,633	89,470,634
Treasury stock		**29,366**	–	29,366
Total	**7,144**	**89,500,000**	6,633	89,500,000

The Board of Directors approved on April 25, 2012 capital increase until the limit of R$1,000,000 (one billion reais), irrespective of amendment to the Company's charter, and will also establish share issue price and other share subscription and payment conditions.

b) Treasury shares

At December 31, 2012, the market value of treasury shares was R$288 (R$261 at December 31, 2011).

On June 18, 2012 the Board of Directors approved a program for the possible buyback of Company issue shares up to a limit of 2,000,000 shares. This acquisition may be realized by June 18, 2013.

c) Earnings per share

In accordance with Standard IAS 33 (equivalent to Accounting Pronouncement CPC 41 — Earnings per Share) the following table reconciles net income the amounts used to calculate to basic and diluted earnings per share.

Company	**12/31/12**	**12/31/11**
Effect of dilution		
Net income for the year attributable to non-minority shareholders	**113,004**	97,193
Weighted average number of outstanding common shares, deducting average number of common shares in treasury	**89,470**	89,470
Basic and diluted earnings per share — R$	**1.26**	1.09

No dilutive effect should be considered in the prior calculation.

d) Dividends

Shareholders are assured of minimum mandatory dividend of 25% of net income for each year, after deducting profit allocation to legal reserve of 5% and to statutory reserve of 5%, as prescribed by Brazilian Corporation Law. In addition, remaining profit of profit reserves shall be fully distributed to shareholders.

The Company's charter allows dividend distribution based on annual, twice-annual or interim balance sheets.

Dividends proposed for the quarter ended December 31, 2012 were as follows:

Dividends

Event	Beginning of payment	Total value	Value per share – R$
BDM (*) of April 25, 2012	05/17/12	11,989	0.134
BDM (*) of August 8, 2012	08/29/12	11,184	0.125
BDM (*) of October 24, 2012	11/14/12	12,168	0.136
BDM (*) of March 6, 2013	03/26/13	12,168	0.136

e) Interest on equity

The Board of Directors may also decide about payment of interest on equity, on the terms of ruling legislation. Proposed interest on equity for the year ended December 31, 2012 was as follows:

Event	Beginning of payment	Total value	Value per share – R$
BDM (*) of April 25, 2012	05/17/12	5,906	0.066
BDM (*) of August 8, 2012	08/29/12	6,710	0.075
BDM (*) of October 24, 2012	11/14/12	5,726	0.064
BDM (*) of December 12, 2012	3/26/13	5,726	0.064

(*) BDM — Board of Directors Meeting.

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Dividends and interest on equity payable

Dividends and interest on equity payable at December 31, 2012 represents:

	Company and consolidated	
	12/31/2012	12/31/2011
Interest on equity	**5,206**	5,357
Dividends	**12,162**	11,989
Other — prior years	**765**	-
Total	**18,133**	17,346

	Company	
	12/31/12	12/31/11
Net income for the year	**113,004**	97,193
Setting up of Reserves:		
Legal	**(5,650)**	(4,859)
Statutory	**(5,650)**	(4,859)
Investment Subsidies	**(852)**	-
Retained earnings	**(29,275)**	(15,899)
Available income	**71,577**	71,576
Dividends proposed and paid	**47,509**	47,956
Interest on equity proposed and paid	**24,068**	23,620
Total	**71,577**	71,576
Minimum statutory dividends	**25,446**	21,868

f) Allocation of income for the year

In accordance with Revenue Procedure No 480 issued by the CVM on December 7, 2009, the Company states the following capital budget table for 2013.

Market conditions, macro-economic scenarios and other operational factors, that involve risk, uncertainties and assumptions, may affect business projections and perspectives, and therefore the amount projected in this capital budget.

As one of the sources of funding to finance investment projected in this capital budget, Management is proposing retaining remaining net income for 2012 amounting to R$29,275 totaling at December 31, 2012, R$78,669, under the "Retained profits reserve".

g) Capital budget — application of funds

Investment in property, plant & equipment	46,443
New investment projects	47,600
	94,043

h) Legal reserve

In 2012 the Company set up a legal reserve amounting to R$5,650 (R$4,859 in 2011) in accordance with article 193 of Corporation Law.

i) Statutory reserve

In 2012, the Company set up a statutory reserve amounting to R$5,650 (R$4,859 in 2011). As provided in its Charter the reserve shall be allocated to the Company's working capital up to the limit of 10% of capital.

19. GOVERNMENT SUBSIDIES

a) Investment subsidy — Goiás industrial development program — Produzir.

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

• Tégula

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

The benefit was granted as from 12/28/2007, by the Finance Department of the State of Goiás, through Special Tax Regime Agreement 223/07 when a 73% reduction in ICMS was recognized for Tégula Soluções Para Telhados on sales of goods produced by the ammunition unit established in the Annapolis/GO, limited to R$6,875 with a deadline to obtain the benefit up to 12/31/2020.

In 2012 the value of the benefit totaled R$949. The benefit is treated as a Subsidy for investment because the company benefits through reduction, refund or exemption from taxes due and intends to expand its activities. Moreover, PRODUZIR's goal is to attract investment for integration, expansion, modernization and consolidation in the industrial segment of that state of the union.

b) Investment subsidy — Fundo Operação for companies in Rio Grande do Sul — FUNDOPEM/RS.

Law 11.916/03, 2000 created Fundo Operação for companies in the state of Rio Grande do Sul — FUNDOPEM/RS to promote economic development in that state. It grants ICMS taxpayer incentives in reducing the value of the ICMS payable.

On May 27, 2008, Tégula Soluções para Telhados Ltda, formerly known as Lafarge Roofing Brazil Ltda. claimed the right to reduce the ICMS, as it had a branch located in the state of Rio Grande do Sul.

The benefit was granted as of 11/21/2008, by the State of Rio Grande do Sul Department of Development through Adjustment Agreement 016/2008 when the company recognized Tégula Soluções para Telhados Ltda. the tax benefit to reduce ICMS calculated on sales of goods produced in the unit established in the municipality of Frederico Westphalen/RS, limited to the monthly amount of 79,614.52 UFIR (R$33) and a 66 month term.

In 2012 the value of the benefit totaled R$33. The benefit is treated as a Subsidy for investment because as the company benefits through reduction, refund or exemption from taxes due and intends to expand its activities. Moreover, FUNDOPEM/RS's goal is to attract investment for integration, expansion, modernization and consolidation in the industrial segment of that state of the union..

c) Invest Subsidy — Agência de Fomento Goias S/A company in the state of Goias — FOMENTAR.

• Precon

On January 26, 1990, Precon Goiás Industrial Ltda. claimed a benefit to reduce ICMS as it had a branch in the state of Goiás. The claim was granted by the Internal Revenue Service (SRF) of Goiás state through Special Tax Regime Agreement 227/07 when a 73% reduction in ICMS was recognized for Precon Goiás Industrial Ltda on sales of goods produced by the ammunition unit established in the Annapolis/GO, limited to R$7,417 up to 12/31/2015.

In 2012 the value of the benefit totaled R$1,884. The benefit is treated as a Subsidy for investment because the company benefits through reduction, refund or exemption from taxes due and intends to expand its activities. Moreover, FOMENTAR's goal is to attract investment for integration, expansion, modernization and consolidation to the industrial segment of that state of the union.

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

d) Investment subsidy — SUDENE

The Brazilian tax regulations allow corporate owners of enterprises located in areas of the SUDENE, whose activities classify as part of the priority economic sector, by act of the Executive Branch, to claim reduction of income tax under these procedures that meet the obligations and conditions set out in attachment II.

Decree No 64214 of March 18, 1969, that regulates provisions of Law 4239 July 27, 1963 No 4869, dated December 1965 and No 5508 dated October 11, 1968, relates to administrative and financial incentives for SUDENE. The Constitutive Report of the right to a 75% reduction in Income Tax and non-refundable additions based on Profit from Tax Incentive Operations (lucro da exploração) in favor of Eternit S.A. based on Provisional Executive Order No 2199-14 dated August 24, 2001, reworded under article 32 of Law No 11196/2008, as amended by Decree No 6674 of December 3, 2008 and also in accordance with the Tax Incentive Regulations, approved by Ordinance No 2091-A of December 28, 2007.

In March 2011, Eternit S.A. obtained through the Constitutive Report 0018/2011 the right to reduce corporate income tax and non-refundable additions on profit from tax incentive operations (lucro da exploração), to be located in the relevant area for companies in the Northeast.

20. INCOME AND SOCIAL CONTRIBUTION TAXES

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

Reconciliation of corporate income tax (IRPJ) and social contribution tax on net profit (CSLL) at effective and nominal rates is as follows:

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Income before income tax and social contribution	**114,774**	105,916	**157,802**	131,140
Nominal rate	**34%**	34%	**34%**	34%
Income and social contribution taxes, at nominal rates	**(39,023)**	(36,011)	**(53,653)**	(44,588)
IRPJ and CSLL effect on permanent differences:				
Equity pickup	**31,053**	22,138	**(531)**	-
Interest on equity	**8,183**	8,031	**8,183**	8,031
Donations and giveaways	**(235)**	(57)	**(2,919)**	(426)
Nondeductible taxes and fines	**(25)**	(166)	**(197)**	(168)
Other exclusions (additions), net	**(1,723)**	(2,658)	**4,319**	3,204
Income and social contribution taxes posted to the income statement	**(1,770)**	(8,723)	**(44,798)**	(33,947)
Effective Rate	**1.5%**	8.2%	**28.4%**	25.9%

b) Breakdown of deferred income and social contribution taxes

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

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Income and social contribution tax losses	**4,883**	6,662	**13,848**	15,398
Future benefits to former employees	**5,378**	5,796	**9,534**	8,286
Provision for tax, civil and labor contingencies	**7,703**	6,829	**17,379**	15,156
Unrealized profits on inventories	**-**	-	**2,626**	2,344
Provision for losses on receivables	**-**	-	**856**	1,898
Provision for profit sharing	**1,591**	1,090	**3,819**	2,537
Provision for loss on property, plant and equipment	**1,815**	1,962	**1,815**	1,962
Other provisions	**(1,376)**	612	**1,943**	4,789
Total	**19,994**	22,951	**51,820**	52,370

Expected realization of tax credits

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

	Company	Consolidated
	12/31/12	12/31/12
2013	**730**	**1,910**
2014	**621**	**2,710**
2015	**509**	**3,049**
2016	**508**	**2,993**
2017 to 2022	**2,515**	**3,186**
Total	**4,883**	**13,848**

Recorded deferred tax assets are limited to the offset amount supported by projections of taxable income, discounted to present value, made by the Company and its subsidiary Tégula within the next ten years, further considering that offset of income and social contribution tax losses is limited to 30% of annual net income, determined in accordance with ruling Brazilian legislation, however, these may be carried indefinitely for offset against future taxable income.

At December 31, 2012, subsidiary Tégula had accumulated income tax loss of R$60,900 and social contribution tax loss of R$60,574, for which deferred taxes were not recorded up to December 31, 2012 there were no projections of future taxable income confirming realization thereof.

ii. Temporary differences
The balance in noncurrent assets related to deferred income and social contribution taxes calculated on temporary differences will be realized as follows:

	Company	Consolidated
	12/31/12	12/31/12
2013	**2,384**	**6,087**
2014	**2,029**	**5,180**
2015	**1,664**	**4,248**
2016	**2,473**	**6,314**
2017 to 2022	**6,561**	**16,143**
Total	**15,111**	**37,972**

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Estimated realization of the balance of deferred taxes calculated on temporary differences, at December 31, 2012, may vary since many of them depend on judicial rulings that are beyond the Group's possible control and it is not possible to predict when a definitive ruling will be rendered.

The projections of future taxable income include various estimates regarding the performance of Brazilian and international economies, exchange rate fluctuations, sales volume, sales prices and tax rates, among others, that can vary in relation to actual data and amounts.

As the result of income and social contribution taxes depends not only from taxable income, but also the existence of non-taxable income, non-deductible expenses and several other variables, there is no significant correlation between net income of the Group and the result of income and social contribution taxes.

21. PROVISION FOR CIVIL, TAX AND LABOR CONTINGENCIES

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

The provision for contingencies was set up for proceedings assessed as involving probable loss, based on the analysis of the individual proceedings by the Group's legal counsel.

The Company's management believes that the provision for contingencies is sufficient to cover any losses from judicial proceedings, as shown below:

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Labor proceedings (i)	**17,214**	13,997	**26,321**	21,912
Tax proceedings (ii)	**5,443**	6,088	**24,795**	24,933
Provision for tax and labor contingencies	**22,657**	20,085	**51,116**	46,845

i) Main labor proceedings include:

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

ii) Tax proceedings include:

a) Difference in ICMS amounts paid and

b) Difference in rates paid for INSS

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

	Company			
	12/31/10	Additions	Reversals	12/31/11
Labor Provision	14,366	4,846	(5,215)	13,997
Tax Provision	4,091	7,306	(5,309)	6,088
Provision for tax and labor contingencies	18,457	12,152	(10,524)	20,085

	Company			
	12/31/11	Additions	Reversals	12/31/12
Labor Provision	13,997	3,217	-	**17,214**
Tax Provision	6,088	683	(1,328)	**5,443**
Provision for tax and labor contingencies	20,085	3,900	(1,328)	**22,657**

	Consolidated			
	12/31/10	Additions	Reversals	12/31/11
Labor Provision	22,697	11,248	(6,725)	27,220
Tax Provision	15,612	10,406	(6,393)	19,625
Provision for tax and labor contingencies	38,309	21,654	(13,118)	46,845

	Consolidated			
	12/31/11	Additions	Reversals	12/31/12
Labor Provision	21,912	4,000	(1,117)	**24,795**
Tax Provision	24,933	3,384	(1,996)	**26,321**
Provision for tax and labor contingencies	46,845	7,384	(3,113)	**51,116**

At December 31, 2012, the following proceedings posing a possible likelihood of loss as assessed by legal counsel:

a) public civil lawsuits against the Group over environmental and health matters brought by State and Federal Prosecutors of the state of Bahia, in Vitória da Conquista Judicial District and a class action in the Comarca de Poções with the same objective as the public civil action mentioned above.

b) civil consumer action in the State of Rio de Janeiro and another in the State of Pernambuco, in order to prohibit the sale of products containing chrysotile mineral in those States. The action concerning the state of Rio de Janeiro was dismissed while Pernambuco it was upheld. Both are pending appeal.

c) Managerial Wrongdoing suit in which issues related to Financial Compensation for Exploration of Mineral Resources — CFEM were discussed as well as an annulment action and a tax lien of the same nature.

d) Public Civil and Class Action, both related to the sale by the state of Goiás of an area of land where the residential quarters of the subsidiary, Sama, is located.

In addition at December 31, 2012 there were other labor, civil and administrative claims against the Company for which legal counsel assessed the likelihood of loss as possible amounting to R$8,102 consolidated (R$6,112 December 31, 2011), therefore no provision was set up for these proceedings.

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Alternatively whenever required the Group makes judicial deposits that are not linked to the provision for contingencies under a specific heading in noncurrent assets.

e) Claims related to the use of the raw material asbestos in "chrysotile"

Four state laws have been enacted (Rio de Janeiro, Rio Grande do Sul, São Paulo and Pernambuco) which restricted the use of asbestos, which are being contested through direct actions of unconstitutionality (ADIs) before the Supreme Court. Article 2 of Federal Law No 9055/1995 is also being contested also through ADIs. These ADIs against the proposed state laws are awaiting decision on merit. It is important to stress that the laws passed by the States of Mato Grosso and Roraima against asbestos have not yet been sanctioned.

Through injunctions, the laws in the States of Rio de Janeiro and Rio Grande do Sul have been suspended. Regarding Law No 12.684/2007 in the State of São Paulo, the Company states that on June 4, 2008, the plenary of the Supreme Court overturned the injunction granted on December 20, 2007, against said law. It is important to stress that a decision on the merits of this action are still pending, which places sub-judice and therefore the ban has not yet become final.

On October 31, 2012, legal proceedings began on the merits of direct action of unconstitutionality (ADI) No 3357, under Rio Grande do Sul State Law No 11643/2001, which prohibits production and sale of asbestos products in that State, as well as of ADI No 3937, under São Paulo State Law No 12684, 2007, which prohibits the use, in the State of São Paulo of products, materials or devices containing any type of asbestos.

The eminent Justice Ayres Britto, president of the STF, began the trial pronouncing his vote for the constitutionality of state laws of São Paulo and Rio Grande do Sul States, while the eminent Justice Marco Aurélio rendered his vote for the unconstitutionality of the state laws. After the vote of Justice Marco Aurélio president of the STF suspended the session.

We clarify that the judgment on the merits of the ADIs was made after exhaustive discussion of a scientific nature in Brazilian society, through a public hearing held by the Supreme Court on August 24 and 31 2012, led by Justice Marco Aurélio and attended by Justices Ricardo Lewandowski and Rosa Weber.

The public hearing was conducted to evaluate the use of asbestos "chrysotile" from a medical and scientific standpoint given its importance to Brazil.

The matter is pending and there is no estimate as to when this issue shall return to the STF for conclusion of the proceedings.

22. PRIVATE PENSION PLAN

The Group has a private pension plan with a duly authorized private pension entity. The plan's main purpose is of supplementing pension benefits granted by government to employees and executives. The plan's main purpose is of supplementing pension benefits granted by government to employees and executives. Contributions are made by the Group and participants, following predetermined progressive contribution percentages.

In the year ended December 31, 2012 and 2011 the Company and its participants made contributions to cost benefits plans as follows:

	Company		Consolidated	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Contributions made in the year ended:	**2,829**	2,766	**3,542**	3,530

23. NET OPERATING REVENUE

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Gross revenue from sales	**631,126**	628,960	**1,159,627**	1,071,780
Unconditional discounts and rebates	**(3,515)**	(3,838)	**(3,583)**	(3,954)
Taxes on sales	**(157,689)**	(160,038)	**(249,727)**	(247,588)
Net operating revenue	**469,922**	465,084	**906,317**	820,238

24. INFORMATION ABOUT THE NATURE OF EXPENSES

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

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Cost of products and goods sold	**(331,498)**	(336,531)	**(509,603)**	(496,455)
Selling expenses	**(54,546)**	(51,940)	**(113,263)**	(97,294)
Administrative and Technical expenses	**(36,883)**	(34,356)	**(86,923)**	(84,119)
	(422,927)	(422,827)	**(709,789)**	(677,868)
Raw material used	**(232,084)**	(231,060)	**(357,100)**	(335,118)
(-) Adjustment to present value	**455**	676	**571**	882
Expenses with personnel and social charges	**(75,579)**	(78,090)	**(125,697)**	(127,525)
Material, electrical energy and services	**(35,824)**	(41,157)	**(48,830)**	(61,453)
Variable sales expenses	**(13,556)**	(5,319)	**(37,830)**	(24,359)
Depreciation and amortization	**(9,906)**	(12,921)	**(17,363)**	(24,979)
Third-parties' services	**(12,744)**	(12,033)	**(47,884)**	(24,962)
Commission on sales	**(9,587)**	(8,377)	**(18,939)**	(17,125)
Trade association dues	**(1,511)**	(1,231)	**(1,601)**	(3,764)
Advertising and publicity	**(7,698)**	(7,401)	**(9,810)**	(7,547)
Taxes and charges	**(2,229)**	(2,182)	**(1,741)**	(4,734)
Other	**(22,665)**	(23,732)	**(43,566)**	(47,184)
	(422,927)	(422,827)	**(709,789)**	(677,868)

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

25. OTHER OPERATING EXPENSES, NET

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Other operating revenues:				
Fixed asset disposals	**123**	132	**237**	1,060
Windfall revenues	**2,406**	2,191	**4,433**	5,114
Other sales	**-**	-	**-**	202
Rentals	**-**	-	**2,234**	1,741
Programa Desenvolve da Bahia (a)	**-**	3,346	**-**	3,346
Other	**2**	2	**2**	-
	2,531	5,671	**6,906**	11,463
Other operating expenses:				
Provision for tax, civil and labor contingencies	**(782)**	(4,286)	**(782)**	(5,608)
Provision for future benefits to former employees	**(1,270)**	(2,134)	**(7,605)**	(3,111)
Taxes on other sales	**(148)**	(147)	**(777)**	(1,015)
Quality control	**(546)**	(590)	**(758)**	(735)
Replacement of defective products	**-**	(232)	**-**	(241)
Expenses arising from labor and civil proceedings	**(955)**	(918)	**(1,164)**	(7,242)
Cost of fixed asset disposals	**(94)**	(5,806)	**(348)**	(5,885)
Other	**(1,578)**	576	**(3,695)**	(968)
	(5,373)	(13,537)	**(15,129)**	(24,805)
Total	**(2,842)**	(7,866)	**(8,223)**	(13,342)

(a) Programme for Industrial Development and Economic Integration of the State of Bahia — DESENVOLVE, aims to promote and diversify the industrial and agribusiness, with formation of industrial regions and economic integration of essential production lines to economic and social development and the generation of jobs and income in the state.

26. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Financial income:				
Short-term investment yield	**3,982**	5,219	**7,375**	6,917
Discounts obtained	**190**	3,485	**270**	435
Interest receivable	**3,498**	3,564	**4,496**	6,992
Positive monetary variation	**736**	3,156	**761**	3,238
Foreign exchange gains	**834**	1,269	**23,616**	20,235
Gain from judicial proceeding (PIS/COFINS)	**-**	1,687	**-**	4,053
Other financial income	**256**	4,056	**2,488**	1,789
	9,496	22,436	**39,006**	43,659
Financial expenses:				
Interest on financing	**(401)**	(308)	**(1,121)**	(651)
Interest on intercompany loans	**(2,129)**	(2,834)	**-**	-
Interest payable	**(782)**	(859)	**(2,855)**	(1,981)
Banking expenses	**(570)**	(598)	**(890)**	(874)
Discounts granted	**(781)**	(545)	**(1,543)**	(2,933)
IOF	**(268)**	(280)	**(566)**	(519)
PIS and COFINS — Interest on equity	**(801)**	(846)	**(801)**	(846)
Exchange losses	**(1,155)**	(852)	**(23,765)**	(20,285)
Other	**(1,861)**	(83)	**(5,216)**	(1,731)
	(8,748)	(7,205)	**(36,757)**	(29,820)
Financial result, net	**748**	15,231	**2,249**	13,839

27. BUSINESS SEGMENT INFORMATION

The Company performed the segmentation of its operational structure taking into consideration internal financial information and used in the valuation of the business and senior Management decision making under the requirements of CPC 22 (IFRS8).

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Based on the information available for its segments, products and regions senior Management separately monitored the results of business unit operations to make decision on the allocation of funds and to assess performance.

Segment operations as established by senior Management is as follows:

Company and Consolidated

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

- Fiber cement: includes production and sale of roof tiles, water tanks and supplementary parts.
- Chrysotile: includes chrysotile ore mining and sale.
- Concrete roof tiles: includes production and sale of concrete roof tiles.
- Others: include production and sale of components for construction systems, polyethylene water tanks, synthetic marble and resale of sanitary wares, sanitary seats, filters for water pipes, solar water heaters, metallic roof tiles and metal fittings.

a) Revenues and results from reportable segments

		Consolidated			
		Net Revenue		Gross Profit	
		12/31/12	12/31/11	12/31/12	12/31/11
Fiber cement	Southeast	**98,187**	98,956	**28,810**	27,452
	South	**111,831**	113,088	**32,866**	31,373
	Midwest	**172,346**	171,544	**56,115**	50,929
	North and Northeast	**77,731**	71,664	**22,807**	19,880
		460,095	455,252	**140,598**	129,634
Chrysotile	Domestic market	**123,526**	114,162	**90,352**	100,787
	Foreign market	**170,869**	100,382	**106,606**	47,682
		294,395	214,544	**206,958**	148,469
Concrete roof tiles	Domestic market	**75,674**	77,325	**29,780**	29,184
Other(*)	Domestic market	**76,153**	73,117	**19,378**	16,496
Net revenue		**906,317**	820,238		
Gross profit				**396,714**	323,783

(*) Components for construction systems, metallic roof tiles, polyethylene water tanks, sanitary wares, filters and synthetic marble.

	12/31/12	12/31/11
Fiber cement		
Selling expenses:		
Southeast	**(10,959)**	(10,637)
South	**(12,481)**	(12,156)
Midwest	**(19,236)**	(18,439)
Northeast and North	**(8,676)**	(7,703)
Total	**(51,352)**	(48,935)
General, administrative expenses and financial result:		
Southeast	**(10,261)**	(4,581)
South	**(11,687)**	(5,236)
Midwest	**(18,011)**	(7,942)
Northeast and North	**(8,123)**	(3,318)
Total	**(48,082)**	(21,077)
Other revenues and expenses:		
Southeast	**(374)**	(2,130)
South	**(426)**	(2,434)
Midwest	**(658)**	(3,692)
Northeast and North	**(296)**	(1,543)
Total	**(1,754)**	(9,799)
Chrysotile		
Selling Expenses:		
Domestic market	**(17,181)**	(15,687)
Foreign market	**(23,766)**	(13,794)
Total	**(40,947)**	(29,481)

	12/31/12	12/31/11
General, administrative expenses and financial result:		
Domestic market	**(19,217)**	(20,130)
Foreign market	**(26,583)**	(17,701)
Total	**(45,800)**	(37,831)
Other expenses:		
Domestic market	**(3,316)**	(3,641)
Foreign market	**(4,587)**	(3,201)
Total	**(7,903)**	(6,842)
Concrete roof tiles		
Selling expenses	**(12,466)**	(11,019)
General, administrative expenses and financial result:	**(15,055)**	(16,368)
Other revenues	**1,281**	1,528
Total	**(26,240)**	(25,859)
Other		
Selling expenses	**(8,499)**	(7,859)
General, administrative expenses and financial result:	**(7,958)**	(3,385)
Other revenues	**(377)**	(1,575)
Total	**(16,834)**	(12,819)
Total expenses	**(238,912)**	(192,643)
Pre-tax income	**157,802**	131,140

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Sales between related parties

Sales by the chrysotile segment to the fiber cement segment amounted to R$74,823 up to December 31, 2012 (R$80,157 at December 31, 2011).

b) Assets and liabilities of reportable segments

		Consolidated			
		Assets		Liabilities	
		12/31/12	12/31/11	12/31/12	12/31/11
Fiber cement	Southeast	**229,543**	209,105	**39,849**	38,426
	South	**51,727**	53,421	**45,911**	35,136
	Midwest	**64,816**	62,929	**54,212**	47,264
	North and Northeast	**26,058**	26,094	**27,243**	21,102
		372,144	351,549	**167,215**	141,928
Chrysotile		**272,495**	205,630	**110,676**	49,217
Concrete roof tiles		**98,921**	88,851	**26,955**	35,365
Other products (*)		**52,843**	14,951	**25,740**	27,319
Other balance sheet		**13,717**	30,954	**–**	–
		810,120	691,935	**330,586**	253,829

(*) Components for construction systems, metallic roof tiles, polyethylene water tanks, sanitary wares, filters and synthetic marble.

c) Other information about reportable segments

		Consolidated	
		Depreciation, amortization and depletion	
		12/31/12	12/31/11
Fiber cement	Southeast	**2,319**	2,189
	South	**3,840**	4,097
	Midwest	**1,959**	1,835
	North and Northeast	**2,104**	2,198
		10,222	10,319
Chrysotile		**11,361**	6,428
Concrete roof tiles		**5,372**	4,343
Other		**1,818**	1,716
Total		**28,773**	22,806

		Consolidated Additions to property, plant and equipment and intangible assets	
		12/31/12	**12/31/11**
Fiber cement	Southeast	**5,028**	6,880
	South	**2,723**	2,908
	Midwest	**4,853**	4,226
	North and Northeast	**2,190**	861
		14,794	14,875
Chrysotile		**32,689**	9,765
Concrete roof tiles		**6,415**	18,919
Other		**1,896**	2,797
Total		**55,794**	46,356

28. INSURANCE COVERAGE

The Company has insurance coverage at an amount considered sufficient by management to cover any losses, considering the nature of its activities, risks involved in its operations and guidance from its insurance advisors. Insurance taken out by the Group at December 31, 2012 is as follows:

Type	Insured items	Insurance coverage
Engineering and operational risks, general civil liability and loss of profits	Buildings, installations, equipment and other	R$267,987

29. FINANCIAL INSTRUMENTS

Financial instruments

a) Identification and valuation of financial instruments

The Group operates with several financial instruments, particularly short-term investments, trade accounts receivable, trade accounts payable and loans.

The amounts recorded in current assets and current liabilities are readily redeemable or mature within short term, mostly in periods of less than three months. Considering the term and characteristics of these instruments, which are systematically renegotiated, the carrying amounts approximate their fair values.

Management of these financial instruments is carried out through policies, definition of strategies and establishment of control systems, properly monitored by Group Management in order to maximize business profitability for shareholders, as well as establish proper balance between equity and debt.

Financial assets were classified as follows:

i) Financial assets at fair value through profit or loss
These are financial assets held for trading, when they are acquired for this purpose, especially in the short term, and are measured at fair value at the balance sheet date, with changes recognized in income. This group includes cash and cash equivalents, trade accounts receivable and other accounts receivable.

ii) Financial assets held to maturity
These comprise investments in certain financial assets classified at the moment they are taken out, to be held to maturity, which are measured at amortized cost using the method of effective interest rate. This group includes Advances on Foreign Exchange Contracts — ACC and Advances on Export Contracts — ACE.

iii) Financial assets available for sale
Non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables; (b) investments held to maturity; or (c) financial assets at fair value through profit or loss are included in this classification, as applicable.

Short-term investments are comprised of investment funds that are classified as available for sale. After initial recognition these are measured at fair value with unrealized gains and losses recognized under the "available for sale reserve" in other comprehensive income, transferred to income statements for the year on realization. The effects of impairment losses, interest calculated using the effective interest rate method and foreign exchange variation, or monetary restatement gains or losses are recorded directly under income statements for the year.

iv. Loans and receivables
This classification includes nonderivative financial assets with fixed or determinable receipts, which are not quoted in an active market.

They are recorded in current assets, excepting those maturing within more than 12 months after the date of the quarterly information, which are classified as noncurrent assets.

Financial liabilities were classified as follows:

i) Financial liabilities at fair value through profit or loss:
These are classified at fair value through profit or loss when held for trading or designated at fair value through profit or loss.

ii) Other financial liabilities:

These are measured at amortized cost using the effective interest rate method. At December 31, 2012 in the case of the Group, these comprise loans and financing (Note 14) and balances payable to foreign and domestic suppliers (Note 13).

b) Fair value
The book value of the Group's financial assets and financial liabilities may vary. Fair value represents the amount for which the asset/liability may be exchanged in a current transaction between well informed and willing parties.

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and financial liabilities by the valuation technique:

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

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

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

The Company adopted the following assumptions for calculation based on the hierarchy:

(i) Cash equivalents, trade accounts receivable, trade accounts payable and other short-term obligations have no difference between book value and fair value ("market value").

(ii) Suppliers, loans and financing, and related parties, have no difference between book value and amortized cost.

	Company			
	12/31/12		12/31/11	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	3,852	3,852	21,352	21,352
Short-term investments	48,612	48,612	26,588	26,588
Total	52,464	52,464	47,940	47,940

Company	12/31/12		12/31/11	
	Book value	Amortized Cost	Book value	Amortized cost
Financial liabilities:				
Held at amortized cost:				
Loans and financing	8,785	8,785	4,415	4,415
Total	8,785	8,785	4,415	4,415

Consolidated	12/31/12		12/31/11	
	Book value	Fair value/ Amortized Cost	Book value	Fair value/ Amortized Cost
Financial assets:				
Cash and cash equivalents	16,656	16,656	42,333	42,333
Short-term investments	78,930	78,930	26,588	26,588
Eletrobrás shares	1,389	1,389	1,389	1,389
Total	96,975	96,975	70,310	70,310
Financial liabilities:				
Kept at amortized cost:				
Loans and financing	79,946	79,946	48,444	48,444
Total	79,946	79,946	48,444	48,444

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Assets and liabilities stated at fair value	Company			
	12/31/12	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	3,852	3,852		
Short-term investments	48,612	48,612	-	-
Loans and financing	(8,785)	(8,785)	-	-

Assets and liabilities stated at fair value	Consolidated			
	12/31/12	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	16,656	16,656		
Short-term investments	78,930	78,930	-	-
ACE	(26,319)	(26,319)	-	-
ACC	(20,429)	(20,429)	-	-
Loans and financing	(33,198)	(33,198)	-	-

In the year ended December 31, 2012, there was no transfer between level I and level II valuations of fair value or transfer between level III and level II.

Financial risk management

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

Market risk is the risk that the fair value of future cash flows of financial instruments fluctuate due to variations in market prices. Thus the Group is exposed to two types of market risk a) Foreign exchange risk and b) Interest rate risk.

a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of financial instruments fluctuate due to variations in foreign exchange. The Company's exposure to risk of changes in foreign exchange rates relates primarily to its operating activities, especially related to advances on foreign exchange contracts — ACC and advances on export contracts — ACE, denominated in US dollars. (Note 14 (b)).

At December 31, 2012, the main groups of accounts linked to foreign currencies, mainly indexed to the U.S. dollar, and related to subsidiary Sama, are as follows:

	Consolidated 12/31/12	Consolidated 12/31/11	Quotation at 12/31/12 (US$1.00 = R$1.00)
Foreign customers	**61,228**	44,184	2.0429
Domestic customers	**(8,492)**	(2,848)	2.0429
ACE	**(26,319)**	(36,354)	2.0429
ACC	**(20,429)**	-	2.0429
Other	**(140)**	(675)	2.0429
Total foreign exchange exposure	**5,848**	4,307	

a1) Sensitivity analysis

In order to measure the economic impact of exchange variation on the Group's financial instruments, two scenarios were considered in relation to the exchange rate at December 31, 2012. As provided for by CVM Ruling No 475/08, the Group conducted a sensitivity analysis using the probable scenario, and Scenario I considering 25% increase and Scenario II considering 50% increase. See table below.

Balances (foreign currency) — Consolidated	Risk	USD rate (*)	Position at 12/31/2012	Probable scenario	Depreciation rate Scenario I (-50%)	Depreciation rate Scenario II (-25%)	Depreciation rate Scenario III (+25%)	Depreciation rate Scenario IV (+50%)
USD				**2.09**	1.05	1.57	2.61	3.14
Foreign market customers	Var. in US$	2.0429	61,228	(1,412)	29,758	14,173	(16,997)	(32,881)
Foreign suppliers	Var. in US$	2.0429	(8,492)	196	(4,127)	(1,966)	2,357	4,560
ACE	Var. in US$	2.0429	(26,319)	607	(12,792)	(6,092)	7,306	14,134
ACC	Var. in US$	2.0429	(20,429)	471	(9,929)	(4,729)	5,671	10,971
		Total	**5,988**	**(138)**	**2,910**	**1,386**	**(1,662)**	**(3,216)**

(*) US Dollar rates taken from Central Bank of Brazil (BACEN) website on the last working day of 2012.

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments fluctuates due to variations in market interest rates.

The Group's management adopts the policy of determining its exposure to floating interest rates of assets and liabilities. Short-term investments are adjusted by the CDI and loans and financing are subject to Long-term Interest Rate — TJLP, CDI and fixed rates, as contractually agreed with financial institutions.

The Group's exposure to interest rate related to assets and liabilities is as follows:

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

	Company 12/31/12	Company 12/31/11	Consolidated 12/31/12	Consolidated 12/31/11
Assets				
Short-term investments	**50,663**	45,929	**92,001**	63,679
Liabilities				
ACE	**-**	-	**(26,319)**	(36,354)
ACC	**-**	-	**(20,429)**	-
Loans and financing	**(8,785)**	(4,415)	**(33,198)**	(12,091)
Total exposure to interest rates	**41,878**	41,514	**12,055**	15,234

The Group's Management believes that there is low risk of large fluctuations in CDI and TJLP in the next 12 months, taking into account the stability allowed by the current monetary policy adopted by the Federal Government, as well as the history of increases in the base interest rate in Brazilian economy in recent years. Thus, it has not taken out derivatives to provide hedge against this risk.

The table below sets out the net economic impact of increases in the interest rate curve used in the Group's financial instruments by 25% (Scenario I) and 50% (Scenario II), in addition to the probable scenario, which corresponds to maintenance of current interest rate.

			Financial Income Projections — One year				
				Risk reduction		Increase risk	
Short-term investments — Consolidated	**Index**	**Position at 12/31/2012**	**Probable scenario**	**Scenario I (-50%)**	**Scenario II (-25%)**	**Scenario III (+25%)**	**Scenario IV (+50%)**
CDI			**8.40%**	**4.20%**	**6.30%**	**10.50%**	**12.60%**
Short-term investments (Cash equivalents)	CDI	13,071	1,098	549	823	1,372	1,647
Short-term investments	CDI	78,930	6,630	3,315	4,973	8,288	9,945

				Depreciation rate		Appreciation rate	
Loans and financing — Consolidated	**Interest rate**	**Position at 12/31/2012**	**Probable Scenario**	**Scenario I (-50%)**	**Scenario II (-25%)**	**Scenario III (+25%)**	**Scenario IV (+50%)**
USD			1.65%	-0.83%	-1.24%	2.06%	2.48%
Finimp 2	4.40%	(1,100)	(413)	206	309	(516)	(619)
Finimp 3	3.48%	(4,680)	(2,219)	1,109	1,664	(2,774)	(3,328)
Finimp 4	2.84%	(2,345)	(1,362)	681	1,022	(1,703)	(2,044)
		(8,125)	**(3,994)**	**1,997**	**2,995**	**(4,992)**	**(5,991)**

c) Credit risks

Trade accounts receivable

Customer credit risk is managed by the Group on a daily basis, also such risk is mitigated by the fact that sales are made to a large number of customers and also managed through a strict credit rating process. The result from this credit risk management process is reflected in the "Allowance for doubtful accounts", as shown in Note 6.

No Group's customer represents more than 5% of the balance of total trade accounts receivable at December 31, 2012 (1.5% at December 31, 2011.

Demand deposits, short-term investments

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

d) Liquidity risk

Liquidity risk refers to any circumstance in which the Company does not have sufficient funds to settle its commitments due to different currencies and liquidity terms of its rights and obligations.

The Company's liquidity and cash flow is monitored on a daily basis by its management in order to ensure that the generation of operating cash and early raising of funds, where necessary, are sufficient to maintain its schedule of commitments, not generating liquidity risks to the Company.

e) Capital management

The main objective of the Group's capital management is to ensure that it maintains a strong credit rating and a problem-free capital structure in order to support its business and maximize shareholder value.

Management may adjust capital of the Group in accordance with its strategy, seeking the best capital structure and adjusting it to current economic conditions. For the year ended December 31, 2012, there was no change in capital structure objectives, policies or processes. The Group includes within net debt structure, loans, financing less cash and cash equivalents.

	Company Leverage		Consolidated Leverage	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Loans and financing	**8,785**	4,415	**79,746**	48,444
Cash and cash equivalents	**(3,852)**	(21,352)	**(16,656)**	(42,333)
Net debt	**4,933**	-	**63,090**	6,111
Equity	**479,520**	438,093	**479,520**	438,093
Net debt and equity	**474,587**	438,093	**416,430**	431,995

30. ENVIRONMENT AND MINERAL RESOURCES

Environmental

The mining industry in Brazil is subject to governmental controls to avoid potential risks to the environment, resulting from mineral extraction.

Decree No 97632/89 requires mining projects, detailing environmental restoration programs and the impact on the environment. Subsidiary Sama follows the Plan for Restoration of Degraded Areas — PRAD, which was approved and includes the schedule for "restoration of degraded mining areas", after mineral resources depletion.

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

Following the PRAD plan, Sama is able to extract and process chrysotile ore. According to the initial project, the extraction and processing of chrysotile ore will end in the year 2042, when the project for dismantlement, indemnification and restoration of degraded areas will be implemented.

Subsidiary Sama records expected environment restoration cash outlays, at fair value, using the following criteria:

	12/31/12	12/31/11
Discount rate	7.54% p.a	9.08% p.a.
Long term inflation rate	5.2% p.a	5.2% p.a.

Present value of expected cash outlays

Year	12/31/12	12/31/11
2042	3,082	1,003
2043	2,645	887
2044	1,371	475
2045 to 2049	1,103	408
Total	8,201	2,773

Under the PRAD plan, environmental restoration in degraded mining sites will occur between 2042 and 2049.

The total expense recognized with environmental restoration of degraded mining sites during the year ended December 31, 2012 was R$1,497 (R$268 in 2011), calculated based on the current production of chrysotile.

Mineral resources

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

Description	12/31/12	12/31/11
Mineral resources	8,462,643 t	8,767,212 t
Production in the period	304,568 t	306,320 t
Mine estimated useful life	30 years	30.3 years

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Shareholders, Board of Directors and Officers

Eternit S.A.
São Paulo — SP

Introduction

We have audited the accompanying individual and consolidated financial statements of Eternit S.A. (Company), identified as Company and Consolidated, respectively, which comprise the balance sheet at December 31, 2012, and the related income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the accounting practices adopted in Brazil, and of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and in accordance with the accounting practices adopted in Brazil, and for such internal controls as management determined as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, performed in accordance with Brazilian and international standards on auditing. Those standards require that the auditors comply with ethical requirements and that the audit is planned and performed to obtain reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Eternit S.A. at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eternit S.A. at December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Emphasis of matters

As mentioned in Note 2.1, the individual financial statements were prepared in accordance with the accounting practices adopted in Brazil. In the case of Eternit S.A., these practices differ from IFRS — applicable to separate financial statements — solely with respect to the measurement of investments in subsidiaries, affiliates and jointly held subsidiaries under the equity method, while such investments would be measured at cost or fair value for IFRS purposes. Our opinion does not contain any qualification on this matter.

(IN THOUSANDS OF REAIS — R$, EXCEPT WHEN OTHERWISE INDICATED)

We draw attention to Note 21 e) of the financial statements that describes the uncertainty surrounding the Supreme Federal Court (STF) proceedings on the overall merit of Direct Action of Unconstitutionality (ADIs) ADI No 3357 over State Law No 11643/2001, dated June 21, 2001, of the State of Rio Grande do Sul that provides for the prohibition of the manufacture and sale of all types of asbestos-based products within that state; and ADI No 3937 over State Law No 12684, dated July 26, 2007, of the State of São Paulo, that prohibits the use in the State of São Paulo of products, materials or goods that contain any type of asbestos or amianthus in addition to other ADIs related to aminathus. Our opinion does not contain any qualification related on this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added (DVA) for the year ended December 31, 2012, prepared under the responsibility of the Company's management, the presentation of which is required by Brazilian Corporation Law for listed entities and as supplementary information by IFRS, which do not require the presentation of the DVA. These statements have been subjected to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the overall financial statements.

Amounts corresponding to the prior year

The individual and consolidated financial statements for Eternit S.A. for the year ended December 31, 2011 and the related income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, presented for comparison purposes, were audited by other independent auditors who issued an unqualified auditor's report dated March 7, 2012.

São Paulo, March 15, 2013

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

Luiz Carlos Nannini	Clinton L. Fernandes
Accountant CRC-1SP171638/O-7	Accountant CRC-1SP205541/O-2