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DECEMBER 31, 2014 AND 2013
(IN THOUSANDS OF REAIS)

	NOTE	Company		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
Assets					
Current assets					
Cash and cash equivalents	4	5,711	9,516	13,367	13,295
Short-term investments	5	15,726	9,897	35,023	35,661
Accounts receivable	6	71,327	69,774	175,933	160,389
Inventories	7	69,395	85,833	148,093	141,944
Taxes recoverable	8	6,035	16,542	10,373	19,648
Related parties	10	27,196	31,615	2,427	9,780
Other current assets		4,971	4,734	9,682	9,226
		200,361	227,911	394,898	389,943
Assets held for sale		553	-	553	-
		553	-	553	-
Total current assets		200,914	227,911	395,451	389,943
Noncurrent assets					
Judicial deposits		8,703	8,819	15,307	15,536
Taxes recoverable	8	22,915	22,219	24,456	25,022
Deferred income and social contribution taxes	20.b	24,750	24,037	53,299	55,112
Related parties	10	29,297	9,723	726	2,018
Investments	9	256,080	247,729	34,338	36,032
Property, plant and equipment	11	145,659	149,425	341,684	279,064
Intangible assets	12	6,437	4,584	30,622	28,676
Other noncurrent assets		339	490	1,981	2,229
Total noncurrent assets		494,180	467,026	502,413	443,689
Total assets		695,094	694,937	897,864	833,632

	NOTE	Company		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
Liabilities and equity					
Current liabilities					
Trade accounts payable	13	22,858	22,444	42,151	39,293
Related parties	10	7,672	7,243	-	-
Loans and financing	14	3,066	8,944	88,946	56,881
Provisions and social charges	15	12,738	12,980	28,657	28,009
Dividends and interest on equity payable	18.e	17,897	17,881	17,897	17,881
Provision for future benefits to former employees	17.b	2,511	2,174	3,677	3,861
Taxes, charges and contributions payable	16	11,866	12,226	29,181	34,015
Other current liabilities		3,060	4,934	10,743	13,142
Total current liabilities		81,668	88,826	221,252	193,082
Noncurrent liabilities					
Provision for future benefits to former employees	17.b	27,730	23,710	41,654	34,527
Loans and financing	14	5,129	14,368	38,978	25,799
Related parties	10	31,763	29,108	-	-
Provision for tax, civil, and labor claims	21	26,226	25,115	59,549	54,659
Taxes, charges and contributions payable	16	7,787	7,697	10,605	9,432
Provision for restoration of degraded mining areas	30	-	-	10,718	9,726
Other noncurrent liabilities		-	-	300	278
Total noncurrent liabilities		98,635	99,998	161,804	134,421
Equity					
Capital	18.d	334,251	334,251	334,251	334,251
Capital reserve		19,460	19,672	19,460	19,672
Treasury shares		(174)	(174)	(174)	(174)
Income reserves		168,745	155,807	168,745	155,807
Other comprehensive income		(7,491)	(3,443)	(7,491)	(3,443)
Equity attributable to controlling interests		514,791	506,113	514,791	506,113
Non-controlling interests		-	-	17	16
Total equity		514,791	506,113	514,808	506,129
Total liabilities and equity		695,094	694,937	897,864	833,632
See accompanying notes.					

Income statements

YEARS ENDED DECEMBER 31, 2014 AND 2013
(IN THOUSANDS OF REAIS - R\$, EXCEPT EARNINGS PER SHARE)

	NOTE	Company		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
Net operating revenue	22	507,665	508,525	978,154	957,301
Cost of sales	23	(370,995)	(372,752)	(593,879)	(575,877)
Gross profit		136,670	135,773	384,275	381,424
Operating income (expenses)					
Selling expenses	23	(59,715)	(59,097)	(116,528)	(116,734)
General and administrative expenses	23	(43,582)	(41,895)	(111,780)	(97,804)
Management compensation	23	(8,501)	(12,802)	(10,685)	(15,545)
Other operating income (expenses), net	24	(3,285)	3,293	(3,810)	(1,871)
Equity pickup	9	63,774	76,267	(13,676)	(6,223)
Total operating income (expenses)		(51,309)	(34,234)	(256,479)	(238,177)
Financial expenses	25	(19,692)	(18,692)	(52,674)	(48,553)
Financial income	25	20,732	16,887	54,962	47,535
Financial income (expenses), net		1,040	(1,805)	2,288	(1,018)
Income before income and social contribution taxes		86,401	99,734	130,084	142,229
Income and social contribution taxes		(858)	472	(41,309)	(41,489)
Current	20	(384)	2,048	(3,615)	1516
Deferred	20	85,159	102,254	85,160	102,256
Net income for the year					
Attributable to:					
Controlling interests		85,159	102,254	85,159	102,254
Noncontrolling interests		-	-	1	2
Net income for the year		85,159	102,254	85,160	102,256
Earnings per share: basic and diluted - R\$					
	18.c	0.48	114	0.48	114

See accompanying notes

Statements of comprehensive income

YEARS ENDED DECEMBER 31, 2014 AND 2013
(IN THOUSANDS OF REAIS)

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Net income for the year	85,159	102,254	85,160	102,256
Other comprehensive income				
Net gain/(loss) on restatement of defined contribution plan	(3,283)	(5,866)	(6,132)	(5,219)
Effect of income and social contribution taxes	1,116	1,995	2,084	1,776
Equity pickup - comprehensive income	(1,881)	428	-	-
Other comprehensive income, net of taxes	(4,048)	(3,443)	(4,048)	(3,443)
Comprehensive income for the year	81,111	98,811	81,112	98,813
Attributable to:				
Controlling interests	81,111	98,811	81,111	98,811
Noncontrolling interests	-	-	1	2

Statements of changes in equity
YEARS ENDED DECEMBER 31, 2014 AND 2013
(IN THOUSANDS OF REAIS)

	NOTE	Capital reserve			Income reserves			Other comprehensive income	Total Company	Noncontrolling interest	Total equity		
		Capital	Subsidies for investments	Goodwill on acquisition of shares	Treasury shares	Statutory	Legal					Retained profits	Retained earnings
Balances at January 1, 2013		334,251	19,365	23	(174)	21,873	25,513	78,669	-	-	479,534	14	479,534
Net income for the year		-	-	-	-	-	-	-	102,254	-	102,254	2	102,254
Set up of reserves		-	754	-	-	5,113	5,113	19,697	(30,677)	-	-	-	-
Gain/loss on restatement of defined contribution plan		-	-	-	-	-	-	-	-	(3,443)	(3,443)	-	(3,443)
Reversal of investment subsidy reserve		-	(470)	-	-	4	4	(179)	-	-	(641)	-	(641)
Allocation of net income:		-	-	-	-	-	-	-	-	(3,443)	(3,443)	-	(3,443)
Destinação do lucro líquido													
Interest on equity - R\$0.254 per outstanding share	18	-	-	-	-	-	-	-	(22,726)	-	(22,726)	-	(22,726)
Dividends - R\$0.5467 per outstanding share	18	-	-	-	-	-	-	-	(48,851)	-	(48,851)	-	(48,851)
Balances at December 31, 2013		334,251	19,649	23	(174)	26,990	30,630	98,187	-	(3,443)	506,129	16	506,129
Net income for the year		-	-	-	-	-	-	-	85,159	-	85,159	1	85,159
Set up of reserves	18	-	-	-	-	4,258	4,258	5,066	(13,582)	-	-	-	-
Gain/loss on restatement of defined contribution plan		-	-	-	-	-	-	-	-	(4,048)	(4,048)	-	(4,048)
Reversal of monetary restatement of capital		-	(212)	-	-	3	3	(650)	-	-	(856)	-	(856)
Allocation of net income:													
Interest on equity - R\$0.134 per outstanding share	18	-	-	-	-	-	-	-	(23,889)	-	(23,889)	-	(23,889)
Dividends - R\$0.267 per outstanding share	18	-	-	-	-	-	-	-	(47,688)	-	(47,688)	-	(47,688)
Balances at December 31, 2014		334,251	19,437	23	(174)	31,251	34,891	102,603	-	(7,491)	514,791	17	514,808

See accompanying notes

See accompanying notes

Cash flow statements
YEARS ENDED DECEMBER 31, 2014 AND 2013
(IN THOUSANDS OF REAIS)

NOTE	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Cash flows from operating activities				
Income before income and social contribution taxes	86,401	99,734	130,084	142,229
Adjustments to reconcile pre-tax income to net cash generated by operating activities:				
Equity pickup	9	(63,774)	(76,267)	13,676
Depreciation and amortization	11/12	11,995	11,075	37,704
Gain (loss) on disposal of permanent assets	24	(405)	(65)	(1078)
Allowance for doubtful accounts on accounts receivable	6	655	402	1,444
Provision for tax, civil, and labor risks	21	2,912	2,458	7,079
Reversal of (provision of) sundry losses		1,869	6,387	(5,606)
Financial charges, monetary and exchange variations		1,574	2,397	43
Short-term investment yield		(2,194)	(2,220)	(4,861)
Net changes in prepaid expenses		1,561	1,609	1,750
	40,594	45,510	180,235	194,274
(Increase) decrease in operating assets:				
Accounts receivable	6	(1,776)	8,878	(15,956)
Related party receivables	10 a	7,697	(9,800)	7,353
Inventories	7	14,990	(4,325)	(7,035)
Taxes recoverable		11,616	(7,764)	10,164
Judicial deposits		(1,685)	(2,179)	(1,572)
Dividends and interest on equity received		76,981	79,343	-
Other assets		(1,958)	(1,735)	(2,457)
				559
Increase (decrease) in operating liabilities				
Trade accounts payable	13	193	(7,864)	2,604
Related party payables	10	429	(1,038)	-
Taxes, charges and contributions payable	16	(83)	(1,996)	4,728
Provisions and social charges	15	(242)	(4,330)	648
Other liabilities		(2,137)	2,412	(2,649)
Interest paid		(492)	(452)	(1,507)
Income and social contribution taxes paid		-	(3,342)	(42,651)
Net cash generated by operating activities		144,127	91,318	131,905

Cash flow statements

YEARS ENDED DECEMBER 31, 2014 AND 2013
(IN THOUSANDS OF REAIS)

	NOTE	Company		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
Cash flows from investing activities					
Loan from related-party receivable	10	(19,574)	(2,509)	1,293	-
Cash receipt from the sale of property, plant and equipment	24	577	354	1,488	470
Additions to property, plant and equipment and intangible assets	11/12	(25,608)	(39,802)	(104,216)	(64,348)
Capital contribution in subsidiaries	9	(28,480)	(29,426)	(11,982)	(29,226)
Short-term investments		(146,820)	(115,783)	(330,977)	(292,141)
Redemption of short-term investments		143,185	156,718	336,475	339,905
Net cash used in investing activities		(76,720)	(30,448)	(107,919)	(45,340)
Cash flows from financing activities					
Loans and financing raised	14	7,177	15,972	220,938	182,624
Repayment of loans and financing	14	(8,676)	(16,08)	(175,607)	(180,738)
Loan with related party	10	(468)	(327)	-	-
Payment of dividends and interest on equity		(69,245)	(69,243)	(69,245)	(69,243)
Net cash used in financing activities		(71,212)	(55,206)	(23,914)	(67,357)
(Decrease) increase in cash and cash equivalents		(3,805)	5,664	72	(3,361)
(Decrease) increase in cash and cash equivalents					
At beginning of year	4	9,516	3,852	13,295	16,656
At end of year	4	5,711	9,516	13,367	13,295
(Decrease) increase in cash and cash equivalents		(3,805)	5,664	72	(3,361)
See accompanying notes					

Statements of value added

YEARS ENDED DECEMBER 31, 2014 AND 2013
(IN THOUSANDS OF REAIS)

	NOTE	Company		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
Revenues					
Sales of goods, products and services	22	680,030	684,554	1,235,017	1,219,671
Other revenues		19	316	49,689	47,128
Allowance for doubtful accounts on accounts receivable		(655)	(402)	(1,444)	(945)
Total		679,394	684,468	1,283,262	1,265,854
Inputs acquired from third parties					
Cost of sales		(319,423)	(341,573)	(545,641)	(545,593)
Materials, electric energy, third-party services and other		(118,556)	(114,669)	(192,120)	(194,915)
Loss/recovery of asset values		(7,474)	(7,541)	(7,959)	(7,541)
Other discounts, rebates and donations		(4,426)	(3,632)	(8,637)	(4,762)
		(449,879)	(467,415)	(754,357)	(752,811)
Gross value added		229,515	217,053	528,905	513,043
Depreciation, amortization and depletion	11/12	(11,995)	(11,075)	(37,704)	(34,789)
Net value added generated by the Company		217,520	205,978	491,201	478,254
Value added received in transfer					
Equity pickup	9	63,774	76,267	(13,676)	(6,223)
Financial income	25	20,732	16,887	54,962	47,535
Other		13,964	8,868	13,961	12,164
		98,470	102,022	55,247	53,476
Total value added to be distributed		315,990	308,000	546,448	531,730
Distribution of value added					
Personnel:					
Direct compensation		64,190	55,689	130,539	115,990
Benefits		24,098	31,376	49,828	57,793
Unemployment Compensation Fund (FGTS)		5,906	6,689	10,978	10,648
		94,194	93,754	191,345	184,431
Taxes, charges and contributions:					
Federal		72,281	60,318	131,618	125,006
State		35,604	23,532	59,790	46,460
Local		1,662	1,468	2,406	2,081
		109,547	85,318	193,814	173,547

Statements of value added
YEARS ENDED DECEMBER 31, 2014 AND 2013
(IN THOUSANDS OF REAIS)

	NOTE	Company		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	31/12/2013
Debt remuneration:					
Interest		19,692	18,692	52,674	51,314
Rental		7,398	7,982	23,456	20,184
		27,090	26,674	76,130	71,498
Equity remuneration:					
Dividends	18	47,688	48,851	47,688	48,851
Interest on Equity (IOE)	18	23,889	22,726	23,889	22,726
Retained profits		13,582	30,677	13,582	30,677
		85,159	102,254	85,159	102,254
		315,990	308,000	546,448	531,730

See accompanying notes

Notes to financial statements
DECEMBER 31, 2014
(IN THOUSANDS OF REAIS - R\$, UNLESS OTHERWISE STATED)

1 OPERATIONS

Eternit SA. (“ Company” , or “ Eternit”), headquartered at Rua Dr. Fernandes Coelho, 85 - 8th andar, in the city of São Paulo, São Paulo state, is a publicly-held 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. The Company currently comprises 14 manufacturing units in Brazil, with branches in major Brazilian cities.

The Group is structured as follows:

COMPANY	% - Owner-ship interest	Voting capital (%)	HEADQUARTERS LOCATION	CORE ACTIVITY
SAMA SA	99.99%	99.99%	Minaçu/GO	Exploration and processing of Chrysotile
Tégula Soluções para Telhados Ltda.	99.99%	99.99%	Atibaia/SP	Manufacturing and sale of concrete roofing and roofing accessories.
Precon Goiás Industrial Ltda.	99.99%	99.99%	Anápolis/GO	Manufacturing and sale of fiber cement products.
Prel Empreendimentos e Participações Ltda.	99.99%	99.99%	São Paulo/SP	Shareholding interest in industrial and commercial companies.
Engedis Distribuição Ltda.	99.94%	99.94%	Minaçu/GO	No economic activity.
Wagner Ltda.	99.99%	99.99%	São Paulo/SP	No economic activity.
Wagner da Amazônia Ltda.	99.99%	99.99%	São Paulo/SP	No economic activity.
Eternit da Amazônia Indústria de Fibrocimento Ltda.	99.99%	99.99%	Manaus/AM	Research, development and production of inputs for the construction industry. Operations had not started up until the financial statement closing date for the year ended December 31, 2014.
Companhia Sulamericana de Cerâmica SA	60.00%	60.00%	Caucaia/CE	Import, production, sale, export and distribution of sanitary wares and related accessories in general.

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

Legal issue - amiantus

The Company clarified that Federal Law No 9,055/95 - Decree No 2,350/97 and Regulations of the Department of Labor govern the extraction, industrialization, use, sale and transportation of chrysotile asbestos and production containing it.

State Laws No 10,813/2001, in São Paulo, and No 2,210/2001, in Mato Grosso do Sul, which prohibited the import, extraction, processing, sale and installation of products containing any type of amiantus, in any form, were judged and rendered unconstitutional by the Brazilian Supreme Court (STF), by means of Direct Actions of Unconstitutionality (ADI) No 2,656 and No 2,396, as they address issues under the responsibility of the Federal Government.

Current State Laws No 12,684/2007 (São Paulo), No 3,579/2004 (Rio de Janeiro), No 11,643/2001 (Rio Grande do Sul) and No 12,589/2004 (Pernambuco), restricting the use of amiantus in their territories are subject to ADI, as proposed by the National Confederation of Industry Workers (CNTI), before the STF

On April 2, 2008, the National Association of Labor Justice Judges (ANAMATRA) and the National Association of Labor Attorneys General (ANPT) proposed ADI No 4,066 against article 2 of Federal Law No 9,055, of 1995.

On October 31, 2012, the STF started the judgment of the merits of ADI No 3,357 in relation to State Law No 11,643/2001, in Rio Grande do Sul, and ADI No 3,937 in relation to State Law No 12,684/2007, in São Paulo. The session was suspended after reporting Judge Ayres Britto voted for the constitutionality of the laws and Judge Marco Aurelio voted for the unconstitutionality of the laws. The matter is pending a decision, with no specific date to enter the STF agenda for a final decision.

On December 30, 2013, Law No 21,114/13 was signed. Its article 1 prohibits the import, transportation, storage, manufacture, sale and use of products containing amiantus in the state of Minas Gerais, considering an 8-10 year period for compliance with article 1. Therefore, compliance with this provision will be mandatory as from 2021 and 2023, respectively.

Approval of financial statements

The presentation of the annual financial statements was approved and authorized by the Company's Supervisory Board and the Board of Directors on March 10, 2015 and March 11, 2015, respectively, to be published on March 12, 2015.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING PRACTICES

Significant accounting practices adopted by the Group are described in specific notes that relate to the items presented, and the ones that in general apply to different aspects in the financial statements are described below:

Accounting policies for immaterial transactions are not included in the financial statements

Worth noting, the accounting practices were uniformly applied to the

current year, are consistent with those used in the prior reporting year and used for both the Company and subsidiaries. Where necessary, the subsidiaries' financial statements are adjusted to meet this criterion.

21 Statement of compliance and basis of preparation

The Company's financial statements comprise:

a) Consolidated financial statements

The Company's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), implemented in Brazil through the Brazilian FASB (CPC) and its technical interpretations (ICPC) and guidance (OCPC), approved by the Brazilian Securities and Exchange Commission (CVM).

b) Individual financial statements – Company

The Company's individual financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise provisions set forth in the Brazilian Corporation Law (Law No 6,406/76), as amended by Laws No11,638/07 and No11,941/09, and accounting pronouncements, interpretations and guidance issued by the Brazilian Financial Accounting Standards Board (CPC), approved by the Brazilian Securities and Exchange Commission (CVM). Up to December 31, 2013, these practices, applicable to separate financial statements, differed from IFRS only in connection with valuation of investments in subsidiaries, affiliates and jointly-controlled subsidiaries by the equity pickup method, which, under IFRS, would be at cost or fair value.

Upon issuance of standard IAS 27 (Separate Financial Statements) reviewed by the IASB in 2014, separate financial statements in accordance with IFRS are allowed to use the equity method for valuation of investments in subsidiaries, affiliates and jointly controlled subsidiaries. In December 2014, the CVM issued Resolution No 733/2014, which approved the Revised Accounting Pronouncements document No 7 referring to Pronouncements CPC 18, CPC 35 and CPC 37 issued by the Brazilian Financial Accounting Standards Board (CPC), incorporating referred to amendment to IAS 27 and allowing its adoption from the years ended December 31, 2014 onwards. Thus, the individual financial statements of the Company are in accordance with the IFRS as from this year.

The financial statements were prepared based on historical cost, except for certain financial instruments measured at fair value, as described in the following accounting practices. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

22 Basis of consolidation and investments in subsidiaries

The 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 the Board of Directors of an entity in order to earn benefits from its activities.

The Company 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 SA (CSC), which is treated based on the parameters described in the prior paragraph as a joint venture and not consolidated given that its income is considered in the consolidated financial statements based on the equity method as provided in CPC 19R2 (IFRS 11).

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

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

The main consolidation adjustments, among others, include the following eliminations:

- Assets and liabilities account balances, as well as revenues and expenses between Company and subsidiaries, so that the consolidated financial statements represent balances receivable from and payable to third parties only.
- Interest in capital and net income (loss) for the year of subsidiaries.

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

Profit and loss of subsidiaries acquired or sold over the year are included in the consolidated income statements as of the date they were effectively acquired to the sale date, as applicable.

23. Provisions

Provisions are recorded when the Group has a present (legal or constructive) obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits, in an amount that can be reliably estimated. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is stated in the income statement, net of any reimbursement.

24. Foreign currency

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. Non-monetary items recorded at fair value calculated in foreign currency are retranslated at the rates in force when fair value was determined. Non-monetary items that are measured at historical cost in foreign exchange should be translated using the rate in force of the transaction date.

2.5. Financial instruments

The Group operates with several financial instruments, particularly cash and cash equivalents, short-term investments, trade accounts receivable from customers abroad, trade accounts payable in the foreign market and loans.

The amounts recorded in current assets and liabilities have immediate liquidity or mature within three months, in most cases. Considering the term and characteristics of these instruments, which are systematically renegotiated, the book values approximate the fair values.

a) Identification and assessment of financial instruments

These financial instruments are managed and monitored by the Group management, in order to leverage business profitability to the shareholder, and set the balance between third-party capital and equity.

Financial assets are classified as:

i) Financial assets measured at fair value through profit or loss

These are financial assets held for trading, when acquired for such purpose, particularly in the short-term, and are measured at fair value as of the financial statements date, with variations posted to Profit and loss. This group includes cash and cash equivalents, short-term investments and trade accounts receivable from customers abroad.

ii) Financial assets available for sale

When applicable, this classification includes non-derivative financial assets designated as available for sale or those not classified as: (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at fair value through profit or loss.

Short-term investments comprise investment funds classified as available for sale and, after initially measured, they are measured at fair value and posted to Profit and loss for the year upon realization.

iii) Loans and receivables

This classification includes non-derivative financial assets, with payments that are fixed or determinable, which cannot be quoted in an active market.

They are recorded under current assets, except for applicable cases, those with maturity exceeding 12 months after the financial statements date (these are classified as noncurrent assets).

Financial assets are classified as:

i) Other financial liabilities

These are initially recognized at fair value, upon receipt of funds, net of transaction costs. They are then measured at amortized cost, under the effective interest method. The effective interest rate method is used to calculate amortized cost of a financial liability and allocate the interest expense over the related period.

As of December 31, 2014, financial liabilities are as follows: loans and financing (Note 14) and balances payable to trade accounts payable – foreign and domestic (Note 13).

2.6. Statement of Value Added (“SVA”)

The purpose of this statement is to disclose the wealth created by the Company and its distribution for the year, and is presented by the Company, as required by the Brazilian Corporation Law as part of its individual financial statements and as supplementary information to the consolidated financial statements, as this statement is not considered or required by the IFRS. The statement of value added was prepared based on information obtained from accounting records that serve as a basis of preparation of the financial statements.

2.7 Standards, amendments and interpretation of standards

Management also considered the impact of new standards, interpretations and amendments that are in force but not yet effective. Unless otherwise stated, they are not considered relevant to the Company and will become effective on or after January 1, 2015:

STANDARD	REQUIREMENT	IMPACT ON FINANCIAL STATEMENTS
IFRS 9 – Financial Instruments	The objective of IFRS 9 is ultimately to replace IAS 39 – Financial Instruments: Recognition and Measurement. Main changes estimated are: (i) all financial assets must be initially recognized at fair value; (ii) the standard divides all financial assets that are currently in the scope of IAS 39 into two classifications: amortized cost and fair value; (iii) the IAS 39 categories of available for sale and held to maturity were eliminated; and (iv) the IAS 39 concept of embedded derivatives was extinguished by the concepts of this new standard. Effective as from January 1, 2018.	The Group does not anticipate any material impact from IFRS 9 on its financial statements.
IFRS 15 – Revenue from customer agreements	This standard will replace IAS 11 – Construction contracts and IAS 18 – Revenue and their related interpretations; the main objectives consist of: (i) eliminating inconsistencies in revenue recognition standards, providing clear principles on how to record account balances; (ii) providing a single revenue recognition model, improving the comparability of accounting and financial information; and (iii) simplifying the process of preparing the financial statements. It will apply to all contracts with customers except leases, financial instruments and insurance contracts. Effective as from January 1, 2017.	The Group does not anticipate any material impact from IFRS 15 on its financial statements.
Amendment to IFRS 11 – Joint arrangements	This standard establishes that the entity engaged in a joint venture shall apply relevant principles related to business combination, which includes preparing disclosures required by the standard applicable to the transaction. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IFRS 11 on its financial statements.
Amendment to IAS 16 and IAS 38 – Clarification for acceptable methods of depreciation and amortization	The purpose of the publication is to determine that it is not appropriate to define the basis for depreciation and amortization as the expected pattern of consumption by the entity, of future economic benefits of an asset. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 16 and 38 on its financial statements.
Amendment to IAS 27 – Equity method in separate financial statements	This amendment enables the possibility of adopting the equity method in investments held in subsidiaries in separate financial statements. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 27 on its financial statements.
Amendment to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	The objective of the amendment is to correct an inconsistency between the requirements in IFRS 10 – Consolidated financial statements and those in IAS 28 – Investments in associates and joint ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate, subsidiary or joint venture. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IFRS 10 and IAS 28 on its financial statements.
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities – applying the consolidation exception	This issuance (i) clarifies to those that meet the definition of investment entities how to consolidate their investments and lists the exceptions to the rule; and (ii) allows that other entities keep on applying the equity method, measurement of fair value through profit or loss used for their investments (associate or joint venture) and do not proceed with the consolidation. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IFRS 10, IFRS 12 and IAS 28 on its financial statements.
Amendments to IAS 1	This intends to review concepts previously determined, such as relevance. The Committee’s intention is to reaffirm commitment to quality of financial and accounting information that must be objective and easy to understand. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 1 on its financial statements.
IFRS 7 Financial instruments (Disclosure) – Applicability of the offsetting disclosures to condensed financial statements	The amendment removes the phrase “and interim periods within those annual periods” from paragraph 44R, and explains that these IFRS 7 disclosure requirements are not required in condensed financial statements. However, IAS 34 requires an entity to disclose “an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period”. Therefore, if IFRS 7 disclosures provide a significant update to the information included in the most recent annual report, it is expected that the disclosures be included in the condensed financial statements. This amendment shall be retrospectively applied for annual periods beginning or after January 1, 2016, with earlier adoption permitted. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IFRS 7 on its financial statements.

STANDARD	REQUIREMENT	IMPACT ON FINANCIAL STATEMENTS
IFRS 7 – Servicing agreements	This clarifies that a servicing agreement that includes an administration fee may be characterized as continuing involvement in a financial asset. An entity shall assess the nature of the fee and arrangement against the guidance for continued involvement in paragraphs IFRS 7.B30 and IFRS 7.42C, in order to assess whether the disclosures are required. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 7 on its financial statements
IAS 34 – Interim Financial Reporting – Disclosure of information “elsewhere in the interim financial report”	This states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference among the interim financial report and wherever they are included within the interim information (eg, in the management commentary or risk report). Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 34 on its financial statements
IAS 19 – Employee benefits – discount rate	The amendment clarifies that market depth of high quality corporate bonds shall be assessed based on the currency in which the obligation is denominated, rather than the country in which the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates shall be used. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 19 on its financial statements
IFRS 5 – Reclassification of noncurrent assets held for sale to assets held for distribution to partners/ shareholders	This clarifies, through issuance of a guidance, the circumstances in which an entity reclassifies assets held for sale to assets held for distribution to partners/shareholders (and vice versa) and also cases in which assets held for distribution to partners/shareholders no longer meet the criterion to maintain this classification. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IFRS 5 on its financial statements

CPC has not yet edited the related pronouncements and amendments regarding the new and revised IFRS presented previously. In view of the Brazilian FASB (CPC) and the Brazilian Securities and Exchange Commission (CVM)’s commitment to update the set of standards issued based on restatements made by IASB, such pronouncements and changes are expected to be edited by the CPC and approved by the CVM by the date of their mandatory adoption.

There are no other standards or interpretations issued and not yet adopted that may, based on management’s opinion, have a significant impact on income statement or equity reported by the Group

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND SOURCES OF UNCERTAINTIES IN ESTIMATES

In applying the significant accounting practices of the Group, management must make judgments and prepare estimates regarding the carrying amounts of assets and liabilities that are not easily obtained from other sources. The estimates and related assumptions are based on historical experience and other factors deemed relevant. Actual results could differ from those estimates.

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 carrying amount of assets and liabilities for the next period are set out below:

3.1 Impairment of goodwill for expected future profitability

To determine whether goodwill is impaired, it is necessary to estimate the value in use of the cash generating units to which goodwill was allocated. The calculation of value in use requires management to estimate expected future cash flows from cash generating units and an adequate discount rate to calculate present value. No evidence of goodwill impairment was detected.

3.2 Useful lives of property, plant and equipment

From time to time the Group reviews the recoverable amounts and useful life estimates of property, plant and equipment. Economic facts, changes in business, technological changes or any use of the asset item that may affect its useful life are taken into account. Current depreciation rates used appropriately represent the useful life of equipment.

3.3 Income and social contribution taxes and other taxes

Management regularly reviews deferred tax assets and liabilities in terms of recovery, considering the history of profit generated and projected future taxable profit, according a technical feasibility study. The projections of future taxable profits include several estimates regarding the performance of Brazilian and international economies, exchange rate fluctuations, sales volume, selling prices and tax rates, among others, which can vary in relation to actual data and amounts.

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

3.4. Provision for tax, civil and labor risks

This provision refers to legal proceedings and assessments the Group was served. The obligation is recognized when it is considered probable and can be measured with reasonable certainty. The matching entry of this obligation is an expense for the year. This obligation is restated according to the progress of the legal proceeding or financial charges incurred and can be reversed if the estimated loss is no longer probable, or written off when the obligation is settled.

3.5 Provision for future benefits to former employees

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

4. CASH AND CASH EQUIVALENTS

	12/31/2014	Company 12/31/2013	12/31/2014	Consolidated 12/31/2013
Cash and banks	5,711	9,516	11,690	11,100
Investments in bank deposit certificates	-	-	1,677	2,195
	5,711	9,516	13,367	13,295

As of December 31, 2014, investments were remunerated at average rates of 102% of the Interbank Deposit Certificate (CDI) variation (103% as of December 31, 2013), with the portfolio basically comprising investments in repurchase agreements. Balances are highly liquid and readily redeemable, in order to meet short-term cash commitments, and subject to insignificant risk of change in value.

5. SHORT-TERM INVESTMENTS

	12/31/2014	Company 12/31/2013	12/31/2014	Consolidated 12/31/2013
Investment funds	15,726	9,897	35,023	35,661

Most investment funds are fixed-income investments, repurchase agreements, remunerated at average CDI rates of 102% (103% as of December 31, 2013).

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

6. ACCOUNTS RECEIVABLE

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Domestic market	74,634	73,487	109,199	112,241
Foreign market	-	-	73,753	55,521
(-) Present value adjustment	-	(432)	(330)	(1,362)
	74,634	73,055	182,622	166,400
Allowance for doubtful accounts	(3,307)	(3,281)	(6,689)	(6,011)
	71,327	69,774	175,933	160,389

Aging list of accounts receivable

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Falling due	69,637	65,939	166,787	146,010
Overdue:				
Within 30 days	1,098	2,362	6,933	10,538
From 30 to 60 days	293	1,283	1,444	2,654
Above 60 days	299	190	769	1,187
	71,327	69,774	175,933	160,389

Changes in allowance for doubtful accounts

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Opening balance	(3,281)	(3,242)	(6,011)	(6,518)
Addition	(734)	(782)	(1,531)	(1,482)
Reversal	79	380	87	497
Write-off	629	363	766	1,492
Closing balance	(3,307)	(3,281)	(6,689)	(6,011)

7. INVENTORIES

Accounting practice

Inventories are carried at the lower of cost and net realizable value. Inventory costs are determined under the average cost method. Net realizable value corresponds to the estimated inventory selling price, less those costs estimated for completion and costs required for the sale.

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Finished products	36,060	41,554	88,370	72,551
Semi-finished products	-	-	2,444	2,116
Resale	7,749	9,751	12,343	14,698
Raw materials	21,793	29,854	21,503	31,142
Support materials	5,658	5,091	25,671	22,789
(-) Provision for losses(*)	(1,865)	(417)	(2,238)	(1,352)
	69,395	85,833	148,093	141,944

(*) The matching entry of the provision for losses is recorded as "Cost of sales" in the income statements.

Changes in provision for inventory losses for the year ended December 31, 2014 and 2013 are as follows:

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Opening balance	(417)	-	(1,352)	(935)
Provision	(1,865)	(443)	(2,009)	(443)
Reversal	417	26	1,123	26
Closing balance	(1,865)	(417)	(2,238)	(1,352)

For the year ended December 31, 2014, raw material equivalent to R\$257,513 (R\$259,318 in December 2013) was used, recorded as cost in the Company, and R\$409,669 (R\$395,647 in December 2013) in the Consolidated, as mentioned in Note 23.

8. TAXES RECOVERABLE

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current:				
State Value-Added Tax (ICMS)	1,760	1,005	3,803	2,131
Withholding Income Tax (IRRF)	204	191	401	413
Corporate Income Tax (IRPJ)	602	8,285	1,051	8,690
Social Contribution Tax on Net Profit (CSLL)	140	2,243	194	2,311
Withholding Income Tax (IRRF) on interest on equity	996	3,400	996	3,400
FOMENTAR fund - ICMS ^(*)	1,661	1,197	1,661	1,197
Contribution Tax on Gross Revenue for Social Security Financing (COFINS) and other	672	221	2,267	1,506
	6,035	16,542	10,373	19,648
Noncurrent:				
State Value-Added Tax (ICMS)	1,164	1,218	2,705	4,021
Withholding Income Tax (IRRF)	13,841	13,363	13,841	13,363
Corporate Income Tax (IRPJ)	7,910	7,638	7,910	7,638
	22,915	22,219	24,456	25,022

(*) 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.

9. INVESTMENTS

The Company's subsidiaries and jointly-controlled subsidiary are as follows:

Summary of investment breakdown:

	Company							
	Eternit da Amazônia	Precon	Prel	SAMA	CSC	Tégula	Wagner	Total
Investments	11,685	23,985	7,830	90,385	34,338	67,134	4,164	239,521
Surplus value of net assets	-	-	-	16,559	-	-	-	16,559
Balance as of December 31, 2014	11,685	23,985	7,830	106,944	34,338	67,134	4,164	256,080

	Eternit da Amazônia	Precon	Prel	SAMA	CSC	Tégula	Wagner	Total
January 1, 2013	-	17,578	7,821	107,183	13,029	72,246	4,059	221,916
Dividends	-	(7,222)	(2,653)	(65,112)	-	-	-	(74,987)
Interest on equity	-	(829)	-	(4,492)	-	-	-	(5,321)
Equity pickup	(938)	10,694	2,890	70,304	(6,223)	(459)	(1)	76,267
Equity pickup of comprehensive income	-	-	-	428	-	-	-	428
Capital contribution	200	-	-	-	29,226	-	-	29,426
At December 31, 2013	(738)	20,221	8,058	108,311	36,032	71,787	4,058	247,729
Dividends	-	(7,121)	(2,803)	(65,691)	-	-	-	(75,615)
Interest on equity	-	(955)	-	(4,509)	-	-	-	(5,464)
Equity pickup	(4,075)	11,842	3,080	70,935	(13,676)	(4,455)	123	63,774
Reversal of supplementary monetary restatement - IFRS	-	(2)	(505)	(221)	-	(198)	(17)	(943)
Equity pickup of comprehensive income	-	-	-	(1,881)	-	-	-	(1,881)
Capital contribution	16,498	-	-	-	11,982	-	-	28,480
At December 31, 2014	11,685	23,985	7,830	106,944	34,338	67,134	4,164	256,080

The balance of investment in the consolidated financial statements as of December 31, 2014 amounting to R\$34,338 (R\$36,032 as of December 31, 2013) refers to investment in the jointly-controlled subsidiary with Companhia Sulamericana de Cerâmica “CSC”.

The balances of subsidiaries and joint venture as of December 31, 2014 are as follows:

	Subsidiaries						Join Venture
	Eternit da Amazônia	Precon	Prel	SAMA	Tégula	Wagner	Companhia Sulamericana de Cerâmica SA
Current assets	4,947	23,230	4,059	166,231	32,799	3,956	65,074
Noncurrent assets	114,301	14,696	4,555	114,707	59,348	1,785	115,580
Current liabilities	59,281	9,851	783	128,748	11,987	16	54,518
Noncurrent liabilities	48,281	4,089	-	57,161	13,020	1,554	68,907
Equity	11,686	23,986	7,831	95,029	67,141	4,171	57,229
Proportional interest	99,9900%	99,9946%	99,9977%	99,9977%	99,9900%	99,8400%	60%
Book value of investments	11,685	23,985	7,830	95,027	67,134	4,164	34,338
Net operating revenue	-	77,869	-	407,789	79,049	-	39,491
Cost of sales	-	(54,208)	-	(206,966)	(55,799)	-	(33,315)
Unrealized profit in inventories	-	-	-	85	-	-	-
Net income (loss) for continuing operations	(4,076)	11,842	3,080	70,935	(4,455)	123	(22,793)
Attributable to:							
Company interest	(4,075)	11,842	3,080	70,933	(4,455)	123	(13,676)

10. RELATED PARTIES

a) Related-party transactions and balances

	Current assets		Noncurrent assets		Current liabilities		Noncurrent liabilities	
	Trade accounts receivable	Dividends	Loan agreement receivable	Trade accounts payable	Other accounts payable	Loan agreement payable		
	Dec/2014	Dec/2013	Dec/2014	Dec/2013	Dec/2014	Dec/2013	Dec/2014	Dec/2013
Eternit da Amazônia ⁽ⁱⁱ⁾ and ⁽ⁱⁱⁱ⁾	53	1,062	-	-	20,150	-	-	-
Precon ⁽ⁱ⁾ and ⁽ⁱⁱ⁾	980	488	1,964	7,926	-	-	-	-
SAMA ⁽ⁱⁱ⁾ and ⁽ⁱⁱⁱ⁾	311	169	19,974	8,735	-	-	7,544	7,128
Prel	-	-	654	2,653	-	-	-	91
Tégula ⁽ⁱ⁾ and ⁽ⁱⁱ⁾	127	96	706	706	8,421	7,705	-	-
Companhia Sulamericana de Cerâmica ⁽ⁱ⁾ and ⁽ⁱⁱⁱ⁾	2,427	9,780	-	-	726	2,018	-	-

⁽ⁱ⁾ There are purchases and sales between related parties, therefore the balances refer to supplies of raw materials (chrysotile) and/or finished products, which were eliminated in the Company's consolidated financial statements. The joint venture, which is consolidated by equity pickup, is not eliminated in the consolidated financial statements.

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

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

	Company							
	Sales		Purchases		Expense		Other revenues	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Precon	2,710	8,880	-	-	-	-	-	-
Tégula	464	385	-	-	-	-	-	-
CSC	1,706	-	-	-	-	-	-	-
SAMA	-	-	78,335	70,264	-	-	-	-
Discounts obtained - SAMA	-	-	30	-	-	-	-	-
Administrative expenses - Prel	-	-	1,056	500	-	-	-	-
Interest on loan - SAMA	-	-	-	-	3,124	2,183	-	-
Interest on loans - Tégula	-	-	-	-	-	-	844	578
Interest on equity - SAMA	-	-	-	-	-	-	4,509	4,492
Interest on equity - Precon	-	-	-	-	-	-	955	828

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

As of December 31, 2014 and 2013, there are no outstanding guarantees with related parties, and there are no allowance for related-party doubtful accounts.

b) Key management personnel compensation

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

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Salaries, fees and benefits	4,599	5,082	5,559	6,014
Social charges	1,288	1,430	1,599	1,735
Profit sharing (PLRE)	1,797	3,642	2,372	4,316
Supplementary bonus	735	2,419	1,062	3,093
Post-employment benefits	82	229	93	387
	8,501	12,802	10,685	15,545

The Group’s Board of Directors approved a stock option plan for the Company’s Officers. The Group grants supplementary bonus as profit sharing to officers that invest up to 100% of their profit sharing net amount for the purchase of Company shares. This supplementary 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.

The stock option plan is not considered share-based payment (CPC 10 R1 – Share-based Payment), as the executive officer does not receive shares directly from Eternit, but the total equivalent to 100% paid as profit sharing, and purchases Company shares by means of an outside brokerage.

As of December 31, 2014, Officers’ shareholding position was 2,121,148 shares – ETER3 (995,283 shares – ETER3 for the year ended December 31, 2013).

11. PROPERTY, PLANT AND EQUIPMENT

Accounting practice

Property, plant and equipment

Property and equipment are stated at cost, less depreciation and accumulated impairment loss, when applicable. These are recorded as part of the costs from construction in progress, professionals’ fees directly attributable to bringing the asset to the

location and condition required for its use and borrowing costs, until the completion of the assets. Maintenance and repair expenses incurred are accounted for only if the economic benefits associated with these items are probable and the amounts can be reliably measured, while the remaining maintenance and repair expenses are recognized in the income statement when incurred.

Depreciation of these assets starts when they are ready for use, on the same basis as depreciation of other property, plant and equipment.

Depreciation of property, plant and equipment items is calculated by the straight-line method at rates that take into consideration the estimated economic useful life of each asset.

Impairment of tangible and intangible assets, less goodwill

At the end of each year, the Group reviews the book value of its tangible and intangible assets to determine whether there is any evidence that those assets have suffered some impairment loss. In case such evidence exists, 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 lower than its book value, the book value of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment loss is recognized immediately in the income statement.

	Company							Construction in progress	Total
	Land	Buildings and improvements	Machinery and equipment	Tooling and molds	Facilities	Vehicles	Furniture and fixtures		
Cost									
Balances at January 1, 2013	701	32,165	94,939	12,877	77,109	3,578	5,109	12,717	242,567
Additions	-	-	-	-	-	-	-	-	36,913
Write-offs	-	-	(381)	-	(272)	(791)	(36)	(103)	(1,583)
Transfers	-	639	7,093	78	2,251	-	670	735	(11,466)
Balances as of December 31, 2013	701	32,804	101,651	12,955	79,088	2,787	5,743	38,164	277,897
Additions	-	-	-	-	-	-	-	-	22,863
Write-offs	(553)	(16)	(664)	(4)	(178)	(1,221)	(73)	(196)	(17,378)
Transfers	1,873	697	9,027	131	4,836	93	374	543	(17,574)
Balances as of December 31, 2014	2,021	33,485	110,014	13,082	83,746	1,659	6,044	4,351	283,382
Average depreciation rates	-	4%	86%	15%	10%	20%	10%	20%	-
Accumulated depreciation									
Balances at January 1, 2013	-	(18,631)	(44,152)	(8,651)	(40,643)	(2,531)	(2,310)	(2,589)	(119,507)
Additions	-	(722)	(1,852)	(1,087)	(5,542)	(259)	(452)	(342)	(10,256)
Write-offs	-	-	358	-	72	734	26	101	129
Balances as of December 31, 2013	-	(19,353)	(45,646)	(9,738)	(46,113)	(2,056)	(2,736)	(2,830)	(128,472)
Additions	-	(742)	(2,934)	(928)	(5,509)	(120)	(477)	(393)	(11,103)
Write-offs	-	16	273	2	173	1,140	54	194	1,852
Transfers	-	-	29	-	(30)	-	1	-	-
Balances as of December 31, 2014	-	(20,079)	(48,278)	(10,664)	(51,479)	(1,036)	(3,158)	(3,029)	(137,723)
Net book value									
At January 1, 2013	701	13,534	50,787	4,226	36,466	1,047	2,799	783	123,060
December 31, 2013	701	13,451	56,005	3,217	32,975	731	3,007	1,174	149,425
At December 31, 2014	2,021	13,406	61,736	2,418	32,267	623	2,886	1,322	145,659

Consolidated											
Buildings and improvements			Machinery and equipment			Extraction machinery			Tooling and molds		
Land						Facilities	Vehicles	Off-road vehicles	Furniture and fixtures	IT equipment	Renovation of degraded mining areas
Cost											
Balances at January 1, 2013	4,084	80,585	181,492	241,610	26,479	208,398	25,051	4,280	15,366	7,514	5,778
Additions	-	283	3,472	-	64	133	161	-	844	129	-
Write-offs	-	-	(786)	-	(215)	(324)	(968)	-	(553)	(317)	-
Transfers	-	672	11,595	2,960	395	8,187	461	259	1671	127	(27,327)
Balances as of December 31, 2013	4,084	81,540	195,773	271,570	26,723	216,394	24,705	4,539	17,328	8,453	5,778
Additions	-	25	627	-	7	92	855	-	52	119	-
Write-offs	(553)	(906)	(1,461)	(7)	(6)	(178)	(2,435)	(2,763)	(194)	(309)	-
Transfers	1,873	1,360	12,865	2,495	131	13,860	550	-	1,052	1,052	-
Balances as of December 31, 2014	5,404	82,019	207,804	30,058	26,855	230,168	23,625	1,776	18,238	9,355	5,778
Average depreciation rates											
Accumulated depreciation											
Balances at January 1, 2013	-	(46,226)	(101,538)	(15,034)	(17,535)	(477,493)	(11,861)	(3,856)	(7,550)	(5,840)	(825)
Additions	-	(1,755)	(4,424)	(4,028)	(2,645)	(110,46)	(5,731)	(185)	(1,515)	(685)	(494)
Write-offs	-	-	762	-	207	124	912	-	535	307	-
Transfers	-	-	29	-	-	-	-	-	(29)	-	-
Balances as of December 31, 2013	-	(47,981)	(105,171)	(19,062)	(19,973)	(158,415)	(16,680)	(4,041)	(8,559)	(6,218)	(1,319)
Additions	-	(1,752)	(6,311)	(4,491)	(2,369)	(119,25)	(5,561)	(180)	(1,575)	(796)	(231)
Write-offs	-	565	703	7	4	173	2,334	2,617	161	302	-
Transfers	-	-	28	-	-	(30)	-	-	(2)	4	-
Balances as of December 31, 2014	-	(49,168)	(110,751)	(23,546)	(22,338)	(170,197)	(19,907)	(1,604)	(9,975)	(6,708)	(1,550)
Net book value											
At January 1, 2013	4,084	34,359	79,954	9,576	8,944	60,905	13,190	424	7,816	1674	4,963
December 31, 2013	4,084	33,559	90,602	8508	6,750	57,979	8,025	498	8,769	2,235	4,459
December 31, 2014	5,404	32,851	97,053	6,512	4,517	59,971	3,768	172	8,263	2,607	9,116

Due to legal proceedings, subsidiary SAMA gave in warranty PP&E (machinery and equipment) in the net book value of R\$1,172 (R\$1,272 as of December 31, 2013).

12 INTANGIBLE ASSETS

Accounting practice

Intangible assets

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

Goodwill

Goodwill stemming 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 will benefit from business combination synergy.

The cash-generating units for which goodwill was allocated are submitted to annual impairment testing or whenever there is any indication that a unit may post impairment losses. If the recoverable amount of a cash-generating unit is lower than book value, the impairment loss on recoverable amount is firstly allocated to reduce the book value of any 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 the recoverable amount of goodwill is directly recognized in Profit and loss for the year.

Impairment of tangible and intangible assets, less goodwill

See Note 11

COMPANY	Software	Software in progress	Other	Total
Cost				
Balance at January 1, 2013	7,185	-	11	7,196
Additions	45	2,844	-	2,889
Balance as of December 31, 2013	7,230	2,844	11	10,085
Additions	133	2,612	-	2,745
Transfer	3,756	(3,756)	-	-
Balance as of December 31, 2014	11,119	1,700	11	12,830
Useful life (in years)				
Amortization	5	-	-	-
Balance as of January 1, 2013	(4,682)	-	-	(4,682)
Additions	(819)	-	-	(819)
Balance as of December 31, 2013	(5,501)	-	-	(5,501)
Additions	(892)	-	-	(892)
Balance as of December 31, 2014	(6,393)	-	-	(6,393)
Net book value				
Balance as of January 1, 2013	2,503	-	11	2,514
Balance as of December 31, 2013	1,729	2,844	11	4,584
Balance as of December 31, 2014	4,726	1,700	11	6,437

CONSOLIDATED	Software	Goodwill	Trademarks and patents	Software in progress	Other	Total
Cost						
Balance as of January 1, 2013	13,143	19,995	1,156	-	75	34,369
Additions	325	-	260	3,636	-	4,221
Transfers	792	-	-	(792)	-	-
Balance as of December 31, 2013	14,260	19,995	1,416	2,844	75	38,590
Additions	552	-	-	3,211	-	3,763
Transfers	4,355	-	-	(4,355)	-	-
Balance as of December 31, 2014	19,167	19,995	1,416	1,700	75	42,353
Useful life (in years)	5	-	-	-	-	-
Amortization						
Balance as of January 1, 2013	(8,328)	-	-	-	(1)	(8,329)
Additions	(1,585)	-	-	-	-	(1,585)
Balance as of December 31, 2013	(9,913)	-	-	-	(1)	(9,914)
Additions	(1,817)	-	-	-	-	(1,817)
Balance as of December 31, 2014	(11,730)	-	-	-	(1)	(11,731)
Net book value						
Balance as of January 1, 2013	4,815	19,995	1,156	-	74	26,040
Balance as of December 31, 2013	4,347	19,995	1,416	2,844	74	28,676
Balance as of December 31, 2014	7,437	19,995	1,416	1,700	74	30,622

13. TRADE ACCOUNTS PAYABLE

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Domestic market	20,528	15,718	39,408	31,977
Foreign market	2,330	6,947	2,743	7,570
(-) Present value adjustment (domestic/foreign market)	-	(221)	-	(254)
	22,858	22,444	42,151	39,293

14. LOANS AND FINANCING

Accounting practice

Loans and financing are initially recognized at fair value upon receipt of funds, net of transaction costs. Subsequently borrowings are stated at amortized cost, i.e, plus charges and interest proportional to the period incurred (on a “pro rata temporis” basis), using the effective interest rate method, except for those with hedging derivative instruments, which are stated at their fair value. The borrowing costs directly

attributed to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily take substantial time to be ready for its intended use or sale, are capitalized as part of the cost of such assets, when it is probable that they will result in future economic benefits to the entity and that such costs can be reliably measured. All other borrowing costs are expensed in the period they incur.

In 2014, the Group capitalized borrowing costs of construction in progress, totaling R\$7,766 (R\$2,737 in 2013).

	INTEREST RATE AND COMMISSIONS - %	Company		Consolidated	
		2014	2013	2014	2013
Current:					
Domestic currency for acquisition of machinery and equipment	From 114% to 10% pa. + TJPL	1225	628	6,595	6,072
Foreign currency for acquisition of machinery and equipment	From 103% to 356% pa.	1841	8,316	13,255	10,854
Domestic currency (finance lease) for acquisition of vehicle	123% pa.	-	-	363	-
Domestic currency for working capital	0.9% + 100% of CDI	-	-	10,391	-
Foreign currency for working capital - Advances on Export Contracts (ACE)	Average of 168% pa.	-	-	58,342	39,955
		3,066	8,944	88,946	56,881
Noncurrent:					
Domestic currency for acquisition of machinery and equipment	From 114% to 10% pa. + TJLP	3,409	1,750	8,254	11,566
Foreign currency for acquisition of machinery and equipment	From 103% to 356% pa.	1,720	12,618	30,491	14,233
Domestic currency (finance lease) for acquisition of vehicle	123% pa.	-	-	233	-
		5,129	14,368	38,978	25,799

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Noncurrent payment flow:				
2015	-	11,328	-	17,663
2016	2,084	2,336	13,470	6,161
2017	2,067	490	11,429	1,210
2018	924	214	9,641	562
2019	54	-	4,438	203
	5,129	14,368	38,978	25,799

The Group has loan agreements with non-financial covenants with which it was compliant as of December 31, 2014.

15. PROVISION AND SOCIAL CHARGES

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Vacation pay	7,843	6,760	15,077	12,980
Profit sharing ^(a)	2,381	3,704	8,671	10,145
Unemployment Compensation Fund (FGTS)	555	593	1,011	1,008
Social Security Tax (INSS)	1,951	1,848	3,476	3,367
Other	8	75	422	509
	12,738	12,980	28,657	28,009

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

Profit sharing

	12/31/2014	12/31/2013
Company	4,269	5,785
Consolidated	11,117	13,168

16. TAXES, CHARGES AND CONTRIBUTIONS PAYABLE

Current:	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Income taxes				
Corporate Income Tax (IRPJ)	-	863	8,923	12,242
Social Contribution Tax on Net Profit (CSLL)	-	-	1,751	2,432
Other taxes				
State Value-Added Tax (ICMS)	6,162	6,304	9,026	9,372
Federal VAT (IPI)	2,345	1,824	2,686	2,107
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	1,408	1,405	2,274	3,258
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	280	281	467	683
Withholding Income Tax (IRRF)	1,394	1,331	2,128	1,943
Mineral resource offsetting financial contribution	-	-	1,413	1,515
Other	277	218	513	463
Total current	11,866	12,226	29,181	34,015
Noncurrent:				
ICMS (*)	7,787	7,697	10,605	9,432

(*) ICMS deriving from tax incentive programs PRODUZIR and DESENVOLVE in the Company, FOMENTAR in subsidiary Precon, and FUNDOPEM and PRODUZIR in subsidiary Tégula.

17. PROVISION FOR FUTURE BENEFITS TO FORMER EMPLOYEES

Accounting practice

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.

1) Future health benefits

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

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

	12/31/2014	12/31/2013
Actual actuarial annual interest rate	6.09%	6.32%
Actual annual medical cost increase rate	3.80%	3.80%
Annual projected inflation rate	6.49%	5.80%
General mortality table	AT-2000	AT-2000

b) Plan liabilities for future benefits to former employees

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current	2,511	2,174	3,677	3,861
Noncurrent	27,730	23,710	41,654	34,527
	30,241	25,884	45,331	38,388

c) Net expenses with the benefit in 2014 (posted to P&L)

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current service and interest cost	3,232	1,813	4,793	3,049
Benefits paid	(2,452)	(2,209)	(4,377)	(4,209)
Net income (expense) with the benefit	780	(396)	416	(160)

d) Changes in present value of the defined benefit obligation:

	Company	Consolidated
Defined benefit obligations at January 1, 2013	22,363	32,029
Current service and interest cost	1,813	3,049
Benefits paid	(2,209)	(4,209)
Defined benefit obligations at December 31, 2013	21,967	30,869
Current service and interest cost	3,232	4,793
Benefits paid	(2,452)	(4,377)
Defined benefit obligations at December 31, 2014	22,747	31,285

e) Changes in plan defined benefit obligations in 2014:

	Company	Consolidated
January 1, 2014	25,884	38,388
Current service and interest cost	3,232	4,793
Benefits paid	(2,452)	(4,377)
Experience adjustments	3,577	6,527
December 31, 2014	30,241	45,331

f) Sensitivity analysis:

COMPANY	Sensitivity of the interest rate on obligations calculated			Sensitivity of average cost increase of obligations calculated		
	Actual	Increase 1%	Decrease 1%	Actual	Increase 1%	Decrease 1%
Impact on benefit obligation, net	30,241	27,747	32,999	30,241	32,889	27,934
Variation		(8.25%)	9.12%		8.76%	(7.63%)

CONSOLIDATED	Sensitivity of the interest rate on obligations calculated			Sensitivity of average cost increase of obligations calculated		
	Actual	Increase 1%	Decrease 1%	Actual	Increase 1%	Decrease 1%
Impact on benefit obligation, net	45,331	41,599	49,558	45,331	49,421	41,810
Variation		(8.23%)	9.32%		9.02%	(7.77%)

The abovementioned sensitivity analysis was conducted by submitting most significant assumptions to some variation, and reflecting the effect thereof on the obligations amount.

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Within 12 months	2,511	2,174	3,677	3,224
From 2 to 5 years	9,472	7,543	14,458	11,188
From 5 to 10 years	9,213	7,519	13,499	11,152
After 10 years	9,045	8,648	13,697	12,824
	30,241	25,884	45,331	38,388

11) Supplementary private pension plan

The Group has an open-ended supplementary private pension plan with a duly authorized private pension entity. This plan is for defined contributions and deductible for income tax purposes

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Contributions for the year ended:	1,444	3,017	4,081	3,864

18. EQUITY

Accounting practice

Dividends and interest on equity

The Company's articles of incorporation ensures shareholders mandatory minimum dividend of 25% of net income for the year, less legal reserves of 5% and statutory reserve of 5% of income, under the Brazilian Corporation Law. In addition, if proposed by the Board of Directors, the Company may set up reserves for risks and capital budget. After such allocations, the remaining balance, if any, shall be fully allocated to dividend payment to shareholders. For corporate and accounting purposes, Interest on Equity (IOE) is posted as allocation of net income directly to equity.

q) The following payments represent contributions expected for future years based on the defined benefit plan obligations:

(PGBL) and offered to all employees and officers. There is no provision recorded in December 2014.

For the years ended December 31, 2014 and 2013, the Group and its participants made contributions to fund benefit plans as follows:

a) Capital

As of December 31, 2014, the Company's fully subscribed and paid-in capital amounted to R\$334,251.

At the Special General Meeting held on September 24, 2014, shareholders resolved to split common shares of the Company. On September 25, 2014, each 1 (one) share issued by the Company comprised 2 (two) shares of the same type, with no changes in capital. The 89,500,000 shares then comprised 179,000,000 common registered book-entry shares, with no par value, with the right to vote in Annual General Meeting deliberations, and, as of December 31, 2014, were held as follows:

SHAREHOLDING STRUCTURE	12/31/2014		12/31/2013	
	Shareholders	Shares	Shareholders	Shares
Individuals	9,012	116,445,329	7,866	54,545,407
Legal entities	94	3,102,086	97	1619,554
Persons resident abroad	137	18,680,383	146	11,422,700
Clubs, funds and foundations	114	40,713,470	131	21,882,973
	9,357	178,941,268	8,240	89,470,634
Treasury shares	-	58,732	-	29,366
	9,357	179,000,000	8,240	89,500,000

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

b) Treasury shares

As of December 31, 2014, market value of treasury shares was R\$95 (R\$257 as of December 31, 2013).

c) Earnings per share

The following table reconciles net income to amounts used to calculate basic and diluted earnings per share:

	Company	
	12/31/2014	12/31/2013
Dilutive effect		
Net income for the period attributable to noncontrolling interests	85,159	102,254
Weighted average number of outstanding common shares, less the average of treasury common shares	178,941	89,471
Basic and diluted earnings per share - R\$	0.48	1.14

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

d) Dividends

Dividends proposed for the year ended December 31, 2014 was as follows:

EVENT	Payment beginning on	Total amount	Amount per share - R\$
BDM ⁽¹⁾ held on May 7, 2014	05/28/2014	11,900	0.133
BDM ⁽¹⁾ held on August 6, 2014	08/27/2014	11,899	0.133
BDM ⁽¹⁾ held on November 5, 2014	11/27/2014	11,900	0.067
BDM ⁽¹⁾ held on March 11, 2015	03/31/2015	11,989	0.067
		47,688	

⁽¹⁾ BDM - Board of Directors' Meeting

e) Interest on Equity (IOE)

IOE proposed for the year ended December 31, 2014 was as follows:

EVENT	Payment beginning on	Total amount	Amount per share - R\$
BDM ^(*) held on May 7, 2014	05/28/2014	5,994	0.067
BDM ^(*) held on August 6, 2014	08/27/2014	5,995	0.067
BDM ^(*) held on November 5, 2014	11/27/2014	5,995	0.034
BDM ^(*) held on December 19, 2014	03/31/2015	5,905	0.033
		23,889	

(*) BDM - Board of Directors' Meeting

Dividends and interest on equity payable

Dividend and IOE outstanding balance as of December 31, 2014 represent:

	Company and Consolidated 12/31/2014	12/31/2013
interest on equity	5,204	4,639
Dividends	11,989	12,436
Proceeds from prior years	704	806
	17,897	17,881

f) Allocation of P&L for the year

	Company and Consolidated 12/31/2014	12/31/2013
Net income for the year	85,159	102,254
Set-up of reserves		
Legal	(4,258)	(5,113)
Statutory ⁽ⁱ⁾	(4,258)	(5,113)
Investment subsidies	-	(754)
Retained profits	(5,066)	(19,697)
Income available	71,577	71,577
Dividend proposed and paid	47,688	48,851
IOE proposed and paid	23,889	22,726
Total	71,577	71,577
Mandatory minimum dividends	19,161	23,007

(i) As provided for the Company's articles of incorporation, the statutory reserve will be intended for maintaining the Company's working capital, capped at 10% of capital.

Market conditions, macro-economic scenarios and other operational factors that involve risks, uncertainties and assumptions may affect business projections and perspectives, and, as a result, 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 to retain remaining net income for 2014 amounting to R\$5,066, totaling R\$102.603 as of December 31, 2014, under the “ Retained profits reserve”.

g) Capital budget - use of funds

PROJECTION - 2015	
• Maintenance and update of the plant	29,557
• Installation of an R&D unit to produce inputs for construction materials	4,625
• Strategic investment	5,608
	39,790

19. GOVERNMENT SUBSIDIES

Accounting practice

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

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

Tégula - *Investment subsidy - Goiás Industrial Development Program - Produzir*

Tégula Soluções para Telhados has a tax benefit to reduce 73% of ICMS calculated on sales of goods produced in the unit established in the city of Anápolis, Goiás state, limited to the amount of R\$6,875. The term to obtain this benefit ends on December 31, 2020.

Tégula - *Investment subsidy - Goiás Industrial Development Program - Produzir*

For the year ended December 31, 2014, this benefit totaled R\$971 (R\$898 as of December 31, 2013). This 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.

Precon - *Investment subsidy - Agência de Fomento Goiás SA - company in the state of Goiás - FOMENTAR*

Precon Goiás Industrial Ltda. has a tax benefit to reduce 70% of ICMS calculated on sales of goods produced in the unit established in the city of Anápolis, Goiás state, limited to the amount of R\$31,880. The term to obtain this benefit ends on December 31, 2020.

For 2014, this benefit totaled R\$3,457 (R\$2,439 as of December 31, 2013). This 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.

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

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

The history of laws and granting of tax benefit related to each program mentioned herein were disclosed by management in the financial statements as of December 31, 2014.

20. INCOME AND SOCIAL CONTRIBUTION TAXES

Accounting practice

Provision for income and social contribution taxes is based on taxable profit for the year. Taxable profit is different from profit stated in the income statement, as it excludes taxable or deductible revenues and expenses in other years, in addition to permanently excluding non-taxable or non-deductible items. The provision for income and social contribution taxes is calculated individually by each Group company, based on year-end rates in force.

Deferred income and social contribution taxes (“ deferred tax”) are recognized on temporary differences, at the end of each reporting period, between assets and liabilities recognized in the financial statements and corresponding tax bases used in computing taxable profit, including income and social contribution tax losses, where applicable. Deferred tax liabilities are generally recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differ-

ences only when the Company is likely to recognize future taxable profit at an amount sufficient for such deductible temporary differences to be used. Deferred tax assets and liabilities are measured at the tax rate expected to be applied in the year in which the asset or liability will be realized or settled, based on the tax rates (and tax law) in force as of the balance sheet date.

The recoverability of deferred tax assets is reviews 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 in Profit Loss for the year, except when these are related to items recorded under other comprehensive income, when applicable.

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

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

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Income before income and social contribution taxes	86,401	99,734	130,084	142,229
Statutory rate	34%	34%	34%	34%
Income and social contribution taxes at statutory rates	(29,376)	(33,910)	(44,228)	(48,357)
Effect of income and social contribution taxes on permanent differences:				
Equity pickup in subsidiaries	21,683	25,930	(4,650)	(2,116)
Interest on equity	6,264	5,918	8,122	7,727
Donations and gifts	(485)	(158)	(2,048)	(904)
Non-deductible taxes and fines	(48)	(28)	(98)	(152)
Tax incentive	32	51	692	714
Other (additions) exclusions on permanent differences	688	4,717	(2,714)	3,115
Income and social contribution taxes on P&L	(1,242)	2,520	(44,924)	(39,973)
Effective rate	-14%	25%	-34.5%	-28.1%

Breakdown of income and social contribution tax expense presented in the individual and consolidated financial statements for the years ended December 31, 2014 and 2013 is as follows:

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current income and social contribution taxes	(858)	472	(41,309)	(41,489)
Deferred income and social contribution taxes	(384)	2,048	(3,615)	1516
	(1,242)	2,520	(44,924)	(39,973)

Management opted not to early adopt the effects of the new tax regime in 2014, since there is no significant impact on the Group’s financial statements.

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 calculation of taxable profit and income and social contribution tax losses, as follows:

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Income and social contribution tax losses	5,108	5,483	14,779	15,154
Future benefits to former employees	10,282	8,800	15,413	13,052
Provision for tax, civil and labor risks	8,059	7,682	16,773	15,485
Unrealized income in inventories	-	-	2,392	2,348
Allowance for doubtful accounts	-	-	703	610
Provision for profit sharing	810	1,259	1,972	2,811
Provision for losses on PP&E	1,750	1,750	1,750	1,750
Unshipped products	-	-	-	2,271
Other provisions	(1,259)	(937)	(483)	1,631
	24,750	24,037	53,299	55,112

Expected realization of tax credits

i. Income and social contribution tax losses

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

	Company	Consolidated
	12/31/2014	12/31/2014
2015	552	1,456
2016	331	897
2017	659	1,567
2018	659	1,689
2019 to 2024	2,907	9,170
	5,108	14,779

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

As of December 31, 2014, subsidiary Tégula had accumulated income tax loss of R\$32,582 and social contribution tax loss of R\$32,733, for which deferred taxes were not recorded, since up to December 31, 2014 there were no projections of future taxable profit confirming realization thereof.

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

21. PROVISION FOR TAX, CIVIL AND LABOR RISKS

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

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Labor claims ⁽ⁱ⁾	20,258	19,780	29,225	29,219
Civil proceedings	-	-	4,930	4,397
Tax proceedings ⁽ⁱⁱ⁾	5,968	5,335	25,394	21,043
	26,226	25,115	59,549	54,659

i) Significant labor claims include:

- 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. *Temporary differences*

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

	Company	Consolidated
	12/31/2014	12/31/2014
2015	3,862	5,606
2016	1,768	4,334
2017	1,768	3,819
2018	1,768	5,323
2019 to 2024	10,476	19,438
	19,642	38,520

The Group management believes that the provision for risk is sufficient to cover any losses from legal proceedings, as follows:

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Labor claims ⁽ⁱ⁾	20,258	19,780	29,225	29,219
Civil proceedings	-	-	4,930	4,397
Tax proceedings ⁽ⁱⁱ⁾	5,968	5,335	25,394	21,043
	26,226	25,115	59,549	54,659

ii) Significant tax proceedings include:

- Difference in ICMS amounts paid, and
- Difference in rates paid for INSS purposes.

Changes in provision for tax, civil and labor risks:

	Labor provisions	Company Tax provisions	Total
Balance at January 1, 2013	17,214	5,443	22,657
Additions	3,678	1,918	5,596
Reversals	(1,112)	(2,026)	(3,138)
Balance at December 31, 2013	19,780	5,335	25,115
Additions	3,973	1,266	5,239
Write-offs	(1,801)	-	(1,801)
Reversals	(1,694)	(633)	(2,327)
Balance at December 31, 2014	20,258	5,968	26,226

	Labor provisions	Consolidated Civil provisions	Tax provisions	Total
Balance at January 1, 2013	26,321	4,346	20,449	51,116
Additions	5,546	508	3,650	9,704
Payments	(168)	-	-	(168)
Reversals	(2,480)	(457)	(3,056)	(5,993)
Balance at December 31, 2013	29,219	4,397	21,043	54,659
Additions	5,557	533	8,353	14,443
Write-offs	(1,801)	-	(388)	(2,189)
Reversals	(3,750)	-	(3,614)	(7,364)
Balance at December 31, 2014	29,225	4,930	25,394	59,549

iii) *Proceedings whose likelihood of an unfavorable outcome is rated as possible:*

As of December 31, 2014, there were civil, tax, administrative and labor claims against the Group whose likelihood of loss was assessed by legal advisors as possible in the consolidated amount of R\$10,863 (R\$9,714 as of December 31, 2013); accordingly, no provision was recorded for these claims and proceedings.

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

a) Public interest suits on environmental and health matters brought by state and federal prosecutors of the state of Bahia, and a class action in with the same objective as the above-mentioned public interest suit.

b) Consumer public interest suit in the State of Rio de Janeiro and another one in the State of Pernambuco, in order to prohibit the sale of products containing chrysotile mineral in those states.

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

d) Public interest and class suits, both related to the sale by the state of Goiás of an area of land where the residential quarters of subsidiary SAMA is located.

e) In 2013 and 2014, two public interest suits were filed against the Company by the State Department of Labor (MPT) in the state of São Paulo and MPT in the state of Rio de Janeiro, wherein subject matters relate to work environment and occupational disease. Claims include payment of R\$1 billion as collective pain and suffering to be deposited in entities or projects appointed by the State Department of Labor or in the Worker’s Support Fund (FAT).

In parallel to these suits, ABREA also filed two suits assigned by department with the São Paulo and Rio de Janeiro State Labor Courts, as these address the same facts challenged in the abovementioned suits. The defense was presented and awaits judgment of the merits.

The Group makes judicial deposits linked to the provisions for risks in a specific account in noncurrent assets.

22. NET OPERATING REVENUE

Accounting practice

Revenues

Revenue is measured at fair value of the consideration received or receivable, less any estimates of returns, trade discounts and/ or subsidies granted to the buyer and other similar deductions. Sales revenue is recognized when:

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Gross sales revenue	680,030	684,554	1,235,017	1,219,671
Unconditional discounts and rebates	(2,992)	(3,438)	(3,178)	(3,602)
Sales taxes	(169,373)	(172,591)	(253,685)	(258,768)
Net operating revenue	507,665	508,525	978,154	957,301

- The Group has transferred to the buyer the significant risks and rewards related to ownership of the products;
- The Group has neither continued involvement in the management of products sold at levels usually associated with the ownership nor effective control over these products;
- The value of the revenue can be reliably measured;
- The costs incurred or to be incurred in relation to the transaction can be reliably measured.

Sales taxes

Taxes relating to 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 the net amount of sales taxes, recoverable or payable, is included as a component of amounts receivable or payable in the balance sheet.

23. INFORMATION ON THE NATURE OF EXPENSES

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Cost of sales	(370,995)	(372,752)	(593,879)	(575,877)
Selling expenses	(59,715)	(59,097)	(116,528)	(116,734)
General and administrative expenses and management fees	(52,083)	(54,697)	(122,465)	(113,349)
	(482,793)	(486,546)	(832,872)	(805,960)
Raw material used	(257,513)	(259,318)	(409,669)	(395,647)
(-) Present value adjustment	1,341	2,244	1,952	2,670
Personnel expenses and charges	(105,668)	(108,252)	(164,861)	(165,186)
Material, electric energy and services	(32,814)	(41,784)	(45,683)	(56,933)
Rental of personal properties	(7,134)	(7,768)	(11,810)	(9,790)
Variable selling expenses	(10,294)	(9,018)	(38,671)	(38,110)
Depreciation and amortization	(11,995)	(11,075)	(37,704)	(34,789)
Travel expenses	(5,159)	(6,177)	(8,727)	(10,459)
Expenses with materials and IT services	(3,923)	(3,707)	(6,669)	(6,328)
Third-party services	(20,528)	(16,049)	(52,644)	(44,051)
Sales commissions	(12,000)	(11,094)	(21,085)	(19,886)
Trade union contribution	(3,558)	(1,918)	(14,800)	(7,897)
Advertising and publicity	(9,359)	(7,932)	(12,266)	(9,898)
Taxes	(1,918)	(2,005)	(3,977)	(3,305)
Expense with allowance for doubtful accounts	(655)	(407)	(1,444)	(945)
Other	(1,616)	(2,286)	(4,814)	(5,406)
	(482,793)	(486,546)	(832,872)	(805,960)

24. OTHER OPERATING INCOME (EXPENSES), NET

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Other operating income:				
PP&E disposal	577	354	1,488	470
Incidental income	328	2,324	669	5,179
Rental	-	-	3,017	3,042
Previously unused tax credit	3,759	6,758	3,759	6,758
F1 Fund – Private Pension ⁽ⁱ⁾	1,446	4,153	1,446	4,153
Other	354	182	1,250	183
	6,464	13,771	11,629	19,785
Other operating expenses:				
Provision for tax, civil, and labor risks	(914)	(3,038)	(2,080)	(3,038)
Provision for future benefits to former employees	(3,249)	(2,530)	(4,672)	(4,254)
Taxes on other sales	(256)	(427)	(938)	(1,150)
Quality control	(515)	(615)	(768)	(776)
Replacement of defective products	(685)	(434)	(685)	(434)
Expenses with labor and civil indemnifications	(1,203)	(1,173)	(1,679)	(1,518)
Cost of PP&E disposal	(172)	(289)	(410)	(325)
Other	(2,755)	(1,972)	(4,207)	(10,161)
	(9,749)	(10,478)	(15,439)	(21,656)
Total	(3,285)	3,293	(3,810)	(1,871)

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

25. FINANCIAL INCOME AND EXPENSES

Accounting practice

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 book value of the asset.

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Financial income:				
Short-term investment yields - including Bank Deposit Certificates (CDB)	2,194	2,241	5,027	4,719
Discounts obtained	110	395	188	524
Interest income	6,748	6,855	10,526	10,355
Monetary gains	2,886	726	2,961	759
Exchange gains	8,794	6,670	36,166	31,075
Other financial income	-	-	94	103
	20,732	16,887	54,962	47,535
Financial expenses:				
Interest on financing	(320)	(288)	(854)	(722)
Interest on loan	(3,123)	(2,183)	-	-
Interest expenses	(1,810)	(2,442)	(4,267)	(5,656)
Banking expenses	(1,096)	(986)	(1,351)	(1,255)
Discounts granted	(879)	(931)	(2,045)	(2,234)
Tax on Financial Transactions (IOF)	(437)	(322)	(1,045)	(539)
PIS and COFINS - Interest on Equity (IOE)	(378)	(491)	(383)	(491)
Exchange losses	(9,119)	(8,818)	(36,744)	(32,348)
Monetary losses	(2,197)	(1,956)	(5,266)	(4,674)
Other	(333)	(275)	(719)	(634)
	(19,692)	(18,692)	(52,674)	(48,553)
Financial income (expenses), net	1,040	(1,805)	2,288	(1,018)

26. SEGMENT REPORTING

Information presented in line “Other” refers to expenses not directly attributable to Fiber Cement, Chrysotile and Concrete Roof Tiles segments, such as ware resale, synthetic marble, solar heater, among others.

Operational segments defined by senior management are 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

Significant consolidated segment reporting for the years ended December 31, 2014 and 2013 is as follows:

	31/12/2014						
	Total assets	Liabilities	Net revenue	Gross Profit	Income (loss) before taxes	Depreciation and amortization	Financial income (expenses)
							IRPJ/ CSLL
Fiber cement and synthetic fiber cement							
Southeast	236,354	41,232	95,102	25,428	5,890	2,768	258
South	42,586	50,117	144,017	38,869	9,283	4,832	392
Midwest	70,437	59,972	219,122	62,391	17,227	3,124	596
North and Northeast	24,519	33,852	95,878	25,793	6,097	1,891	261
	373,896	185,173	554,119	152,481	38,497	12,615	1,507
Chrysotile Mineral							
Domestic market	280,938	92,180	141,996	123,866	82,555	19,245	888
Foreign market	-	-	174,750	76,828	25,987	-	1,093
	280,938	92,180	316,746	200,694	108,542	19,245	1,981
Concrete roof tiles	92,153	25,008	67,184	23,250	(2,817)	4,996	(2,016)
Other ^(*)	150,877	80,695	40,105	7,850	(14,138)	848	816
	897,864	383,056	978,154	384,275	130,084	37,704	2,288
Total							(44,924)

(*) Including investment in the ware segment, consolidated by means of equity pickup. See Note 9. Investments

	12/31/2013						
	Total assets	Liabilities	Net revenue	Gross Profit	Income (loss) before taxes	Depreciation and amortization	Financial income (expenses)
Fiber cement and synthetic fiber cement							
Southeast	246,494	40,269	96,077	25,322	5,971	2,438	[247]
South	59,274	47,950	127,387	33,987	8,329	4,020	[328]
Midwest	74,053	61,234	185,361	54,729	17,395	2,284	[477]
North and Northeast	28,377	31,706	85,367	22,707	5,512	1,673	[219]
	408,198	181,159	494,192	136,745	37,207	10,415	[1,271]
Chrysotile							
Domestic market	252,140	89,294	157,479	129,395	82,484	17,913	905
Foreign market	-	-	146,972	68,525	24,745	-	844
	252,140	89,294	304,451	197,920	107,229	17,913	1,749
Concrete roof tiles	96,713	25,124	73,150	26,515	993	4,594	[1830]
Other ^(*)	76,581	31,926	85,528	20,244	[3,200]	1,867	334
							[676]
Total	833,632	327,503	957,301	381,424	142,229	34,789	[1,018]
							[39,973]

(*) Including investment in the ware segment, consolidated by means of equity pickup. See Note 9. Investments

27. INSURANCE COVERAGE

As of December 31, 2014, the insurance taken out by the Group, under the guidance from its insurance advisors, against any risks is as follows:

TYPE	INSURED ITEMS	INSURED AMOUNTS
Engineering and operational risks, general civil liability and loss of profits	Buildings, facilities, equipment and other	R\$358,100

28. FINANCIAL INSTRUMENTS

Identification and assessment of financial instruments

a) Financial instrument analysis

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

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

Fair value measurement	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Financial assets				
Cash and cash equivalents	5,711	9,516	13,367	13,295
Short-term investments	15,726	9,897	35,023	35,661
Accounts receivable - foreign market	-	-	73,753	55,521
	21,437	19,413	122,143	104,477
Measured at amortized cost	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Financial liabilities				
Trade accounts payable	22,858	22,444	42,151	39,293
Loans and financing	8,195	23,312	127,924	82,680
	31,053	45,756	170,075	121,973

b) Fair value hierarchy

The Company adopted the assumption that cash and cash equivalents, short-term investments and accounts receivable have no difference between carrying amount and fair value (“market value”). Measurement of these financial assets is considered to be “Level I”, on which measurement is performed through calculation based on assets/liabilities with market quotation, without any adjustment.

Over the year ended December 31, 2014, there was no fair value measurement transfer between Level I and Level II, or fair value measurement transfer between Level III and Level II.

Financial risk management

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

1. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes four types of risks for the Group: a)

currency risk; b) interest rate risk; c) risk of loss in production due to scarcity in the supply of raw material and inputs; and d) growth-related risks.

a) Currency risk

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

As of December 31, 2014, the Group was exposed to a currency other than its functional currency, as follows:

	Consolidated		Quote as of
	12/31/2014	12/31/2013	(US\$ / € 100 = R\$100)
Foreign market customers	73,753	55,521	266
Foreign market suppliers	(2,743)	(7,570)	266
ACE	(58,342)	(39,955)	266
Financing taken (USD)	(42,808)	(24,020)	266
Financing (EUR)	(938)	(1,067)	3.23
Total exchange exposure	(31,078)	(17,091)	

a1) Sensitivity analysis

In order to measure the economic impact of exchange variations on the Group’s financial instruments, four scenarios were considered in relation to the exchange rate prevailing as of December 31, 2014, as follows:

Balances (foreign currency) – consolidated	Risk	Rate ^(*)	Position as of 12/31/2014	Rate depreciation		Rate appreciation	
				Scenario I (-50%)	Scenario II (-25%)	Scenario III (+25%)	Scenario IV (+50%)
USD				133	199	3.33	3.99
Foreign market customers	USD	266	73,753	36,877	55,176	92,330	110,630
Foreign market suppliers	USD	266	(2,743)	(1,372)	(2,052)	(3,434)	(4,115)
ACE	USD	266	(58,342)	(29,171)	(43,647)	(73,037)	(87,513)
Financing	USD	266	(42,808)	(21,404)	(32,026)	(53,590)	(64,212)
EUR				162	242	4.04	4.85
Financing	EUR	3.23	(938)	(470)	(703)	(1,173)	(1,408)
Total exposure			(31,078)	(15,540)	(23,252)	(38,904)	(46,618)

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

b) Interest rate risks

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

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

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

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Short-term investments (cash equivalents)	-	-	1,677	2,195
Short-term investments	15,726	9,897	35,023	35,661
Total exposure to interest rate	15,726	9,897	36,700	37,856

The Group’s management understands that there is low risk of significant fluctuations in the CDI over 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 did not take out derivatives to 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:

Short-term investments - Consolidated	Index	Position as of 12/31/2014	Probable scenario	Projection of financial income – one year			
				Reduction risk	Scenario I (-50%)	Scenario II (-25%)	Increase risk
CDI			1165%	5.83%	8.74%	14.56%	17.48%
Short-term investments (cash equivalents)	CDI	1,677	1,872	1,775	1,824	1,921	1,970
Short-term investments	CDI	35,023	39,103	37,065	38,084	40,122	41,145

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

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

- A multiproduct plant in the Industrial District of Porto de Pecém, in Ceará state, a joint venture with the Colombian multinational “Colceramica”, a company of Organizações Corona. Eternit holds 60% interest and brings together the know-how of the Brazilian market and efficient logistics, whereas Colceramica holds 40% interest with the know-how of manufacturing at competitive production costs.
- Installation of a research and development unit, development and production of inputs and raw materials for construction – 13th unit of Eternit Group – in the city of Manaus, Amazonas state.

In the joint venture’s case, the risks would be related to Colce-ramica breaking up the partnership, in which case Eternit may find difficulties to produce sanitary ware, since it still does not have the production know-how.

The risks associated with the implementation of the projects mentioned above relate to the obtainment of environmental and operational licenses for installation and operation, and obtainment of additional funding to implement its expansion strategy for the project. If new funds are not raised in the expected timing, delays may occur and results may not be satisfactory.

d) *Growth-related risk*

The Group has no control over certain raw materials as well as over cement, limestone, sand, recycled pulp and steel coils, thus a significant increase in prices or reduction in payment terms may substantially impact the production cost.

To produce fiber cement with alternative fiber, the Company may encounter difficulties in obtaining synthetic fiber on a large scale, since the availability of global fibers is lesser than Brazilian market needs. In addition, increases in the price of these and other raw materials, including increases due to scarcity, taxes, restrictions or exchange rate fluctuations may increase the production cost and adversely affect the Company’s business.

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

II. Credit risk

Accounts receivable

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

No Group customer accounts for more than 5% of total trade accounts receivable balance as of December 31, 2014 (5% as of December 31, 2013).

Demand deposits and short-term investments

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

III. Liquidity risk

The liquidity risk consists in the Group’s occasionally not having sufficient funds to meet its commitments, given the different currencies and realization/settlement terms of its rights and obligations.

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

IV. Capital management

For the year ended December 31, 2014, there were no changes in capital structure objectives, policies or processes as compared with 2013. The Group includes in its net debt structure: loans, financing less cash and cash equivalents.

	Company		Consolidated	
	Leverage		Leverage	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Loans and financing	8,195	23,312	127,924	82,680
(-) Cash and cash equivalents	(5,711)	(9,516)	(13,367)	(13,295)
Net debt	2,484	13,796	114,557	69,385
Equity	514,791	506,113	514,808	506,129
Net debt and equity	512,307	492,317	400,251	436,744

29. COMMITMENTS AND GUARANTEES

As of December 31, 2014, the Group had the following guarantees:

(i) Guarantee of the electric energy purchase and sale agreement entered into by subsidiary SAMA and the supply company Tractebel, amounting to R\$3,989, with Banco Safra, maturing in March 2016;

(ii) Guarantee of tax enforcement payment - DNPM (National Department of Mineral Production) amounting to R\$1,440, with Banco Bradesco, with indefinite maturity;

(iii) Financing guarantee to the Goiás State Development Agency, amounting to R\$4,371, with Banco Bradesco, maturing in February 2015;

(iv) Guarantee amounting to R\$40,909 (60%) of the financing entered into between Companhia Sulamericana de Cerâmica and BNB, Banco do Nordeste, for installation of a sanitary ware plant, with Banco Bradesco, maturing in January 2015;

(v) Guarantee amounting to €593 (R\$1,915 as of December 31 2014) of the financing agreement entered into with Bradesco SA for import of equipment.

(vi) On December 23, 2014, Eternit in Amazônia entered into an agreement amounting to R\$37,000, referring to a Bank Credit Bill (CCB) with Banco da Amazônia for implementing its research and development plant in Manaus. The Group offered as guarantee a property and its respective improvements located in the city and state of Rio de Janeiro, the market value of which is R\$62,500.

30. PROVISION FOR RESTORATION OF DEGRADED MINING AREA

Subsidiary SAMA records a provision for possible environmental liabilities based on its best estimates of cleaning and repair costs, and for such, it employs a specialist environmental teams to manage all the phases of the environmental programs, including assistance of external specialists, when required, in accordance with the Recovery of Degraded Area Program (PRAD), and assessing expenses based on market quotes.

Environment

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

	2014 and 2013	
	10% p.a.	
	5% p.a.	
Discount rate		
Long-term inflation rate		
Present value of expected cash outlays	12/31/2014	12/31/2013
2032	4,028	3,655
2033	3,457	3,137
2034	1,791	1,625
2035 to 2039	1,442	1,309
Total	10,718	9,726

Under the PRAD plan, environmental restoration in degraded mining sites will occur between 2032 and 2039.

Total expenses recognized for environmental restoration of degraded mining sites for the year ended December 31, 2014 was R\$992 (R\$1,525 as of December 31, 2013), calculated based on the current production of Chrysotile.

Audit Board Report

The Audit Board of Eternit SA, in compliance with the law and its Bylaws, examined the Management Report and individual and consolidated financial statements and the related notes to the statements for the fiscal year ended December 31, 2014.

Based on its examination, and considering the unqualified Auditor’s Report dated March 10, 2015 issued by the independent auditors EY, it is of the opinion that said documents and the proposal for allocation of the net income from the period, including the distribution of dividends, are in adequate conditions to be deliberated by the Board of Directors and at the Annual Shareholders’ Meeting.

São Paulo, March 10, 2015.

AUDIT BOARD

André Eduardo Dantas
Coordinator

Edson Carvalho de Oliveira Filho
Paulo Henrique Zukanovich Funchal

BOARD OF DIRECTORS

Luis Terepíns*
Chairman of the Board of Directors

Benedito Carlos Dias da Silva*
Leonardo Deeke Boguszewski*
Lírio Albino Parisotto*
Marcelo Gasparino da Silva*

Marcelo Munhoz Auricchio*
*Independent directors in accordance with BM&FBOVESPA Novo Mercado Regulations

BOARD OF EXECUTIVE OFFICERS

Nelson Pazikas
Chief Executive Officer and Investor Relations Officer

Flavio Grisi
Marcelo Ferreira Vinhola
Rodrigo Lopes da Luz
Rubens Rela Filho
Welney de Souza Paiva

ACCOUNTANT

Ricardo Benatti
CRC 1SP186493/0-4

Independent Auditor’s Report

The Shareholders, Board of Directors and Officers Eternit SA. – São Paulo – SP

We have audited the accompanying individual and consolidated financial statements of Eternit SA. (“Company”), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2014, and the related income statements, statements of comprehensive income, of changes in equity and cash flow statements 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 and consolidated financial statements in accordance with accounting practices adopted in Brazil, and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is 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. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 in 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. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Eternit SA. as at December 31, 2014, its individual and consolidated operating performance and respective cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Emphasis of matters

We draw attention to Note 1 to the individual and consolidated financial statements, which describes the uncertainty surrounding the Supreme Court (STF) judgment of the overall merit of Direct Actions of Unconstitutionality (ADIs) ADI No. 3,357, against State Law No. 11,643/2001, of the State of Rio Grande do Sul, which prohibits the manufacturing and sale of all types of asbestos-based goods, within that state, and of ADI No. 3,937 contesting State Law No. 12,684/2007, of the State of São Paulo, which prohibits the use in the State of São Paulo of products, materials or goods that contain any type of asbestos or amianthus, and of other ADIs related to amianthus. Our opinion is not qualified in respect of this matter.

We draw also attention to Note 2liii e) to the individual and consolidated financial statements, which describes Civil Class Actions filed by the São Paulo and Rio de Janeiro Labor Prosecution Offices and by ABREA-São Paulo and ABREA-Rio de Janeiro against the Company, wherein matters related to the working environment and occupational diseases are challenged. The probability of loss was assessed as possible by the Company’s legal advisors. Accordingly, no provision for loss was recognized in connection with those Civil Class Actions. Our opinion is not qualified in respect of this matter.

Other matters Statements of value added

We have also audited the individual and consolidated statements of value added (SVA) for the year ended December 31, 2014, prepared under the responsibility of the Company’s management, the presentation of which is required by Brazilian Corporation Law for publicly held companies, and as supplementary information under IFRS, whereby no SVA presentation is required. These statements have been subject to the same auditing procedures described above and, in our opinion these are presented fairly, in all material respects, in relation to the overall financial statements.

São Paulo, March 10, 2015.

ERNST & YOUNG

Auditores Independentes S.S.
CRC-2SP015199/0-6

Clinton L. Fernandes
Accountant CRC-1SP205541/0-2

Gustavo de S. Lima
Accountant CRC-1SP303352/0-0