

ANNUAL REPORT
2011 >>

Éternit



FROM THE FLOOR TO THE ROOF
FOR THE NEXT 70 YEARS

Water tanks and accessories



Roofing tiles and accessories



Bathroom chinaware
and metal fittings



Components for
construction systems



Synthetic
Marble sink



ABOUT THE REPORT

GRI 2.6 / 3.2 / 3.3 / 3.9 / 3.13

Eternit S.A.'s Annual Report is an important communication tool, which purpose is to disclose the Company's most relevant financial, social and environmental information in the year, in line with the best corporate governance practices.

Eternit has been publishing Annual Reports since 2005 and this is the fifth edition in which it employs the guidelines proposed by the GRI (Global Reporting Initiative), which involve sustainability issues in its three dimensions: economic, social and environmental. The Company claims to be in level B (see table below). The current report also includes the recommendations of ABRASCA (Brazilian Association of Public Companies) and the socio-environmental balance model adapted to IBASE (Brazilian Institute of Social and Environmental Analyses) and to NBCT-15 (Brazilian Accounting Norms). For the financial statements and remaining economic and financial performance calculations, Eternit has adopted, since 2007, the international accounting norms according to IFRS (International Financial Reporting Standards – International Accounting Norms).

Application Levels	C	C+	B	B+	A	A+
G3 profile	Answer to items: 1.1; 2.1 to 2.10; 3.1 to 3.8; 3.10 to 3.12; 4.1 to 4.4; 4.14 to 4.15.	With external verification	Answer to all the criteria for Level C, plus: 1.2; 3.9; 3.13; 4.5 to 4.13; 4.16 to 4.17.	With external verification	The same as required for Level B.	With external verification
Information on the G3 management form	Not required.		Information on the management form for each indicator category.		Management form disclosed for each indicator category.	
G3 performance indicators and performance Sector Supplement indicators	Answer to a minimum of 10 performance indicators, including at least one of each of the following social, economic and environmental performance areas.		Answer to a minimum of 20 performance indicators, including at least one of each of the performance areas: economic, environmental; human rights; labor practices; society and responsibility for the product.		Answer to each G3 essential indicator and of the sector supplement with the due consideration to the materiality principle of one of the following forms: a) By answering to the indicator or b) By explaining the reason of the omission.	

GLOBAL COMPACT



The Company is a signatory of UN'S Global Compact since 2007. The principles of the Compact are highlighted throughout the report.

CONTENT DEFINITION

GRI 3.1 / 3.5 / 3.6 / 3.7 / 3.8 / 3.10 / 4.14

The current report deals with the events verified from January 1st to December 31st, 2011, related to the Group operations, including Eternit headquarters, the four fiber cement plants, the six sales branches and the three controlled companies: SAMA S. A. – Minerações Associadas, the only chrysotile mining company in Latin America, Precon Goiás Industrial Ltda., with a fiber cement plant, and Tégula Soluções para Telhados Ltda., with six concrete tile plants. In 2011, Tégula opened a new manufacturing unit, in São José do Rio Preto, already included in the GRI indicators calculations, despite it having started operations recently. The joint venture constituted with Organizações Corona S.A. has not been taken into consideration yet, since its economic activity hasn't started yet. The company's indicators will be inserted as of the period in which those activities have been started, which should occur at the end of 2013.

To define the report's content, the issues and concerns related to Eternit and its controlled companies were taken into consideration, which are mentioned as of greater interest by the Company's strategic publics – employees, clients, suppliers, community, government and society. On page 64 you'll find more information on how Eternit relates to each of these publics and other interest groups. The content was guided and approved by an internal multidisciplinary collegiate, of in order to ensure the reliability of the information.

The 2011 report has been organized into the following chapters:

- >> Eternit
- >> Diversified portfolio
- >> Strategy for the next 70 years
- >> Transparent management
- >> Growth year
- >> Human Capital
- >> Sustainable growth

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2011 HIGHLIGHTS

MAIN EVENTS IN THE YEAR

- >> The Company ended the year operating at full capacity in the chrysotile mining business, at around 85% in the fiber cement segment and around 70% in the concrete tiles business;
- >> Mining company SAMA ended the year with a global market share of 15%, one percentage point higher than in the year 2010;
- >> Eternit gains one percentage point and ends the year with a 32% market share in the Brazilian fiber cement market;
- >> In just three years, Eternit has already become the fifth largest company in terms of market share in the bathroom chinaware segment;
- >> One year after the acquisition of Tégula Soluções para Telhados Ltda., a market leading company in the concrete tiles segment, the sold volume of tiles has grown by 13.5% compared to 2010;
- >> Tégula has kept its leadership in the concrete tile sector, with a 35% market share in the Brazilian market;
- >> Acquisition of land for the construction of the multi-product unit in the Industrial District of the Port of Pecém, in the municipality of Caucaia, in the state of Ceará;
- >> Tégula's production capacity increased by 60%;
- >> Opening of Tégula's sixth plant in São José do Rio Preto (SP);
- >> Constitution of the joint venture Companhia Sulamericana de Cerâmica S.A., with Organizações Corona S.A, for the construction of the first plant – of bathroom chinaware – in the multi-product unit;
- >> Launch of Tégula's line of bathroom chinaware, with highlight to the products made with Swarovski;

- >> Launch of Tégula's line of certified woods for roof structures;
- >> Conclusion of the lab for the development of synthetic marble, a new product to be launched in 2012;
- >> Opening of the Company's showroom in one of the most important avenues in São Paulo, on Avenida Rebouças;
- >> Eternit surpasses 15 thousand sales points;
- >> Inventory formation to launch, in 2012, a new segment: metal fittings; and
- >> Eternit launches its new investor relations website.



Eternit stand at FEICON

AWARDS AND RECOGNITIONS IN THE YEAR

GRI 2.10

The market conquest and recognition confirm the good practices held by Eternit and its controlled companies. The many different awards received in the last seven decades, since its foundation, show that the Company takes very seriously what it does for all of its stakeholders. Check below a list of the prizes awarded in 2011.

- >> Award for the Best Corporate Governance Program in Latin America for the third consecutive year, and for the Best Online Annual Report granted by IRGR (Investor Relations Global Rankings) for the second time;
- >> Prize for the Best Investor Relations Program for Individual Investors, awarded by IR Magazine;
- >> Honorable Mention due to being among the five best Investor Relations Programs – Grand-Prix, granted by IR Magazine;
- >> SAMA was elected once again as one of the best companies to work for, according to Brazilian magazines Época and Exame;
- >> SAMA held, for the fourth consecutive time, the first position in the ranking of the best Companies from Diverse Industry Sector, elaborated by magazines Guia Você S/A and Exame. The mining company had already also won in 2003 and 2005;
- >> Sama won the Chico Mendes Socio-Environmental International Prize, for its benchmark position in the handcraft sector in the Northern region in the Country and for providing for the development of participants;
- >> The mining company was in the fourth position in the Newspaper Valor Econômico Prize for The Best Staff Management, among companies with 501 to 1,000 employees;
- >> Also as regards Staff Management, SAMA was in the first position among large companies in the Sesi – Quality at Work Prize;
- >> Rubens Rela, general director at SAMA, was elected as a HR Highlight Businessman in the 14th Edition of Top of Mind, held by newspaper Estado de São Paulo;
- >> Great Place to Work and Newspaper O Popular placed SAMA in third place among the 19 Best Companies to Work for in the Central-Western region;
- >> SAMA was in the first position in two categories of the Goiás Human Being Prize, promoted by the Brazilian Human Resources Association: Best Staff Management Practices and Best Sustainability and Social Responsibility Practices. It was also awarded a prize as the best staff management company by the HayGroup.
- >> Tégula was in the 7th General position in the Business Highlight category - tax revenue general and in the 2nd place also in the Business Highlight category – industry tax revenue in the prize awarded by ACI/FWE (Trade and Industrial Association of Frederico Westphalen-RS).

A list of all the prizes awarded in the last few years is available at www.eternit.com.br.

ETERNIT'S MAIN ECONOMIC, SOCIAL AND ENVIRONMENTAL INDICATORS IN 2011

Eternit S.A. - Consolidated Information	2011	2010	11/10 (%)	2009	10/09 (%)	2008	09/08 (%)	2007	08/07 (%)
Economic/Financial									
Gross Revenue (R\$ thousand)	1,071,780	991,302	8.1%	743,393	33.3%	705,922	5.3%	503,436	40.2%
Net Revenue (R\$ thousand)	820,238	758,745	8.1%	583,268	30.1%	546,986	6.6%	401,304	36.3%
Ebitda (R\$ thousand)	140,107	144,353	-2.9%	123,498	16.9%	133,369	-7.4%	73,824	80.7%
Ebitda Margin (%)	17	19	-2 p.p.	21	-3 p.p.	24	-3 p.p.	18	6 p.p.
Net Profit (R\$ thousand)	97,193	102,085	-4.8%	73,119	39.6%	81,133	-9.9%	51,921	56.3%
Net Margin (%)	12	13	-1 p.p.	13	-2 p.p.	15	-2 p.p.	13	2 p.p.
Total Assets (R\$ thousand)	691,935	661,078	4.7%	571,842	15.6%	436,396	31.0%	392,127	11.3%
Net Equity (R\$ thousand)	438,106	412,489	6.2%	390,803	5.5%	265,705	47.1%	250,408	6.1%
Investments (R\$ thousand)	46,356	92,844	-50.1%	28,770	222.7%	64,816	-55.6%	31,816	103.7%
Acquisition (R\$ thousand)	-	34,303	-100.0%	-	-	-	-	-	-
Administrative (R\$ thousand)	4,558	-	-	-	-	-	-	-	-
New Business (R\$ thousand)	4,000	9,289	-56.9%	8,278	-	3,724	-	-	-
Expansion (R\$ thousand)	13,000	24,762	-47.5%	-	-	31,000	-100.0%	7,000	342.9%
Maintenance (R\$ thousand)	24,798	24,490	1.3%	20,492	19.5%	30,092	-31.9%	24,816	21.3%
Shares									
Market Value (R\$ thousand)	796,550	1,074,000	-25.8%	773,280	38.9%	368,234	110.0%	515,147	-28.5%
Average Share Price (R\$)	8.90	12.00	-25.9%	8.64	38.9%	5.11	69.1%	7.10	-28.0%
Average Traded Volume (R\$ thousand)	794	968	-18.0%	1,108	-12.6%	2,900	-61.8%	3,698	-21.6%
Dividends per Share (R\$)	0.90	0.80	12.5%	0.72	10.7%	0.91	-20.3%	0.55	64.9%
Free Float (%)	77	79	-2 p.p.	83	-3 p.p.	86	-3 p.p.	94	-8 p.p.

to be continued...

ETERNIT'S MAIN ECONOMIC, SOCIAL AND ENVIRONMENTAL INDICATORS IN 2011

Eternit S.A. - Consolidated Information	2011	2010	11/10 (%)	2009	10/09 (%)	2008	09/08 (%)	2007	08/07 (%)
Market									
Sales of Fiber Cement (thousand tons)	859	827	3.9%	731	13.1%	725	0.8%	620	16.9%
Sales of Concrete Tiles (million m ²)	5.9	5.2	13.5%	-	-	-	-	-	-
Sales Chrysotile Asbestos (thousand tons)	297	306	-2.9%	291	5.2%	304	-4.3%	273	11.4%
Internal Market (%)	55	53	2 p.p.	48	6 p.p.	41	6 p.p.	37	4 p.p.
External Market (%)	45	47	-2 p.p.	52	-6 p.p.	59	-6 p.p.	63	-4 p.p.
Staff									
Employees (n°)	2,487	2,416	2.9%	1,672	44.5%	1,663	0.5%	1,456	14.2%
Hiring in the Period (n°)	838	1,157	-27.6%	238	386.1%	452	-47.3%	339	33.3%
Dismissals in the Period (n°)	767	413	85.7%	229	80.3%	260	-11.9%	316	-17.7%
Mining Productivity - Kg/HHT	237	219	8.4%	256	-14.6%	252	1.5%	241	4.7%
Fiber Cement Productivity - Kg/HHT	378	390	-3.1%	392	-0.5%	419	-6.4%	402	4.2%
Concrete Tiles Productivity - m ² /HHT	8.62	5.01	72.1%	-	-	-	-	-	-
Environmental - Ibase									
Investment in the Natural Environment (R\$ thousand)	6,004	6,744	-11%	3,989	69.1%	3,414	16.8%	3,497	-2.4%
Social - Ibase									
Internal Social Investments (R\$ thousand)	80,896	86,396	-6.4%	58,554	47.5%	48,728	20.2%	42,364	15.0%
Total Contributions by the Company (R\$ thousand)	2,341	2,854	-18.0%	1,507	89.4%	1,138	32.4%	1,081	5.3%

The financial information represented above is in conformity with IFRS standards.

MESSAGE FROM THE PRESIDENT

GRI 1.1

The Company operated in 2011 at full capacity in the chrysotile mining business, at about 85% of the production capacity of fiber cement and more than 70% in the concrete tiles business, which allowed it to report a superior performance to that of the sector.

The consolidated net revenue amounted to R\$ 820.2 million, 8.1% higher than in the year 2010. The net income was R\$ 97.2 million, 5% lower than in the previous year, especially due to the expenses to defend its chrysotile mineral activity, and marketing expenses directed to the launch of new products. As regards to the investments, the Company invested a total amount of R\$ 46.3 million in projects in 2011, with highlight to an increase of 60% in the Tégula's capacity, including the unveiling of the new plant in São José do Rio Preto (SP).

With 72 years of activities, Eternit has consolidated as the largest and most diversified roof coverings industry in the Country. We're proud of this achievement, because it enable us to face for new challenges. We're starting a new cycle in which we intend to consolidate the Company as the most diversified construction materials industry in the Country, with solutions and products from floor to ceiling. The Expansion and Diversification Program has allowed Eternit to end the year 2011 with approximately 20% of its sales linked to diversification. In the mid and long terms, the goal is to reach 50%.

In 2011, we launched new bathroom chinaware models and raised our share in this market from 2% to approximately 5%, surpassing many traditional competitors. In addition to the quality concept and the consumer confidence, Eternit's great differential is its logistic efficiency, which allows it to fulfill the small quantities requested by retailers at any point in the Country within the average term of 72 hours.

The success in the commercialization of bathroom chinaware has led us to form a joint venture for own production in Brazil. Our partner will be Organizações Corona, one of Eternit's current partners and a large global producer of bathroom chinaware, with a tradition of more than 130 years. The proximity generated by this partnership, added to the technical capacity and to that company's integrity, have lead us to establish a joint venture, with production start forecasted to two years. The joint venture is to be known as Companhia Sulamericana de Cerâmica S.A. and Eternit's stake in the business is 60%.

The bathroom chinaware plant will be the first operation of the multi-product unit we are going to build in the State of Ceará, on a 400-thousand square meter land acquired in 2011, based in the Industrial District of the Port of Pecém. That's a strategic location, since we have, today, a large presence in the Southern, Southeastern and Central-Western regions, but still a limited presence in the Northern and Northeastern regions of the country. It also provides excellent cabotage costs, which will allow us to access other markets, such as the Northern and Northeastern Regions. As a view of the future, we'll be able to export to the African continent.

Also in 2011, we established strategic partnerships in order to enter the bathroom metal fittings segment in the first quarter of 2012. That's an important segment, with high aggregate-value products and good margins. The portfolio will range from the standard to luxury.

The Eternit Group takes an active part in the debate about the use of chrysotile mineral in Brazil, and has become not just a leader in the covering segment made of that raw material, but also a worldwide reference as regards safety and the good practices of corporate governance. The Company has endeavored to act transparently and keeps an Open Door Program that has already received more than 50 thousand visits in seven years.

Eternit – and all the production chain – strongly believe in the full safety of its production processes, as indicated by an important scientific survey on mining operations, conducted by renowned physicians, linked to the main Brazilian public universities.

The Company was a pioneer obtaining the ISO 14001 international certifications on environmental management and OHSAS 18001 on occupational health and safety management, whose certifying entity is *Det Norske Veritas*, from Norway. Eternit's culture and values involve the effort to act with social and environmental responsibility at all of its units and controlled companies. We're listed on the *Novo Mercado*, the highest level of Corporate Governance on the BM&FBOVESPA, and we're signatories of the UN'S Global Compact, to fight corruption, and we are going to prepare ourselves, in the mid to long-term, to adhere to the Blueprint – Action Plan for Leadership in Corporate Sustainability, promoted by the UN.



Despite the great requirement of resources in order to implement its Expansion and Diversification Program, Eternit has kept its remuneration policy constant, and nonetheless has been able to remain capitalized, which places it among the best companies for shareholders in that sense.

I'd like to emphasize that we have the best expectations for 2012. The construction materials sector, even in difficult times, has always presented a good performance. Besides, the Brazilian population is still strongly willing to purchase their own home, or to improve the one they live in. Therefore people will continue to build, renovate and expand. We are concerned, of course, with unemployment and other factors that may influence consumption, but we really care a lot for our investments, which always follow the demand trends and the performance of the Brazilian economy. Finally, we'd like to highlight the importance of our employees for the Company's success, which has led us to provide the best human resource practices as a recognition of their efforts. We'd like also to thank the trust of our shareholders, suppliers, retailers, and consumers and of society in general.

Welcome to the next 70 years!

Élio A. Martins

CEO and Investor Relations Director of the Eternit Group

WITH 72 YEARS OF ACTIVITIES,
ETERNIT HAS CONSOLIDATED
ITSELF AS THE LARGEST AND
MOST DIVERSIFIED ROOF
COVERINGS INDUSTRY IN THE
COUNTRY. WE ARE PROUD OF
THIS ACHIEVEMENT,
BECAUSE IT
ENABLES US
TO FACE NEW
CHALLENGES



01

ETERNIT



CORPORATE PROFILE

GRI 2.2 / 2.5 / 2.9

Since 1940, Eternit has been taking an active part in the Brazilian development and growth, especially in the civil construction sector. As a traditional manufacturer of fiber cement products containing chrysotile mineral, which provide the best cost-benefit relation in the market, for 72 years the Company has been allowing the lower income classes to have access to high quality and durable tiles. With sales superior to R\$ 1 billion, Eternit is today the largest and most diversified covering industry in the Country, being a market leader in the fiber cement and concrete tiles segments.

In the mid to long terms, Eternit's purpose is to become the largest and most diversified construction materials industry in the Country, due to which reason it has established a strategy to diversify its portfolio. In such a context, it has identified the trends in Architecture and construction in order to launch novelty products and services that provide supply construction works from floor to roof and, at the same time, service all social classes. As a consequence of these efforts, the Company has added bathroom chinaware, toilet seats, components for construction systems, and metal fittings to its portfolio, among other products.

This movement is a part of the Expansion and Diversification Program, which forecasts investments to ensure diversified organic growth and inorganic growth, which will lead to an increase in the product range, a search for new markets and businesses, acquisitions and strategic partnerships. The plan, whose last goal – reach R\$ 1 billion in sales – was fulfilled in 2010, with one year ahead of schedule, was revised in 2011, in order to establish the bases for Eternit's growth in the next five years.

An important step was the project of the unit for the production of bathroom chinaware through a joint venture, – between Eternit and Organizações Corona S.A. –, one of the world's largest producers of bathroom chinaware fittings. The joint venture is to be known as “Companhia Sulamericana de Cerâmica S.A.” and ownership will be split 60% with Eternit and 40% by Corona.

ORGANIZATIONAL STRUCTURE

GRI 2.3 / 2.4 / 2.5 / 2.7 / 2.9

To facilitate its diversification purposes, Eternit counts on a structure composed of administrative headquarters, located in the capital of the State of São Paulo, and another four plants, strategically installed in the Northeastern, Southeastern, Southern and Central-Western regions. The Land for the construction of a multi-product unit has already been acquired in Caucaia, in the State of Ceará, where the first plant, which should be ready within 18 months after the start of works, will shelter its own production of bathroom chinaware.

Eternit's structure is complemented by six sales branches and three controlled companies: SAMA S. A. – Minerações Associadas – the only chrysotile mining company in Latin America and the third largest in the world; Precon Goiás Industrial Ltda., which produces fiber cement tiles, with a plant in the Central-Western region; and Tégula Soluções para Telhados Ltda., a leading company in the concrete tiles sector, with other six plants distributed in the Southern, Northeastern, Southeastern and Central-Western regions. It was such a vast structure, composed of 11 plants and one mining company that allowed Eternit to become the largest and most diversified roof coverings industry in the Country.

The plants' strategic location – which can count on efficient structures and logistic processes – added to a distribution channel composed of more than 15 thousand sales points, are some of Eternit's differentials, since they allow us to service our clients anywhere in Brazil within an average term of 72 hours after an order has been received. Therefore, the Eternit brand name is able to be present in many different sales points, from large retailers and home centers, to small and medium retailers, which ensures its leadership in the Brazilian fiber cement market and has allowed it to conquer a large part of the bathroom chinaware segment in its very first years of operation. In 2011, the Company's share in those markets amounted to 32% and 5%, respectively, an evolution from 1 p.p. and 3 p.p. if compared to 2010.

SAMA, responsible for the extraction and processing of chrysotile fiber, commercializes the raw material for Eternit and also allows it to raise revenues with the commercialization of the fiber to other national and foreign fiber cement companies. The mining company has a 15% market share in the global market of chrysotile and gives priority to sales in the internal market, due to its higher profitability, exporting just the surplus production. Exports are directed to more than 20 countries.

As regards Tégula, a leading company in the concrete tiles segment, it reported a remarkable growth of 13.5% if compared to 2010. This company, besides having opened a new plant in São José do Rio Preto (SP), has also entered the bathroom chinaware and certified wood segments in 2011. Its share in the Brazilian concrete tile market has been kept at 35%.



Headquarters in São Paulo (SP)

New administrative headquarters

Eternit's administrative headquarters was completely renovated in 2011. The facilities were modernized, with the replacement of department divisions and furniture. There is no more division between employees' desks, which facilitates their interaction. The toilets have also been renovated and have received new Eternit washbasins, basins and faucets.

The headquarters' reopening was held November 4th. The renovation's purpose was not just to provide employees and visitors with beautiful and modern ambiances, but also to adapt the Company's management center to its external image of grandeur and vision towards the future.

ETHICS AND SUSTAINABILITY

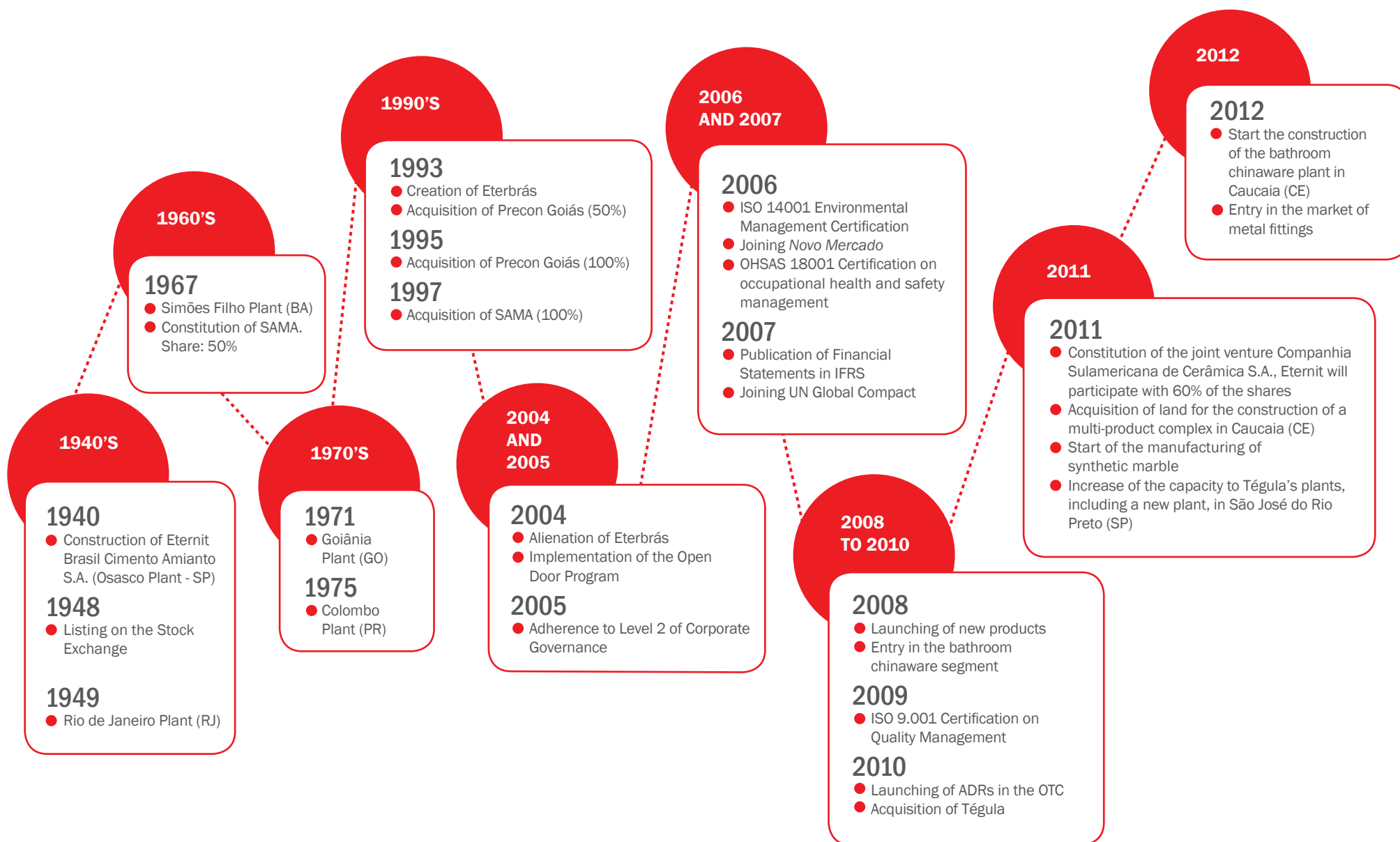
GRI 2.8 / 4.12

Eternit has a structure of more than 2.5 thousand employees, distributed throughout the Country. The respect for these professionals is one of the Company's guidelines to ensure its sustainability, which, in other words, may be translated as ensuring the continuity of its business with profitability, competitiveness and respect to the natural environment and to social responsibility. As a result of this action, it has received awards and recognition from the market, as well as obtaining international certification, such as ISO 9001 and 14001, and OSHAS 18001, respectively, for quality management, and environmental and occupational health and safety management. Both the fiber cement plants and the mining company SAMA carry certification in all three instances, with SAMA being the first chrysotile mining company in the world to obtain the ISO certification for environmental management and the OHSAS certification for occupational health and safety. Tégula's plants carry ISO 9001 and are already preparing themselves to obtain, in 2012, the ISO 14001.

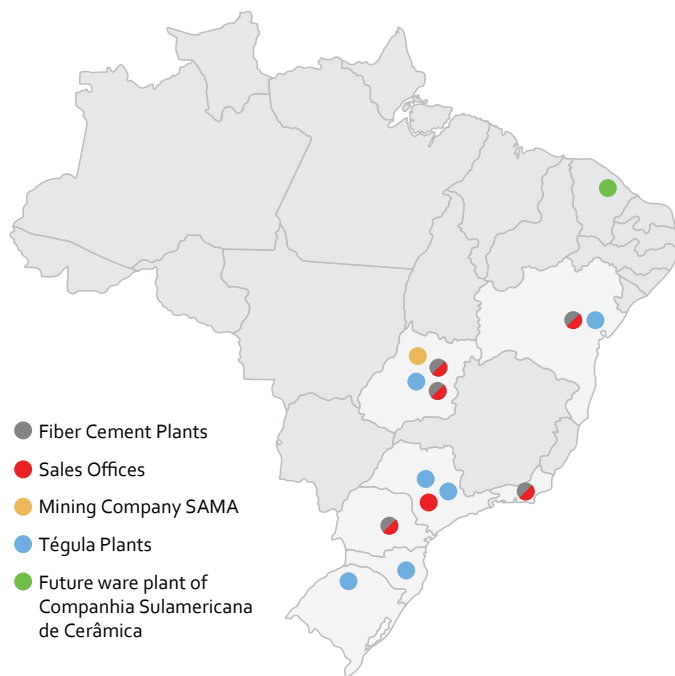
The Company is a signatory to the Global Compact and supports the Millennium Targets, both being initiatives led by the UN (United Nations Organization). It is preparing now to conduct Blueprint – Action Plan for Leadership in Corporate Sustainability, an initiative related to the Global Compact. Eternit has been listed on the Stock Exchange since 1948. Since 2006, the Company has been part of the BM&FBOVESPA *Novo Mercado*, the highest level of Corporate Governance on the exchange, as well as having its American Depositary Receipts – ADRs listed on the US Over-the-Counter Market since May 2010.

ETERNIT IS GETTING READY TO ADHERE TO BLUEPRINT – SUSTAINABILITY ACTION PLAN

TRAJECTORY OF ETERNIT



GEOGRAPHIC DISTRIBUTION



Tégula Plant in Atibaia (SP)



Productivity indicators per unit (tons)

Fiber cement plants					
	Anápolis (GO)	Colombo (PR)	Goiânia (GO)	Rio de Janeiro (RJ)	Simões Filho (BA)
Opening	1976	1975	1971	1949	1967
Employees	Direct: 116 Indirect: 21	Direct: 377 Indirect: 21	Direct: 272 Indirect: 29	Direct: 199 Indirect: 55	Direct: 185 Indirect: 27
Installed fiber cement capacity	83,196	282,000	274,800	188,400	171,600
Manufactured products	Tiles Precontex Preconit Precon	Tiles Ondulada Tropical Vogatex Modulada Canalete 49 Canalete 90 Etermax Olinda	Tiles Ondulada Tropical Vogatex Modulada Canalete 49 Etermax	Tiles Ondulada Tropical Vogatex	Tiles Ondulada Tropical Vogatex Modulada Canalete 49
		Components for Construction Systems		Polyethylene water tanks	
		Additional Parts for Fiber Cement	Additional Parts for Fiber Cement	Additional Parts for Fiber Cement	Additional Parts for Fiber Cement
Further information	Precon Plant in Goiás, controlled by Eternit.	Only plant of Eternit to produce the entire portfolio of components for construction systems, and with capacity to paint tiles and plates. Also includes the Technological Development Centre and corporate area for quality, health, safety and the environment.	Maintains stock of products for resale, such as bathroom chinaware and lavatory seats.	Maintains stock of products for resale, such as bathroom chinaware and lavatory seats.	Maintains stock of products for resale, such as bathroom chinaware and lavatory seats.
	Maintains stock of products for resale, such as bathroom chinaware and lavatory seats.	Maintains stock of products for resale, such as bathroom chinaware and lavatory seats.			

Productivity indicators per unit (million m²)

Concrete tile plants						
	Anápolis (GO)	Atibaia (SP)	Camaçari (BA)	Frederico Westphalen (RS)	Içara (SC)	São José do Rio Preto (SP)
Opening	2007	1978	2002	2006	2000	2011
Employees	Direct: 75 Indirect: 0	Direct: 327 Indirect: 0	Direct: 55 Indirect: 0	Direct: 47 Indirect: 0	Direct: 69 Indirect: 0	Direct: 42 Indirect: 0
Installed concrete tile capacity	0.79	4.90	0.38	0.53	1.19	0.22
Manufactured products						
	Tiles Tradição Big	Tiles Tradição Double S Plana Big	Tiles Coppo de Grécia	Telhas Tradição Plana Coppo Venetto Big	Telhas Tradição Plana	Telhas Tradição Big
		Complementary pieces for concrete tiles	Complementary pieces for concrete tiles	Complementary pieces for concrete tiles	Complementary pieces for concrete tiles	Complementary pieces for concrete tiles
Further information						
	Maintains stock of accessories for resale.	Tégula's headquarters has one of the largest sets of solar panels in Latin America, used in the tiles manufacturing process in replacement to the use of fossil fuel. This measure reduces the environmental impact.	Maintains stock of accessories for resale.	Maintains stock of accessories for resale.	Maintains stock of accessories for resale.	Maintains stock of accessories for resale.
		Maintains stock of accessories, including certified wood, and bathroom chinaware for resale.				

MISSION, VISION AND VALUES

GRI 4.8

MISSION

To develop, manufacture and sell raw materials, products and solutions of excellence to the building industry, ensuring competitiveness, profitability and longevity of the business, hand-in-hand with social responsibility and respect for the environment.

VISION OF THE FUTURE

To be a diversified and profitable suppliers of raw materials, products and solutions to the building industry. To maintain its leadership in the covering sector, while achieving a significant market share in other segments, positioned in the top five most recognized brands in the building materials sector.

INTANGIBLE ASSETS

The non-physical assets of a company are considered its intangible assets that are not to be found in traditional company balance sheets. These assets are important differentiation factors, and constitute competitive advantages and have a direct influence on the company's value.

In the case of Eternit, its intangible assets (see *table on the following page*) the strength of its brand name, its human resources, its diversified portfolio the cost-benefit relation of products, the strategic location of its plants, its distribution network and the development of new technologies. The Company has all the technical and organizational conditions to provide for the development of these assets through initiatives that benefit not only its business, but also the society.

VALUES

- Agility
- Commitment to results
- Ethics
- Excellence
- Focus on the client
- Respect for the environment
- Transparency
- Attributing worth to employees



The Owl - Eternit's mascot and symbol

Strength of the brand name

Components	Evidences	Initiatives
<ul style="list-style-type: none">● Tradition and strenght of the Eternit brand name, in Brazil since 1940.● A brand that's synonym of quality to consumers.● Product with the perception of excellent cost-benefit.	<ul style="list-style-type: none">● Widespread knowledge of the Company's logo, the "Little Owl".● Perception of fiber cement tile as synonym of Eternit tile.	<ul style="list-style-type: none">● Diversification of its portfolio, with products that get to the market already with the recognition and quality associated to the brand.● Marketing action on TV in the program "Building a Dream".

Human resources

Components	Evidences	Initiatives
<ul style="list-style-type: none">● The Company's high productivity rates if compared to the sector.	<ul style="list-style-type: none">● Production of 378 kg/hht at Eternit and 237 kg/hht at SAMA and 8,62 m²/hht at Tégula.● Recognition of SAMA among the best companies to work for four consecutive years.● Low turnaround at SAMA – just 1.31% in 2011.	<ul style="list-style-type: none">● Structured trainee program that counted on the participation of 5,430 candidates in 2011 for the five available vacancies.● Replication of the programs to acknowledge time of work at the company: Gente 10, Gente 20 and Gente 30 at SAMA for Eternit.● Production in full capacity at the mining company, of around 85% at Eternit's plants and of around 70% at Tégula.

Portfolio

Components	Evidences	Initiatives
<ul style="list-style-type: none">● Wide range of products on offer.● Strengthening of the Company's image as a company that provides products and solutions for civil construction.● Constant search for innovations.	<ul style="list-style-type: none">● Many different types of tiles, water tanks and components for construction systems with their many different applications.● Creation of a new business area.● Entry in the bathroom chinaware and toilet seats market.	<ul style="list-style-type: none">● Start of the commercialization of new products.● Acquisition of Tégula in 2010.● Preparation to enter the metal fittings and synthetic marble markets.

Cost-benefit

Components	Evidences	Initiatives
<ul style="list-style-type: none">● Fiber cement tiles are the most competitive in the market.● With R\$ 800.00 it's possible to cover a 50-m² home.	<ul style="list-style-type: none">● Replacement of black canvas for fiber cement tiles by the lower classes.● Covering of 47% of Brazilian homes.	

Plant's strategic location

Components	Evidences	Initiatives
<ul style="list-style-type: none">● Order fulfillment within short terms.	<ul style="list-style-type: none">● Eleven factory units located in four different regions.● Delivery of a "closed freight" order within a medium period of 72 hours	<ul style="list-style-type: none">● Construction of a plant in the Northeastern region with the purpose of supplying the Northeastern and Northern regions.● Opening of a concrete tiles plant in São José do Rio Preto in 2011.

Distribution network

Components	Evidences	Initiatives
<ul style="list-style-type: none">● Facility for product purchase.● Extensive brand publicity throughout the Country.● Eternit makes no difference between small, medium and large retailers.	<ul style="list-style-type: none">● More than 15 thousand direct sales points.● Delivery of new products even without a closed order, by using the same distribution channel.● Opening of a showroom in São Paulo to present the installed portfolio, and realization of courses with the purpose of forming qualified workforce.	<ul style="list-style-type: none">● Constant improvements of the sales force, which has started to use laptops to increase control and to speed the commercialization process.● Remittance of new products to clients on the same truck used for the tiles.

Technological Development

Components	Evidences	Initiatives
<ul style="list-style-type: none">● Improvement of production lines.● Maintenance of a lab.	<ul style="list-style-type: none">● Opening of new production lines, with larger capacity.● Productions of fiber cement products with synthetic fiber.	<ul style="list-style-type: none">● Development of technology to utilize alternative fiber for fiber cement.● Development of techniques to manufacture synthetic marble.

MINING

GRI 2.2

SAMA S.A. – Minerações Associadas is the only chrysotile mining company in Latin America and the third largest in the world in operation. With a 15% share of the global market, the company is positioned just behind Russia (50%) and China (20%). The mining company ended the year 2011 operating at full capacity, extracting around 300 thousand tons. There is a plan to increase its annual capacity to 350 thousand tons, but SAMA is waiting for a definition by STF (the Federal Supreme Court) on the issue of using that mineral in Brazil.

The exploration of the mine was started in 1967 and, according to the current production levels, the deposit's useful life shall extend for another 30 years, since chrysotile mineral is a non-renewable resource. That calculation, however, may vary according to the increase of production.

The annual handling of rocks, which includes the mineral and the sterile components, is of 5 and 11 million tons, respectively. Chrysotile fiber represents 7.2% of the crushed mineral. The largest part of the sterile components is stored on disposal embankments, and later covered with soil and reforested. A very small part of the sterile components is destined to the making of handicraft pieces as part of the Sambaíba Project.

SAMA is located in the municipality of Minaçu, in the Northern area of the State of Goiás, 510 kilometers away from Goiânia. Installed on the left margin of the Tocantins River, it occupies a state concession area that comprises 4,500 hectares, and out of that total less than 20% are destined to mining. Of the remainder area, 10% are used as reforestation areas and 70% as a natural reserve for the native vegetation.

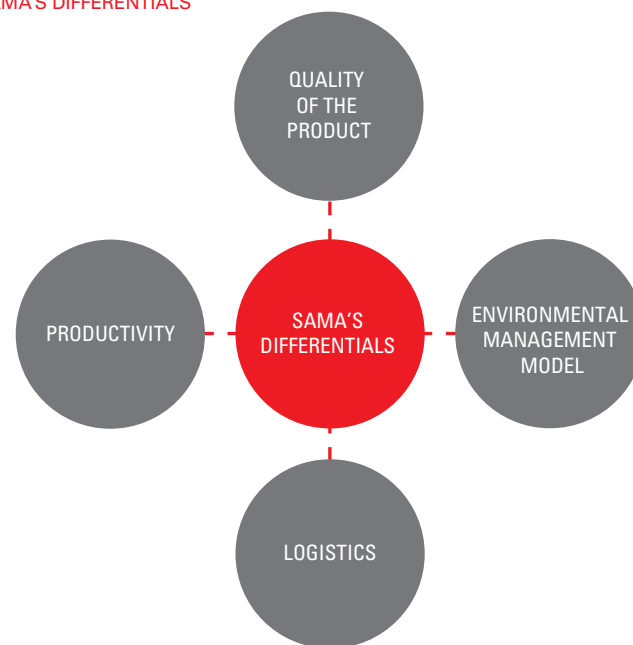
In 2011, SAMA employed 636 direct employees (including trainees), of which 148 lived the village that belongs to the mine. SAMA is one of the largest ICMS Tax collectors to the state government of Goiás, stimulating and stirring the regional and state economies.

MINING COMPANY'S DIFFERENTIALS

SAMA differentiates itself from its competitors due to its good environmental, social and health and safety practices. One of its highlights is also its capacity to keep a stable quality of the fiber it produces and its guaranty to delivery mineral ores to clients within a defined term anywhere in the continent.

This Eternit controlled company was the first chrysotile mining company in the world to be certified by ISO 14001 and OHSAS 18001. This mining company also supports the Millennium Goals and is a signatory of the Global Compact, both initiatives promoted by the UN (United Nations Organization). In 2011, the company gave another step towards consolidating its socially responsible behavior by reviewing all the contracts, norms and procedures related to services with the purpose of acting even more pro-actively to fight corruption.

SAMA'S DIFFERENTIALS



Sleeve filters for de-dusting, the largest filter of the kind in Latin America, with more than 17 thousand sleeves

In the previous year, SAMA was the only mining Brazilian company invited to take part in the Leaders Summit, an event held by the UN in New York to debate issues related to the transformation promoted by sustainability in the many different markets, based on the main economic and environmental events in the last few years. The participation in the event was extremely important because it allowed SAMA to take its vision to the debate and had a positive effect on that mining company's image.

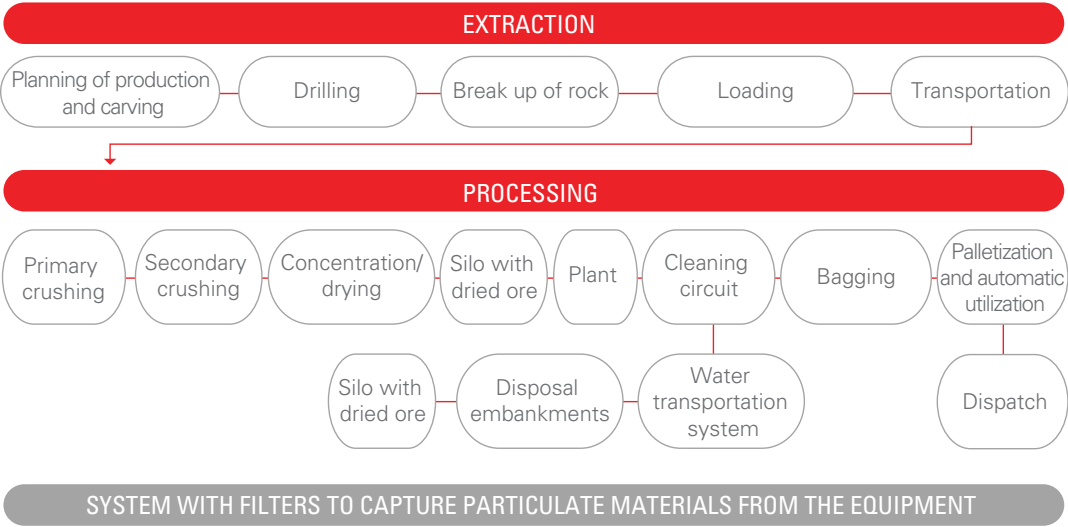
EXTRACTION AND PROCESSING OF CHRYSOTILE MINERAL FIBER

The chrysotile mineral extraction process is started after the receipt of sales planning. Based on that, the production and carving plan is elaborated, which defines the mine's advance points. At the frames rocks are perforated and quarried through detonation with explosives. This procedure involves a series of measures to ensure the safety of its employees. The explosive is, actually, an emulsion based on ammonium nitrate prepared in the explosion site and it's only sensitized through accessories (booster and fuses) and after being inserted in the hole where it will be detonated.

After that, the industrial transformation process is performed with the transportation of the mineral resulting from the detonation for primary crushing (entry) and the sterile rock is sent to the disposal embankments, where the recovery work is undertaken through the planting of native vegetation.

The entire extraction process, from the track to loading onto trucks, is undertaken under constant humidification, to avoid the emission of particulate materials. From the silo to processing, the mineral is transported on confined conveyor belts. The fiber then goes through other processes in order to withdraw any and every vestige of sterile rock and so it is classified as long, medium or short. The final product is sacked in 50-kilo blocks and placed in pallets of up to two tons, involved by a retractable plastic film.

EXTRACTION AND PROCESSING OF CHRYSOTILE MINERAL



Serpentine rock with chrysotile mineral fibers

FINISHED PRODUCTS

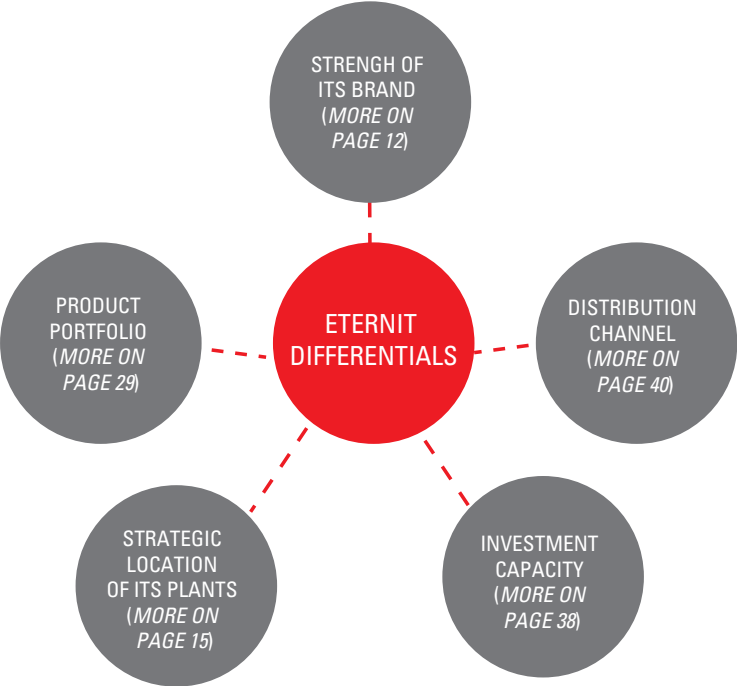
FIBER CEMENT

GRI 2.2

Eternit is a traditional manufacturer in the fiber cement market, in which it operates for 72 years, contributing to the access by the many different income segments to high-quality and durable coverings. Its leadership in that market in Brazil is justified by some differentials achieved by the Company, including the force of its brand, its diversified portfolio of products, the strategic location of its plants and its investment capacity.

The fiber cement product offers an attractive cost-benefit relation, able to service all the strata of the population, especially those of lower income. A technical study undertaken by IPT (Technological Research Institute) indicated that fiber cement products with chrysotile mineral are durable coverings that may exceed 70 years of use without damages. Products made with synthetic fibers, on the other side, have lasted a maximum of 20 years.

ETERNIT DIFFERENTIALS



Eternit's Differentials

With 72 years of tradition, the Company has built a solid image in the market and has invested in a portfolio and in a structure that are its true competitive advantages.

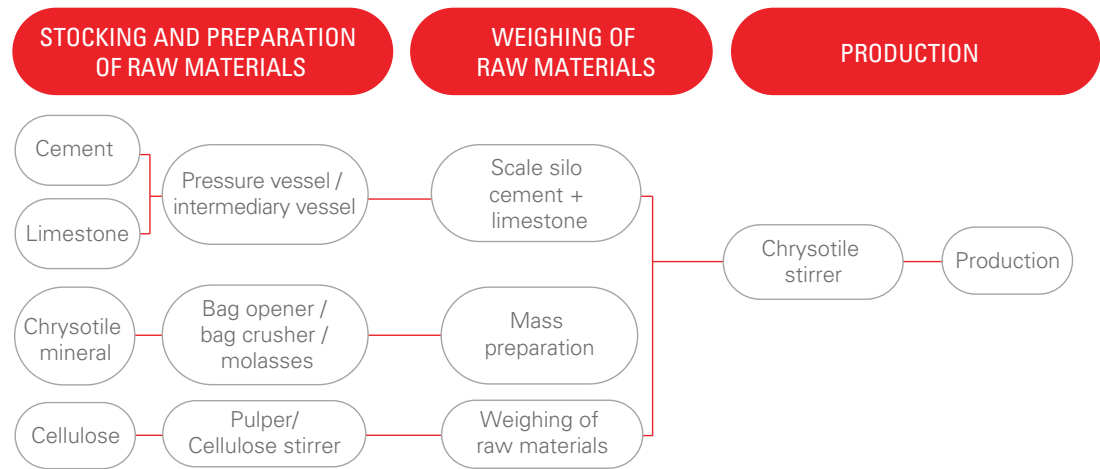
Manufacturing of the product with chrysotile mineral

Eternit is a leader in the Brazilian fiber cement market, with a 32% market share. Fiber cement is the result of the mixing of chrysotile mineral with recycled cellulose, cement, limestone and water. Each unit acquires cement and limestone from at least two different suppliers, to avoid catering problems, and stores them in automated silos, whose pressure system sends the stored material to production. Cellulose, as its name implies, comes from the recycling of newspapers, acquired from waste collection cooperatives, and from cement bags, gathered from construction companies. The water is obtained through artesian wells and even from rains, and is kept in tanks that are usually separated according to consumption: for personal or manufacturing purposes.

After the raw materials have been mixed, the mass is captured by the felt (manufacturing equipment), which forms a cap, compacted by a cylinder roll in order to acquire the desired thickness. After that, the mass is cut into the standard size and undulated to form the tiles. For the manufacturing of fiber cement water tanks, molds with different sizes are utilized. All the final product goes through a curing stage, and the products are withdrawn from the tins and molds after this procedure and, after that they are inspected and stocked.

It's important to stress that all of Eternit's manufacturing processes are automated and confined, ensuring full safety to its employees. Besides, all the Company's processes are sustainable, since everything is reused. The water utilized in production is kept in a closed circuit, which avoids waste and disposal into the environment. And cap cuts, as well as tiles that do not go through quality inspection, are reincorporated into the production process.

PRODUCTION FLOW OF FIBER CEMENT WITH CHRYSOTILE MINERAL



ALL ETERNIT
MANUFACTURING
PROCESSES ARE
AUTOMATED AND
CONFINED, ENSURING FULL
SAFETY TO ITS EMPLOYEES

Manufacturing of the product without chrysotile mineral

GRI 2.2

Eternit has the expertise to manufacture fiber cement products without chrysotile mineral. The Company has been manufacturing parts for construction systems and tiles using that technology, respectively since 2000 and 2009, with the purpose of supplying those markets subject to restrictions against that fiber and, especially, to service those clients that demand such products. The Company's entire industrial park is being prepared to handle that type of process manufacturing, which is similar to the one employed for chrysotile mineral, by changing just the procedures necessary to refine cellulose.

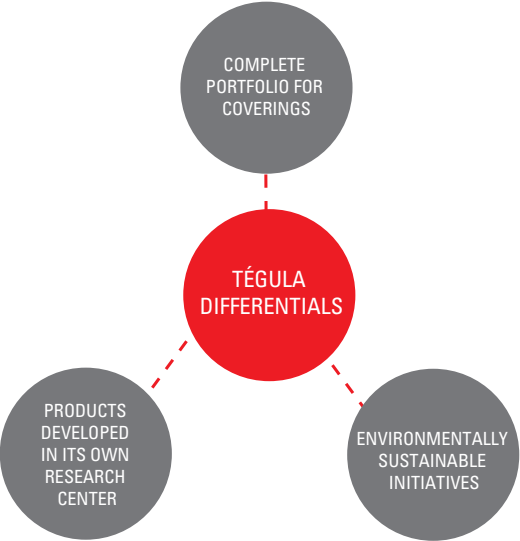
CONCRETE TILES

GRI 2.2

Eternit is the controller of Tégula, the largest manufacturer of concrete tiles in Brazil and the only company in the sector with six plants in the Country, equipped with the highest production technology not only to make tiles, but also some roof complements, composing a complete portfolio of coverings.

To attend the different architectural styles, the company works with five different tile profiles and, besides, it has a complete set of essential products for roofs (such as deckhouses, water tanks, undercover caps, among others) and solar heating systems for bathing.

Tégula differentials



Tégula has a differentiated portfolio because many of its products are developed in its own research center. The company also has a wide portfolio of contacts with architects and engineers at the Architects' Club, a point of contact created focusing on the exchange of experiences and opinions on the company's products, including specifications and other novelties related to civil construction.

The company also outstands by adopting sustainability practices as one of the pillars of its growth, due to which, among other initiatives, it has kept, since 2007, one of the largest solar heating facilities in Brazil, at its headquarters, in Atibaia (SP). The solar panels are utilized in the manufacturing process, to replace the use of fossil fuel. The company has been associated, since 2011, to GBC (Green Building Council) Brazil, a non-governmental organization that strives to disseminate sustainability and socio-environmental practices in national industries in the civil construction segment, in order to, by acting together with the government and civil society, contribute to the dissemination of the LEED (Leadership in Energy Environmental Design) certification, a seal that certifies the sustainability of an enterprise.

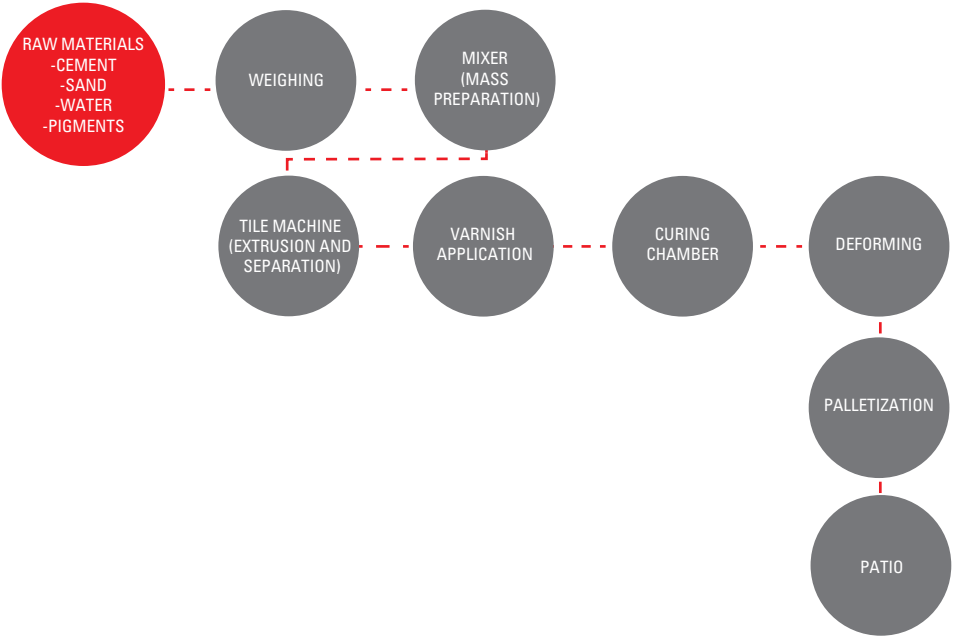
The Company undertakes its production only with controlled origin and destination materials. In 2012, it has created the largest stock of native wood certified by the Brazilian Forest Management Council – FSC Brazil from the Southeastern region of the Country, dedicated to the construction of roof structures, with the purpose of fully attending the conscious consumer market.

Manufacturing concrete tiles

The concrete tiles production process begins with the receipt of raw materials. The cement is stashed into silos, while the sand is stored in stalls. All the raw materials go through a weighing process. The sand is also sieved and, after that, mixed with the cement, water and pigments, forming a mass.

The mass is mixed in the equipment called mixer. The produced mix is sent to a machine, in which the extrusion and separation of tiles is conducted. In the following stage, varnish is applied and, later on, the tiles are sent to the curing chamber, where they remain for approximately eight hours. After the curing process, the tiles are palletized and, after that, transported to the patio, where they remain stored until their release by the Quality Control Sector for sale.

PRODUCTION FLOW OF CONCRETE TILES



GRI 2.2

BATHROOM CHINAWARE

Eternit currently doesn't make bathroom chinaware; it utilizes the production capacity of third parties and also imports them from Organizações Corona, a Colombian company that has tradition of more than 130 years in that market.

The Company intends to start its own production at the beginning of 2013, counting on the technical knowledge of Corona itself. A joint venture has been signed with that Colombian multinational that led to the creation of Companhia Sulamericana de Cerâmica, in which Eternit has a 60% share. The place of construction of the first multi-product plant has already been acquired, in Caucaia, Ceará (CE).

SYNTHETIC MARBLE

Eternit has structured, at the plant of Precon, a synthetic marble development unit. In 2011, the Company started designing its manufacturing process and undertook the first sales at the end of that year, with an excellent reception by the market in the Central-Western Region. The first pieces are dedicated to the local demand for sinks and tanks, but as part of its strategy Eternit might extend its portfolio with items that can meet the demands of the different regions and segments of that market.

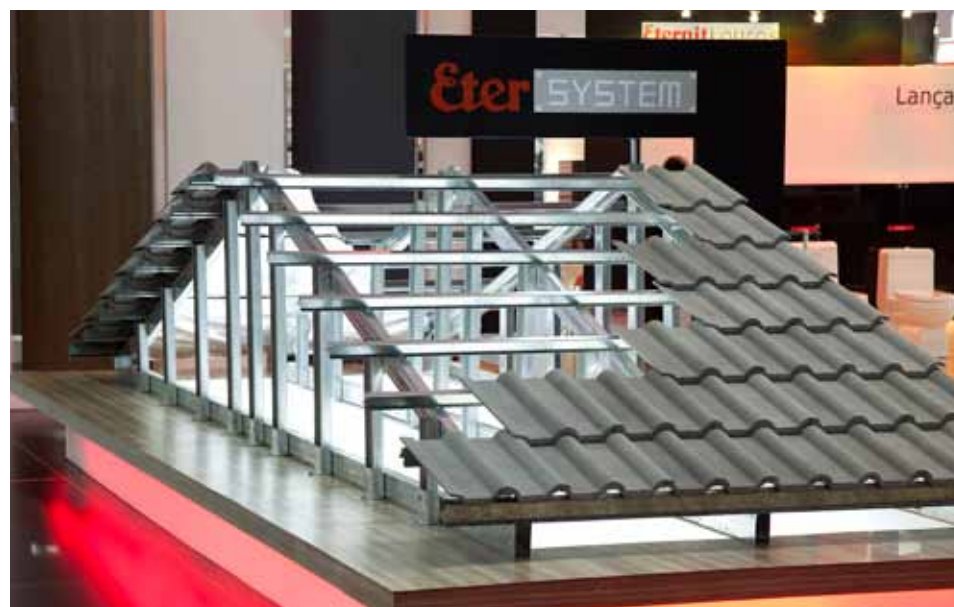
MANUFACTURING OF PRODUCTS BASED ON POLYETHYLENE

Eternit makes polyethylene water tanks at its unit of Rio de Janeiro. The manufacturing process, which consists in the addition of polyethylene resins into molds, followed by heating, cooling and finishing, ensures a high-quality product and fully in conformity with the precepts established by ABNT (Brazilian Association of Technical Norms).

MANUFACTURING OF OUTSOURCED PRODUCTS

In addition to the bathroom chinaware, tiles and metallic structures, the toilet seats and water pipe filters are not manufactured yet by Eternit. The production is outsourced, but the commercialization of the products is made under the Company's brand name. To ensure the final product's quality, Eternit's Quality team promotes visits in loco to inspect its employees' facilities, and production and safety standards.

THE STRATEGIC PARTNERS FOLLOW THE SAME QUALITY STANDARDS APPLIED TO THE ETERNIT BRAND NAME



Metallic structure for roof – Etersystem

02

DIVERSIFIED PORTFOLIO



PORTFOLIO'S PROFILE

GRI 2.2

With its consolidation in the covering market, in which it has operated for 72 years and holds a leadership position, Eternit has adopted a strategy to diversify its portfolio. The Company's purpose is to develop products to meet all the construction stages, by offering solutions from floor to roof, and therefore get ready for the next 70 years.

Today, besides tiles and water tanks made of fiber cement and polyethylene, the Company offers, among other products, concrete tiles, bathroom chinaware and toilet seats, filters for water pipes and components for construction systems. Its portfolio targets consumers from many different income levels.

With the creation of Companhia Sulamericana de Cerâmica, through a joint venture with Organizações Corona, Eternit will invest in more differentiated bathroom chinaware pieces. This market has also been explored since 2011 by Tégula, with products directed to a premium segment.

Further novelties in terms of portfolio have been forecasted for 2012. Eternit intends to extend its manufacturing of synthetic marble products, started in 2011 with a pilot project at Precon Goiás. The Company has also been preparing to launch, in 2012, a complete line of metal fittings, including showers and taps.

2011 LAUNCHES

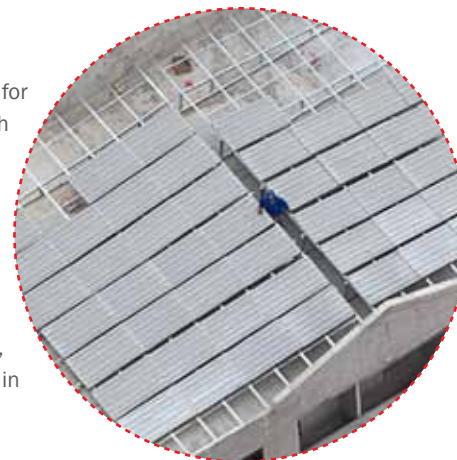
ONE-PIECE ITEMS

Eternit launched a series of new bathroom chinaware pieces, including bowls, washbasins and differentiated seats. The highlights among the novelties are the overlapping tubs with an exclusive design and the One Piece bowls, which gather, in a single product and without amendments, a coupled basin and box. The coupled box is also differentiated, since it has a mechanism that allows users to dose the water flow, with the options of half discharge (three liters) or full discharge (six liters). The bowls come also with a seat with a slowdown suave closing system.



ETERSYTEM

A ready-to-use system of metallic structures for coverings, adaptable to any type of tile and which dimensions may be customized according to every project. It's ideal for large-scale works, with repeated typologies, and may be utilized in one-floor or multi-floor constructions. Its beams, rafters and laths are made of light a galvanized and cold formed steel profile, which ensures high resistance and, consequently, a longer useful life, besides agility, lightness and reduction of residues in the construction site.



TÉGULA BATHROOM CHINAWARE

Tégula has also entered, in 2011, the bathroom chinaware market with tubs, bowls and toilet seats directed to the premium segment. In addition to their design, the pieces have other differentials, such as one-piece bowls (in which the box is coupled to the basin), the possibility of choosing the quantity of discharge water, a hidden siphon and optional seats with gentler closing. Among the novelties, we can highlight the Luminouse line, with Swarovski crystal inlays.



CERTIFIED WOOD FOR ROOFS

Tégula launched in 2011, a line of woods certified by the Brazilian Forest Management Council - FSC Brazil. Forest management imposes rules to all the wood supply chain in order to ensure the recomposition of forests and make them economically, socially and environmentally viable. According to this process, for example, just two trees are extracted within a forest area equivalent to a soccer field and a new extraction only occurs 30 years later.

The Tégula line of woods counts on four different types of certified wood, with applications that vary from bridges to vessels, and supply items to the many different parts of the roof structure of a home.



Toilet Seats



Washbasins




One Piece Basins




ETERNIT PORTFOLIO

BATHROOM CHINAWARE


Individual Pieces




Cadmo Washbasin




Cairo Washbasin




Seattle Washbasin




Mileto Washbasin




One Piece Mona Basin




Tarento Basin




One Piece Mona Black




One Piece Córdoba



Darus Washbasin



Alden Washbasin



Black Seattle

Color Line



Orange



Red



Blue



Green



Black



Caputino

Cedrus Line



Basin with coupled box



Washbasin with Column


Toilet Seats



Seat with Soft Closing made of Polypropylene




Wood Seat with Soft Closing




Polypropylene Universal Seat




Polypropylene Children's Seat



Savary Seat



Polyester Universal Seat



Polypropylene Seat

Aries Line



Basin with coupled box



Conventional Basin



Washbasin with Column

COVERINGS, WATER TANKS AND WATER PIPE FILTERS



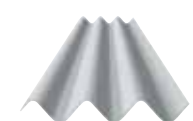
Vogatex



Tropical



Undulated



Etermax



Modulated



Canelete 49



Olinda



Canelete 90

Metallic Tiles



Trapezoidal 25



Trapezoidal 40



Trapezoidal 120



Undulated 17



Lining Tile



Sandwich Tile

Etersystem



Water tanks and filters



Polietilene



Etersystem Filter

ETERNIT COMPONENTS FOR CONSTRUCTION SYSTEMS



Eterplac

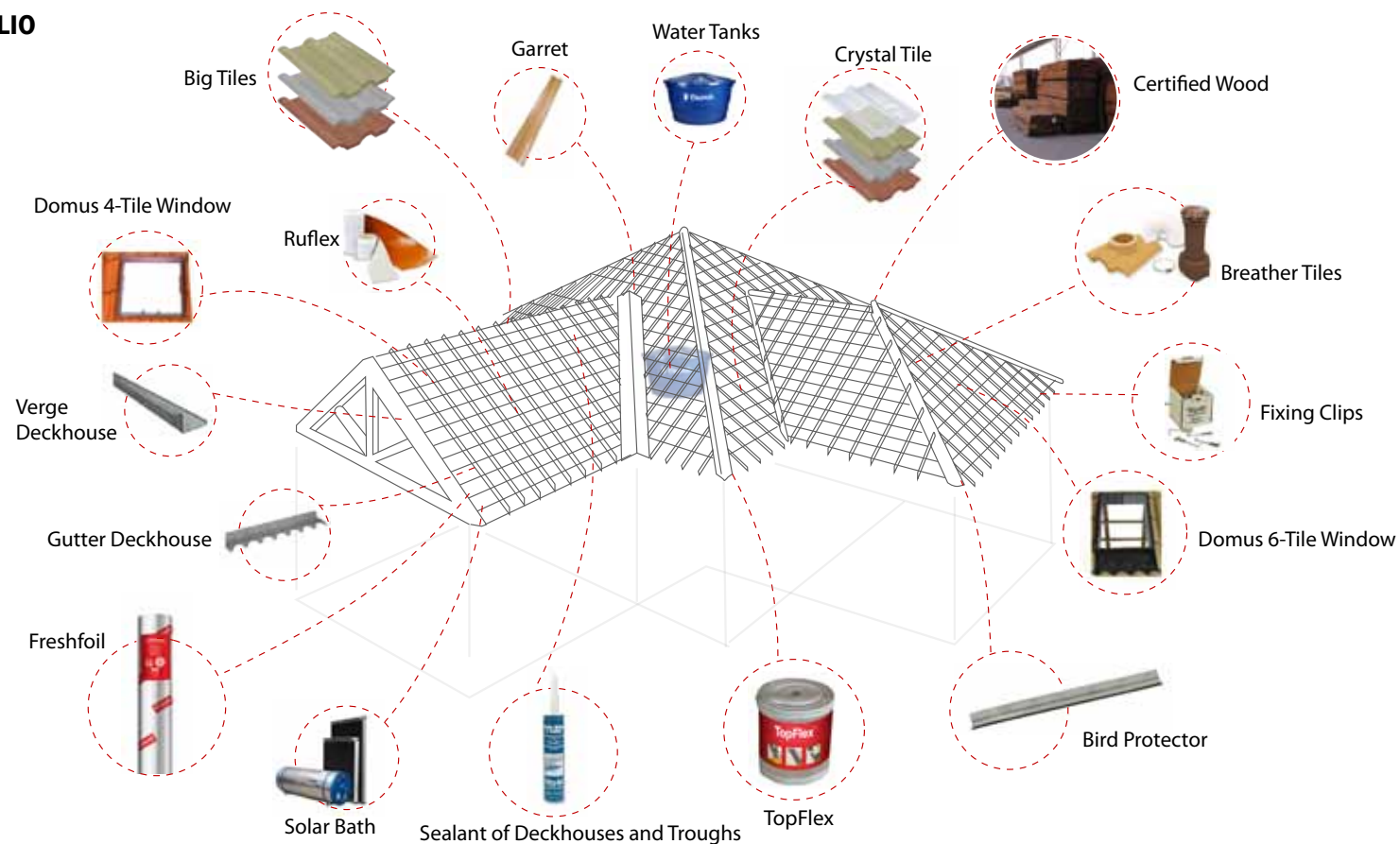


Wall Panel

LINE OF SYNTHETIC MARBLE



TÉGULA PORTFOLIO



TÉGULA Bathroom chinaware



The complete portfolio is available at www.eternit.com.br, www.tegula.com.br, and www.precongoias.com.br.

2012 NOVELTIES

SYNTHETIC MARBLE PRODUCTS

Eternit shall extend, in 2012, the commercialization of its line of synthetic marble products to other regions in the Country, currently available just in the area around the plant of Anápolis (GO). Composed of seven different synthetic marble products, including kitchen sinks, washing tanks, among other products, in six different colors, this line was developed in 2011 and is under pilot manufacturing at the plant in the state of Goiás. The pieces allow consumers to take home the beauty of the original marble at affordable prices.

METAL FITTINGS

Eternit developed, in 2011, with its strategic partners, a line with more than 150 metal fittings items, including taps, showers, among others, for kitchens, bathrooms and external areas. There are products for many different income levels, besides innovative items directed to the luxury market, such as flexible taps and bathroom showers with a differentiated design. Eternit metal pieces should get to the market in the first half of 2012.

ETERNIT SHALL EXTEND,
IN 2012, THE SALE OF ITS
SYNTHETIC MARBLE LINE
TO OTHER REGIONS OF
THE COUNTRY

Plant of Simões Filho (BA)



METAL FITTINGS

Showers



Value Wall Classic Shower



Wall Classic Shower



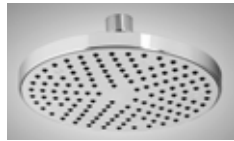
Wall Round Shower



Square Geometric Shower



Wall Value Classic Shower



Round Geometric Shower



Max Shower with diverter



Special Shower with sliding bar



Manual Shower Plus

Faucets



Washbasin tap high table spout



Command Double Mixer



Etermatic



Washbasin single-command mixer



High spout washbasin single-command mixer



Mobile spout kitchen single-command mixer



Kitchen single-command mixer

Cadmo Line



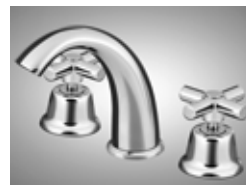
Washbasin tap high spout with aerator



Washbasin tap low spout with aerator



Wall washbasin tap with aerator



Washbasin mixer with medium spout



Washbasin mixer high spout with aerator



Hygiene Shower with registry



Kitchen tap table mobile spout with articulator



Kitchen tap wall mobile spout with articulator



Mixer kitchen table with articulator

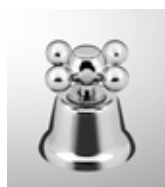


Kitchen mixer wall with articulator

Faucets also available with the finishings:



Darus



Brescia



Aries



Cairo

SHOWROOM



Multi-product showroom, located on Avenida Rebouças, one of the most important avenues in São Paulo

OPENING OF THE MULTI-PRODUCT- SHOWROOM, WHICH INCLUDES A TRAINING CENTER

On December 8th, 2011, Eternit opened, in São Paulo, the state capital, its multi-product showroom. Located in one of the most important roads in the city – Avenida Rebouças, at nº 2175 –, the space houses all Eternit brand lines, with the products properly installed so that consumers, architects, engineers and shopkeepers are able to see their application and functioning. The idea is that the showroom will work like a shop window for the brand, to demonstrate the new phase of the Company and, especially, the diversification of Eternit portfolio.

The space also includes an auditorium, a meeting room and a training center, where professional qualification courses will be given to commercial teams, assemblers and construction system, bathroom chinaware and light-profile metallic crating appliers. For this last product – an Eternit novelty in the market –, an important agenda has been forecasted in 2012: the best carpenters in the market will be invited to take part in a practical training at the showroom. The purpose will be to qualify these professionals and stimulate the replacement of wood in roofs for metallic profiles.

The showroom also plays a commercial strategic role. Three departments are housed in the space: the **São Paulo Regional Office**, which services the State of São Paulo and a part of the State of Minas Gerais, with sales, specifications and technical assistance; the **Construction Systems Division**, responsible for the sales of panel wall, cement plates and metallic crating all over Brazil; and the **Bathroom chinaware and Metal Fittings Division**, which also establishes the sales policy to all the Country. The professionals related to those areas will use the space to narrow their relationship with retailers through business meetings, in which they'll present, in practice, the new construction and finishing trends. A wide and extensive agenda of weekly meetings is being scheduled with that public, in addition to construction companies, engineers and specifiers. The commercial areas will try and identify clients' needs in order to act pro-actively, providing greater velocity to negotiation.

SERVICES

GRI 2.2

Eternit does not sell services, but offers to its clients, consumers and specifiers qualification options related to the civil construction, as well as systems and tools that facilitate the daily activities of those who work in the sector.

ONLINE TOOLS

On its website Eternit provides online tools (www.eternit.com.br) especially developed to fulfill its clients' needs with practicality. It's the case of **Etercalc**, which, based on the yardage of a roof, executes the complex calculation of the necessary quantity of materials and complimentary items and offers a simulation of the final result. Now, with the help of **Etertools**, the client chooses the best product for his/her covering through a comparison between the many different models available. For the end consumer, Tégula makes available a consultation list of roof workers in all the States and cities in the Country.

TRAINING SESSIONS AND COURSES

To minimize the scarcity of specialized workforce in the civil construction sector, Eternit offers training sessions and qualification courses in partnership with many different entities, among which Senai and Anamaco (National Association of Construction Material Traders). Besides, it promotes a series of technical product-related training sessions to retailers, distributors, installers, construction companies, colleges, universities and sector entities, through a team of technical promoters spread around Brazil.

In 2011, the Company added to its grid a specific course on metallic crating – a project customized pre-manufactured metallic covering system –, considered to be a market trend. Parts of the activities will be held at the showroom, where a space has been created for theoretical and practical training on installation, and a part of them will be held at Mictech, a company specialized in the formation of civil construction professionals.

IN 2011, THE COMPANY ADDED TO ITS GRID A SPECIFIC COURSE ON METALLIC CRATING, CONSIDERED A MARKET TREND

Tégula also offers courses through the caravan “Você Coberto de Conhecimento (You Covered With Knowledge)”, a truck that drives around the Country teaching covering techniques to carpenters and roof workers.

In 2011, more than 80 training sessions were held, with the participation of more than 2.5 thousand professionals. In addition to providing professional and business development, the activities indirectly stimulate the demand for Eternit products.

ACADEMIC MILIEU

With the purpose of complementing the technical knowledge of future professionals from the Architecture and Engineering areas, Eternit promotes seminars and training sessions to teaching institutions on its products and their applications.

The Company also contacts the academic milieu to support researches and ask students to fill out questionnaires; besides opening its doors to students from all levels into the Open Door Program (see *more information on page 68*). Eternit also grants interviews to teachers, students and the press.

03

STRATEGY FOR THE NEXT 70 YEARS



EXPANSION AND DIVERSIFICATION PROGRAM

With 72 years of activities, as a market leader in the coverings segment and operating in the bathroom chinaware, metal fittings and components segments for construction systems, Eternit believes that in order to keep its rhythm of growth it's necessary to diversify and innovate the business. For the Company, in a sector dominated by single-product companies, as the Brazilian market is, to become the first large company to offer products and solutions to all the phases of a construction work is the right strategy to keep business continuity and rise.

Eternit reported its first large success in that sense in 2009 and 2010. By entering segments it hadn't explored before, such as those of bathroom chinaware and concrete tiles, it was able to achieve, a year before it had planned, its goal of raising its sales from R\$ 500 million to R\$ 1 billion.

The goal had been established in the Expansion and Diversification Program, created at the end of 2007 to group the guidelines on portfolio diversification in the next five years. With the goal being achieved even before the planned deadline, the Plan has remained, albeit under new orientations, since 2011.

To put it into practice, Eternit structured, at the end of 2007, the Development and New Business Directorship to look for new opportunities and with the mission of directing investments towards growth. The Company's strategic planning is also under this Directorship responsibility.

The Development and New Business Directorship acts in three fronts: organic growth, diversified organic growth and inorganic growth.

ORGANIC GROWTH

This strategy forecasts a growth, through investments in new machines for the current plants, and the opening of new units and an increase in SAMA'S production capacity, according to the expected growth demand and based on the manufacturing units positioning strategy all over the national territory. It also counts on the optimization of resources and the production chain.

**DUE TO THE INVESTMENTS
MADE, TÉGULA HAS
RAISED BY 60% ITS
ANNUAL PRODUCTION
CAPACITY, CLOSING
2011 WITH 8 MILLION
SQUARE METERS**

In that sense, Eternit has been opening new production lines every year since 2008. In 2011, a new Tégula plant was opened in São José do Rio Preto (SP). That unit is strategic location will allow it to service all the Northwestern region of the State of São Paulo and the Southwestern tip of the state of Minas Gerais, occupying a space that the nearest plants, in Atibaia (SP) and Anápolis (GO), were not able to do because freight costs were not competitive.

The Big and Coppo Venetto tiles are two of the products that will be produced in the new plant, which in 2011 also started to be manufactured in the plants of Içara (SC), Frederico Westphalen (RS) and Anápolis (GO). These new production lines will service the construction companies and retail market, maximizing the synergies with Eternit's sales force.

Due to the investments made, Tégula has raised by 60% its annual production capacity, closing 2011 with 8 million square meters. With the conclusion of these investments, the capacity will reach 10 million in 2012.

DIVERSIFIED ORGANIC GROWTH

It's based on portfolio diversification through the development and launch of new products and entering new segments by using Eternit's own structure or the idle capacity of third parties. Within that strategy, 2011 was marked by the amplification of Eternit's line of bathroom chinaware, with the launch of new models, and by Tégula entering into that same market. For this company a wide portfolio of products has been selected, focusing on medium and high standard items – including pieces with Swarovski crystals, an exclusive offer in the market – and on products with state-of-the-art design and technology. That launch follows Tégula's strategy to also diversify its portfolio, so much so that today 15% of its revenues come from non-concrete tile products. For Eternit, the fact that Tégula is also commercializing bathroom chinaware allows the Group to act in different sales channels, which will further contribute to its growth in that market.

In another move, Eternit has also finished the first stage of the production of synthetic marble products, whose first sales were made at the end of 2011. The pilot plant is located in Anápolis, together with the controlled company Precon Goiás facilities, due to which the commercialization initially occurred in the Central-Western Region. Its production is still small, but the Company shall extend its operations to other units. In addition to the production of synthetic marble items, the employed technology allows for the manufacturing of other materials, such as resin coated tubs, which, in the future, may provide more growth opportunities. The business vision is to turn Eternit into a reference in terms of quality and beauty in that market, taking it to the position of the largest synthetic marble Company in the Country.

Eternit has also launched a new product for roofs: Etersystem, an exclusive system in Brazil of metallic crating made of light profiles, highly employed in foreign countries and considered a new trend in the covering market. For roofs and other applications, Tégula is also offering a novelty: certified wood, with sustainable aspects ensured by the Brazilian Forest Management Council – FSC Brazil.

For 2012, the launching of other reinforcement to the diversified organic growth strategy has been forecasted. Through outsourced production, provided by national and foreign partners, Eternit will enter the metal fittings market (taps, showers, among other items) with a line of more than 150 items, directed to many different income levels, including luxury and differentiated design items. Despite the fact that this market includes many competitors, Eternit might benefit from the aggregate value this type of product provides and, especially, from the building of an image for the Company as a provider of complimentary solutions for finishings, since the metal fittings may be utilized with the bathroom chinaware.

INORGANIC GROWTH

It consists in acquisitions and mergers. In 2011, Eternit's novelty in that sense – one of the most relevant in that year –, was the merger with Organizações Corona S.A, which gave origin to Companhia Sulamericana de Cerâmica S.A. Through a joint venture it will start to produce bathroom chinaware in Brazil. Corona is one of the largest worldwide producers of bathroom chinaware, with more than 130 years of experience and a diversified industrial park composed of 17 plants in Colombia and 2 plants in the US. Such technical and market expertise, as well as the fact that Corona is already a partner in the supply of ware in Brazil, were the main factors that led Eternit to select that company for a new partnership. That option was also based on Corona's good practices of corporate governance and high-quality human resources. Eternit will hold a 60% share in the joint venture, and Corona a 40% share.

The project to build the first bathroom chinaware plant in the Country has already been started, which will be installed on a land acquired in the Industrial District of the Port of Pecém, in Caucaia, in the State of Ceará. That location has been chosen because it counts on many different transportation modals in the region, including highways, railways, a port and an airport, besides gas and power supply lines. Its logistic facilities will allow it to send cargos to Africa within three days, to the United States within four days, and to Europe within six days. It also offers competitive cabotage costs to the Southern areas of Brazil and will allow it to more effectively reach the Northern and Northeastern Regions of the Country, which today count on a restricted access to Eternit products. Besides, the State of Ceará is, today, one of the fastest growing states in Brazil.

The bathroom chinaware plant will have an initial capacity of 1.5 million pieces per year. The works conclusion term will be of 18 months after the start of the construction, forecasted to the end of 2013. That will be the first plant to start operations on the land acquired at the Port of Pecém, where Eternit will install a multi-product complex, including a fiber cement plant, among other facilities. That complex will also have an important role in its organic growth strategy.

COMMERCIAL STRATEGY

Eternit counts today on more than 15 thousand sales points in all the Country, and that's a competitive advantage for its business. Differently from the majority of the remaining companies in the market, the Company seeks to operate with all types of retailers, from home centers to small stores, known as neighborhood stores. At the same time, it caters to all the orders, regardless of their quantity. The purpose is to be present in all Brazilian regions and be affordable to all social classes. This strategy has been extended to Tégula, which operated only with direct sale to consumers and construction companies, but has also started to develop a retail channel, especially for the commercialization of the Big and Coppo Venetto tiles.

New Tégula sales channel

Tégula developed and launched, in the fourth quarter of 2011, a virtual store directed to end consumers. A client can access the website and register, and a retailers will contact him/her in order to finalize the order. The idea is to facilitate consumers' access to the company's products and information in order to contribute to the decision to purchase and, consequently, to leverage sales.

Another difference of Eternit in relation to the market is its operations focused on clients and not only on the actual sale. The Company endeavors to understand the needs of sales points, what types of products are consumed in the region, among other actions, in order to help them to get the best supply, to have the largest turnover and, consequently, to highest possible profitability. To access all its sales points more often, Eternit has increased the number of representatives all over the Country, has increased the segmentation of those professionals and has rearranged some sectors. The Company believes that constant visits can generate remembrance, which results in a larger space for the brand and, consequently, may lead to sales increase.

Today, Eternit's sales force is composed of 180 professionals, of whom 36 are specified salespeople (they are direct and exclusive employees of Eternit), 125 are representatives (they are not direct employees and are not exclusive), and 9 are managers, 8 supervisors and 2 coordinators. Every year, the sales team is reorganized, including the managerial, supervision and coordination levels. The sales force is constantly trained to perform their functions with excellence, including claims and

information on the legal issue around chrysotile mineral. The diversification of its portfolio of products has required an intensification of that activity. In 2011, the training sessions' main focus was the portfolio of bathroom chinaware.

An important way of visiting sales points, especially those farther from the Company's offices, has been the use of mobile units. It involves the use of vans carrying the Company's novelties, as if they were small showrooms, allowing retailers to check products' application in practice, which has facilitated business deals, since the physical presentation of pieces build trust among retailers before a novelty. Before this initiative the sale of bathroom chinaware was a little slow due to the difficulty to show the products to clients, since representatives could not always carry items inside their cars. After the pilot adoption of a mobile unit in São Paulo, the sales of bathroom chinaware have been significantly enhanced, which has led Eternit to increase, in 2011, its fleet of mobile units from six to eight vehicles, which are driven all over Brazil. The vans have helped to increase the number of bathroom chinaware sales points, leaping from 2 thousand in 2010 to 5 thousand in 2011.



Mobile showroom with Eternit's new products

An equally important initiative to increase its exposition and build a better relationship with its sales points was the opening of a showroom, also in 2011. It's also important to stress its participation in Feicon – the main fair in the sector –, in which the Company's most recent launches were presented, such as the One Piece bowls and EterSystem, generating great interest and contacts with retailers. Another important fair was ACOMAC Bahia, the largest event organized by ACOMAC (Association of Construction Material Traders) – with which Eternit keeps a relevant partnership – that attracts approximately 1.5 thousand people annually, comprising mostly construction material retailers.

Novelties in client service

GRI PR5

A good client service is also an integral part of Eternit's commercial strategy. For this reason the Company has hired another employee for the CS (Customer Service), which previously employed a single professional, trained to solve technical problems at first stance, by phone or e-mail. The service is efficient: 80% of the cases are solved through that contact.

Eternit understands that the market requires today not just good products, but also easy access to companies and fast response. While other companies usually take 72 hours to answer their clients, Eternit's CS is oriented to provide responses in no longer than 48 hours. If it's necessary to provide an on-site solution, the clerk him/herself gets in touch with the regional office and sends a technician or sales representative to the retailer. Eternit intends to reinforce this differential in 2012.

MARKETING

GRI PR6 / PR7

Eternit's marketing actions follow the same line of work as the sales points: it seeks to identify its clients' needs, by respecting the peculiarities of the many different regions of Brazil. Based on that, it develops specific promotional actions according to the shopkeeper and local market, contributing to a higher turnover among retailers and in every region. Within the scope of that work, we can highlight many different actions, such as campaigns in the sector's specialized magazines, promotional materials, product displays, and sales promoters, among others.

With respect to the media, Eternit continues to expose its brand name and to promote its line of products. As a highlight, the Company has taken part, since 2010, in the TV program "Construindo Um Sonho" (Building a Dream), in the "Domingo Legal" TV show, at SBT TV network, in which homes are raffled and go through a complete renovation with costs, design project, construction works, workforce and products to be used being paid by the TV network. In the scope of that partnership, Eternit has already provided many different products from all of its lines, and among them bathroom chinaware, tiles, cement plates, water tanks and the wall panel. The "Construindo Um Sonho" TV show reaches in average 6 million homes per month, reaching approximately 20 million consumers. That provides a large brand name exposition to the Company and translates into an action with an excellent cost-benefit. Since it started to take part in the TV show, the volume of e-mails received by Eternit grew by 60%. The Company believes the bathroom chinaware promotion on TV has contributed to an increase in sales in that market.

Also regarding the media, another highlight is Eternit's participation in the sports shows forecasted by Transamérica FM SP radio station, through the show "Papo de Craque (Whiz Talk)". That radio attraction is directed to an audience that loves soccer, with a great following among the Company's construction material store owners. In 2011, that partnership was also extended to Radio Record AM, with transmission to the whole Country. It's important to stress that none of Eternit's marketing or promotional actions breach any regulation and voluntary codes related to marketing communications.

In 2012, the Company intends to be more objective as regards its marketing actions. For that purpose, it wants to understand what retailers think and how they see Eternit's consumers. That will be undertaken through a metric to be implemented in the next year to verify the efficacy of its marketing initiatives.

04

TRANSPARENT MANAGEMENT



MANAGEMENT PRACTICES

To ensure an effective and transparent management, Eternit has followed, since 2006, the PEG (Management Excellence Program), created to ensure the integration of the Company's management tools and guide the plants' activities striving for continuous improvement within the scope of the health, safety and environment areas. The program was enhanced in the following year with the mapping of Eternit's interest publics, as well as their respective relationship levels with the Company, a move undertaken to allow it to adhere to the Global Compact. Today, the program is conducted and monitored by the Quality, Health, Safety and Natural Environment corporate area, composed of a multidisciplinary team. That team was reorganized in 2011 so as to acquire a corporate character, that is, to centralize the quality assurance activities related to all Eternit Group's companies, including SAMA. It's been estimated that in 2012 all the units are already employing standardized processes, procedures and policies.

PEG's directives are:

- >> Assume the public commitment of defending and protecting Human Rights, Children's Rights, the Fundamental Rights of Workers, preserving the environment and preventing pollution, fighting against corruption and promoting good Corporate Governance practices, in conformity with all the requirements applicable to Eternit's activities.
- >> To attribute worth to the company's human capital in order to meet the international requirements related to work practices and accident and occupational disease prevention, by understanding that employees are fundamental to its achievements.
- >> To act ethically in its relationship with society, shareholders, suppliers and clients, seeking for business sustainability.
- >> To adopt the best practices upon conducting its industrial, commercial and administrative processes, by always being committed to continuous improvement and to the efficacy of its management system.
- >> To ensure the safe use of chrysotile mineral and to exceed in fulfilling the legislation and remaining requirements established in its segment.

Additionally, an Integrated Management System has been implemented, which, in addition to the items contemplated in the PEG, comprises social responsibility actions and is committed to ensuring the fulfillment of the legal requirements related to the safe use of chrysotile mineral. To complement that, Eternit and its outsourced transport service providers comply with the requirements of the Chrysotile SQP (Sector Quality Program). Eternit's performance of the program is periodically audited.

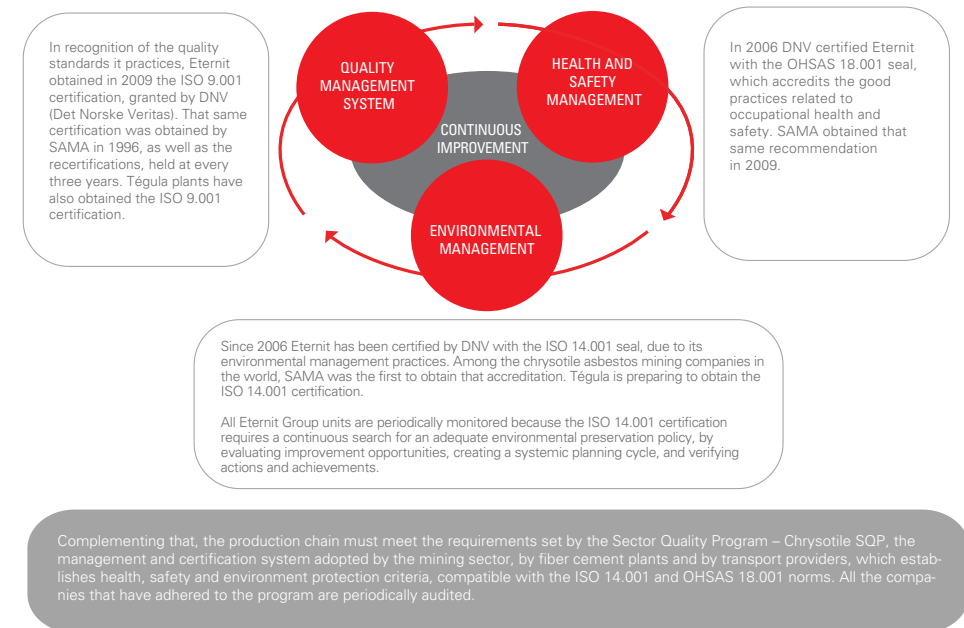
Its continuous improvement efforts are also driven by the BSC (Balanced Scorecard) tool, which has helped it to establish the goals of every manufacturing process, with special focus on the Company's economic and Corporate Governance goals. The BSC is considered a reference to the entire sector. Another management system adopted by Eternit, not only for the manufacturing but also for the administrative processes, is the one proposed by ABS Consultoria em Gestão, which has as its purpose to improve the Company's efficiency and, consequently, its profitability. To promote

continuous improvement, in 2011 Eternit began the restructuring its Industrial Engineering area. Being installed before that in Colombo (PR), the area was transferred to São Paulo and will centralize the maintenance processes, which will be standardized at all manufacturing units. The idea is that the plants that today need improvement in that aspect are able to achieve excellence more quickly.

The mining company SAMA counts on the Integrated Management System, which comprises Quality, Environment, Safety and Occupational Health and Social Responsibility issues, and has as its commitment to thoroughly apply the legal requirements related to the safe use of chrysotile mineral.

Eternit is preparing to conduct the Blueprint – Action Plan for Leadership in Corporate Sustainability - in all its units, an initiative linked to the Global Compact and which purpose is to allow companies to reach higher performance levels and enhance their values in order to help them achieve their full potential in society (*get to know more on page 59*). The plan will have direct impacts on the Company's management systems.

MANAGEMENT EXCELLENCY



RISK MANAGEMENT

GRI 1.2 / 4.11

Eternit pro-actively manages the risks inherent to its business as a way to obtain competitive advantages. For that purpose, the Company continually monitors its processes in order to identify these risks and mitigate them. In that sense, a multidisciplinary group daily follows the Operational, Labor, Environmental, Community and Investor Relations sectors to recognize more specifically the risks and deal with them according to the peculiarities of every area. The risks involving Eternit may be an operational environmental, financial nature due to the banishment of chrysotile mineral.

The Company has also instituted the Auditing, Financial Control and Treasury Committee, which controls and manages risks and recommends guidelines according to the economic situation, evaluating the need of investments or to raise funds, submitting those proposals, when necessary, to the Management Board's deliberation. It also proposes strategic matters related to the areas that comprise the company, and issues every year an opinion with recommendations on the financial statements for deliberation by the Board. The committee is composed of councilors and directors, the majority of them being experts in the financial and accounting areas, and they meet at every two months. The President of the Board of Directors is the coordinator and the Administrative and Financial Director is the secretary, responsible for previously defining the matters to be debated at the meetings. An independent member holds the function of reporting councilor, being responsible for reporting the matters debated by the committee during the management board meetings.

MARKET RISKS

GRI 1.2 / 4.11

In case changes or a slowdown of the Brazilian economy lead to a reduction in the current employment generation levels, wage bill, credit availability (Government funding to construction materials) and income and interest rate stability and, especially, if it influences consumers trust and demand, Eternit's business may be affected.

To soften these eventual impacts, Eternit has diversified in the last few years its portfolio with the purpose of being one of the largest construction materials industries in the Country, as established in its Expansion and Diversification Program, and, therefore, reduce the possible losses caused by the seasonality of certain products in the construction material segment.

OPERATIONAL RISKS

GRI 4.11 / LA6 / LA9 / HR5

Principles 1, 3 and 7 of the Global Compact

The operational risks, for Eternit, are those that can be considered to be prejudicial to the health or safety of its employees, generating labor issues. To mitigate them, the Company asks its employees to use IPEs (Individual Protection Equipment) at the mining company and at the plants. As regards the risks of handling chrysotile mineral, besides the use of IPEs, Eternit employs many other safety measures, such as the implementation of wet processes, to avoid the generation of dust.

In that sense, one of the most important actions is the Tripartite Agreement, which, filled in the Ministry of Labor and Employment, ensures autonomy to every employee, with stable job guaranty, to halt the production activities together with the plant's Inspection Commission in the case of an alleged risk situation to his/her health and safety. The Commission's formation is forecasted in the agreement itself. Each fiber cement-manufacturing unit has its own commission, with members elected by employees themselves to represent them before the management in matters related to chrysotile mineral.

Number of members in the Inspection Commission

Units	2011	2010
Anápolis (GO)	3	3
Colombo (PR)	4	4
Goiânia (GO)	5	5
Rio de Janeiro (RJ)	4	4
Simões Filho (BA)	5	5
SAMA (GO)	10	10

ENVIRONMENTAL RISKS

GRI EN28

Principle 8 of the Global Compact

Eternit constantly monitors both its plants and the mining company to avoid environmental risks. At every six months, all the units go through an external audit to measure the quantity of particulates on the air and the emission of gases, besides verifying the results of the efforts related to residue disposal, water reutilization, reforestation of the mining company's slopes, among other points.

On December 31st, 2011, the Group was involved with public civil actions, still in progress, on issues of an environmental and health nature brought by the Federal and State Prosecutor's Office of the State of Bahia, in the District of Vitória da Conquista, whose evaluations by legal advisors as regards the probability of loss were deemed to as 'possible'. There was also a popular action in the District of Poções, related to the abovementioned public civil actions.

In 2011, Eternit has kept its 2010 and 2009 achievements of avoiding occurrences, significant fines or monetary sanctions due to nonconformities in relation to environmental laws and regulations.

FINANCIAL RISKS

Eternit endeavors to pro-actively honor its financial and labor commitments to avoid as much as possible any risk of such nature. In that sense, the Company does not hold financial operations leveraged by derivatives with speculative positions, and keeps a low debt level.

Its credit risk is also low, since Eternit and its controlled companies serve more than 15 thousand clients under a thorough concession process, reinforced in 2010 by the credit analysis automation through a tool developed by Serasa Experian. Called Credit Manager, it facilitates sales and marketing campaigns to conquer new clients and makes the portfolio of financial products more profitable, by standardizing and speeding the decision-making process. In 2011, no client represented more than which 2.96% of the balance of trade receivables. Further explanations on this matter are found in the Financial Instruments' Explanatory Notes, on page 128.

As regards contingencies, the provisions were constituted by considering the probability of loss, based on the individual analysis of the respective processes elaborated by the legal advisors and the independent auditor, according to the CVM Deliberation n° 489/05. Additionally, on December 31st, 2011 there were other labor complaints, civil, tax and administrative actions against Eternit, regarding which the Group's legal advisors classify the possibility of loss as 'possible', in the consolidated total amount of R\$ 6,112 thousand (R\$ 5,850 thousand in 2010). Therefore, no provision was registered for those labor complaints and civil, tax and administrative actions.

The Company does not usually contract or issue derivative financial instruments due to their high risk. Whenever necessary, it contracts AMEC – Advance Money on Export Contracts and/or AMCEC – Advance Money on Currency Exchange Contracts operations, in order to protect its portfolio of foreign clients.

ETERNIT CONSTANTLY
MONITORS BOTH ITS
PLANTS AND THE MINING
COMPANY TO AVOID
ENVIRONMENTAL RISKS

OPERATIONAL RISK DUE TO THE BANISHMENT OF CHRYSOTILE MINERAL

GRI 4.11

The Brazilian production chain utilizes chrysotile mineral in a safe manner. Therefore, before dealing with the risk of banishment, it's necessary to understand the safe use issue.

SAFE USE OF CHRYSOTILE MINERAL

GRI LA9 / SO5

The mineral explored in Brazil, known as chrysotile or “white asbestos”, is a hydrated magnesium silicate, belonging to the group of “serpentes”. Its composition does not represent any significant risk to human health at exposition levels inferior to 2 fibers/cm³, besides its fibers having a low biopersistence. To ensure the health of its employees, Eternit works with concentrations of a maximum of 0.1 fibers/cm³, a quantity that is 20 times lower than the legal tolerance limit. There is a natural difficulty in the detachment of chrysotile from fiber cement, since its fibers represent less than 10% of the material and are strongly attached to the cement core due to its affinity with cement, which is also a silicate.

Even so, the Company constantly monitors the concentration of fibers in suspension in the mine and at its plants. In addition to opening its doors to a half-yearly inspection of the working environment, undertaken by a specialized consultancy company, accredited by INMETRO, as established by law and audited by international entities, Eternit also has its own evaluation mechanisms. At SAMA, for example, monthly measurements are undertaken, which have always registered less than 0.1 fiber/cm³ within the mining company's facilities and 0.0005 fiber/cm³ in the city of Minaçu.

Similar concentrations have been verified at Eternit's plants. Among the preventive and safety measures taken to ensure those figures, are the conduction of wet processes to avoid the formation of dust, the confinement of the manufacturing and processing processes, and the adoption of other collective protection systems, such as local exhausting ventilation, for example. For that reason and guaranteed by the Tripartite Agreement, signed between companies and workers unions, and deposited at the Ministry of Labor (see page 44), differently from what occurred in Europe at the time of the prohibition, the workers defend the maintenance and continuity of the activity because they believe it doesn't place their health under risk.

Many entities and associations also support the use of the fiber, such as AMANCO (National Association of Construction Material Traders), ABRAMAT (Brazilian Association Construction Material Industries), FIESP (Federation of the Industries of the State of São Paulo), FIEG (Federation of the Industries of the State of Goiás), CNI (National Confederation of Industry), workers unions



Reforestation of the disposal embankments of the mining company SAMA (GO)

and other sector entities, such as IBRAM (Brazilian Mining Institute) and IBC (Brazilian Chrysotile Institute). The above last, by the way, constitutes a source of studies and researches on the issue, available at www.crisotilabrasil.org.br.

A proof of the safety of the use of chrysotile mineral under controlled conditions is the absence of any record of cases of workers associated to its production chain having had respiratory insufficiency problems related to the mineral among those hired since the early 1980's, and there isn't either any record in the scientific and medical literature, and not even at the WHO (World Health Organization) that any Brazilian worker might have acquired any disease due to the use of asbestos tiles and water tanks.

In that sense, an unprecedented research has been concluded in Brazil, in conformity with the project approved by the National Scientific and Technological Development Council – CNPq and conducted by physicians linked to important Brazilian and foreign universities, whose purpose was to evaluate if there is any risk to and effect on the health of the population that utilizes fiber cement tiles and of those who work in the mining industry.

The result of the research, disclosed on November 25th, 2010, confirms that the concentrations observed in the study are within the intervals found in the large Western urban centers and within the limits deemed as acceptable by the World Health Organization and by the international agencies dedicated to exposition control. Therefore, a risk related to the utilization of fiber cement tiles containing chrysotile mineral as covering material has not been verified. As regards the evaluations of the sample taken from studied dwellers, clinical, functional, respiratory and high-resolution tomographic alterations were not found, liable to be attributed to the environmental inhaling of asbestos fibers (chrysotile). As regards the occupational evaluation, neither new alterations nor a progression of pleural or interstitial impairments were identified among the workers and former workers exposed after 1980, who went through a HRCT (High-Resolution Computerized Tomography). The full research is available at <http://www.sectec.go.gov.br>.

Motivated by the absence of health impairment cases and by the advantages of fiber cement, as happened in the United States, the European Commission showed an interest in reevaluating the use of chrysotile mineral. In case it approves the fiber again, the European Union countries may extend the utilization of chrysotile mineral to industrial pieces in the automotive sector. Before such a scenario, the Company reinforces its belief that its products are safe for the population and that its sustainable management does not place the health of its employees or of neighboring communities under risk. All the relevant clarifications and information on the issue have been widely disclosed by Eternit in all of its communication channels.

RISK OF BANNING CHRYSOTILE MINERAL

Eternit utilizes chrysotile mineral in a safe manner and understands that its banishment makes no sense. A study commanded by Fiesp (Federation of the Industries of the State of São Paulo) and undertaken by FGV (Getulio Vargas Foundation) in 2008 confirms that the abrupt banishment of chrysotile mineral would lead to shortage in the Country's covering market and a significant price rise, hindering the access of low income families.

At the same time, the loss of offer would lead to impacts in income, jobs and taxes, without any perspective of recovering within the relatively short term. According to the study, the fiber cement industries earn R\$ 2.6 billion per year and generate more than 170 thousand jobs all over the Country. See the full research at www.fiesp.com.br/deconcic/default.aspx. That mineral was banished by the European Union countries after these had exhausted their mineral reserves and due to the consequences of its incorrect use, especially of the amphibole type as a heat insulating material applied through blasting and also at a time when the demand for fiber cement products was small.

The fibers of chrysotile mineral and of amphibole minerals are different. The first ones are ductile and in their composition magnesium ion prevails, while the other ones are hard, straight, spiky and rich

in iron ion. From these characteristics derive different bio-persistence levels (period in which inhaled fibers remain in the lung). The chrysotile mineral fiber is kept in the organism for a maximum period of two to three days, while amphibole fibers remain for more than a year. In order to be carcinogen, a substance must remain in the lung for at least ten days.

Those differences reinforce Eternit's belief that the banishment of chrysotile mineral in Brazil is not justified. The prohibition of asbestos by some states isn't well founded either, but it's generating a new demand, to which Eternit understands to be necessary to create the proper conditions to fulfill it. According to a study undertaken by FGV, the sector might face difficulties to make investments and dominate technologies for production with alternative fibers.

THE LEGAL ISSUES AROUND CHRYSOTILE MINERAL IN BRAZIL

The extraction, industrialization, utilization, commercialization and transportation of chrysotile mineral in Brazil are regulated by Federal Law 9055/95, Decree 2350/97, Ordinance 3124/78 – NR 15 – Annex 12, available at www.brasil.gov.br. That legislation exclusively regulates the use of chrysotile, prohibiting all other types of that mineral.

In 2001, the two first laws against asbestos were passed in Brazil. Law n.º 10813, from the State of São Paulo, and Law n.º 2210, from the State of Mato Grosso do Sul. Both were judged by the Federal Supreme Court (STF), through the ADI (Direct Unconstitutionality Actions) n.º 2656 and n.º 2396 and declared unconstitutional by overlapping the Union's exclusive competence.

Currently, there are four state laws against the industrialization and commercialization of chrysotile, which are being discussed through ADIs before the STF, besides the questioning, also through a ADI, of article 2nd of the Federal Law n.º 9055, of 1995. The ADIs proposed against the state laws are waiting for judgment of their merit, if the STF might decide on the competence of states to legislate on the matter, considering the existence of a federal law that regulates that activity.

Those laws are listed below:

Article 2nd of the Federal Law n.º 9055 of 1995

ANAMATRA (National Association of Labor Justice Magistrates) and ANTP (National Association of Labor Public Attorneys) are questioning, through Direct Action of Unconstitutionality n.º 4066, the constitutionality of article 2nd, under the claim that it would go right against the articles forecasted in the Federal Constitution as regards human dignity, the right to health and environment protection. Eternit understands that those entities do not have the legitimacy to propose such an action, since their representation is limited to the interests of their members.

To follow or consult that Direct Action of Unconstitutionality, access: www.stf.jus.br/portal/processo/verProcessoAndamento.asp?numero=4066&classe=ADI&codigoClasse=0&ORIGEM=JUR&recurso=0&tipoJulgamento=.

State of Rio de Janeiro

There are two laws in that state: Law nº 3579, of 2001, which aims at the progressive replacement of the production and commercialization of products made with chrysotile mineral, and Law nº 4341, of 2004, related to the health issue. Despite being waiting for the judgment by STF, since 2003 the Law 3579 has been suspended by a preliminary injunction proffered in the minutes of the complaint brought to the STF (Federal Supreme Court). To follow both the proceedings, access www.stf.jus.br/portal/processo/verProcessoAndamento.asp. and type the respective ADI numbers: 3406 and 3355.

At the same time as those actions, a Consumers' Public Civil Action is under proceedings against the Company, proposed by the Public Attorney's Office of the State of Rio de Janeiro, with the purpose of prohibiting the commercialization and industrialization of chrysotile mineral and its byproducts in that State. The action was judged as unfounded, an appeal having been presented by the Public Attorney's Office against the first instance decision.

State of Rio Grande do Sul

That State passed in 2001 the Law nº 11643, which prohibits the production and commercialization of products based on the mineral. On October 6th, 2008, the 4th Court of the Public Treasury of Porto Alegre judged as acceptable a lawsuit started by the Federation of the Associations of Construction Material Traders of the State and by the Syndicate of Construction Material Retailers because they deemed the abovementioned state law to be unconstitutional. Besides, a Direct Action of Unconstitutionality is pending judgment before the STF under nº 3357 against the abovementioned state law.

State of São Paulo

There is Law 12684, of 2007, in that State, which prohibits the use of products, materials and artifacts containing asbestos in their composition. The Direct Action of Unconstitutionality 3937, brought by the National Confederation of Industry Workers, had its preliminary injunction deferred, to suspend the effects of the State Law, having been revoked on June 4th, 2008. However, the merit has not been appreciated yet and the lawsuit is waiting judgment. Currently, the minutes are assigned to the Honorable Reporting Minister Marco Aurélio de Melo. To consult the process, access: <http://www.stf.jus.br/portal/processo/verProcessoAndamento.asp?incidente=2544561>. In addition to proposing the abovementioned Direct Action of Unconstitutionality in face of that State's Law, there was also

the filing of ADPF 234/11 by the National Association of Cargo Transportation and Logistics, related to the same Law, and in September 2011, the Federal Supreme Court (STF) judged the precautionary measure as partially acceptable, suspending the prohibition to transport asbestos in the State of São Paulo, as forecasted by that State's Law 12684/07, under the claim that the companies have the right to the interstate and international transportation of loads, provided it is done in compliance with the legal provisions established by the Union. With that decision, the cargo and logistics companies may resume the transportation of chrysotile asbestos or of products that contain the same on the highways of the State of São Paulo, provide their cargo is destined to another State or for export.

In 2009, there was a motion to avoid the exportation of chrysotile mineral fiber through the Port of Santos, denied by the sentence proffered by the Federal Justice of Santos, which recognized the Company's right to export its products, based on the Federal Law that regulates the activity. Even with the resumption of fiber exports through the Port of Santos, Eternit has developed an alternative to exportation without exclusively depending on that port.

State of Pernambuco

In that State Law nº 12589, of 2004, is in full force, which prohibits the use and trading of materials containing asbestos. That law is being discussed through the Direct Action of Unconstitutionality nº 3356, a vote on its unconstitutionality having been proffered at Plenary Assembly in a decision appreciated on October 26th, 2005. The Union's Legal Counsel and the General Attorney's Office of the Republic have also if manifested for the law's unconstitutionality. There has not been any final decision, in face of the order of review issued by the Honorable Minister Joaquim Barbosa.

Despite the discussion around the issue, the Public Attorney's Office for Labor Matters of the State of Pernambuco filed a Public Civil Action against Eternit and distributing company Distribuidora Meridional, claiming their incompliance with the law, requesting the suspension of the commercialization and supply of products containing chrysotile mineral. The Judge of Garanhuns denied competence and remitted the minutes to the Court of Labor Matters of Recife where it is waiting for a decision. That action's proceedings may be followed through link: <http://www.trt6.jus.br/consultaProcessual> - and you must type the lawsuit number: 0000918-79.2010.5.06.0351.

ETERNIT'S POSITION

With 72 years of activity in the Country, Eternit ensures the quality and safety of its products and, in view of the above scenario, it reinforces its belief in Brazilian justice and hopes that the provided technical and scientific evidence are taken into consideration in the judgment of the merit of the lawsuits and laws, excluding the possibility that pressure groups favorable to the banishment of chrysotile mineral are successful just based on the unsuccessful European experience. It's important to stress that of the four states that have passed laws against chrysotile mineral, three host plants owned by the Company's main competitor, which is a clear evidence of an unprecedented commercial war, a fact that has already been observed by Minister Ellen Grace in the minutes of the Direct Action of Unconstitutionality 3579.

Below are all the clarifications that were published as a Material Fact in the main communication media, newspapers and magazines in the Country, on February 17th, 18th, 23rd, 24th and 25th, 2012.

Eternit Brazilian Group, in view of the recent news on the judgment held by the Justice Court of Turin, in Italy, in which two former directors of the **Italian Eternit** company were made liable for deaths attributed to the use of asbestos in that company's plants, would like to clarify that:

- >> Eternit S.A. is a national public company, listed in the *Novo Mercado*, with the maximum level of Corporate Governance by the BM&FBOVESPA, and doesn't have any relationship with Eternit in other countries, including Italy. The property and use of the brand are managed differently by the different companies in the many different countries.
- >> In Brazil, Eternit employs chrysotile asbestos as a reinforcement fiber for the production of fiber cement tiles, by using modern production techniques. Italy has employed many different types of asbestos, and especially amphibole, for many different applications and without protecting local workers.
- >> The activity in Brazil is regulated by Federal Law n° 9055/95, Decree n° 2350/97 and the Regulatory Norms set by the Ministry of Labor and Employment, which disciplines the extraction, industrialization, utilization, commercialization and transportation of chrysotile asbestos and of the products that may contain it, providing to the Brazilian population durable, high-quality and low-cost products, and significantly contributing to the reduction of the Brazilian housing deficit.
- >> The market dispute in the fiber cement segment between Eternit S.A. and a French group that also operates in Brazil by making and using synthetic fibers has led some Brazilian states, especially where that group's plants are located, to pass laws against the use of asbestos. It's important to stress that the validity of those laws is waiting for the judgment of their merit by the Federal Supreme Court.

>> The extraction and processing of chrysotile asbestos by its controlled company SAMA, as well as the utilization of that mineral at Eternit plants, follow rigid safety standards that exceed the legal requirements. With the enhancing of production techniques and the improvement of the workers protection mechanisms, not a single case of any disease related to the use of asbestos chrysotile has been reported among the employees hired by the Group since the 1980's. A three way agreement, signed in 1989 between production chain companies, workers and class representation entities, and deposited at the Ministry of Labor and Employment, has been paramount to consolidate that achievement.

>> The use of fiber cement products, water tanks and tiles that employ chrysotile asbestos does not represent any risk to the health of the population. There isn't any record in Brazil of any case of a dweller who might have developed any disease due to him/her having lived in the more than 25 million homes covered with fiber cement tiles containing asbestos. The fact is proven by national research, undertaken by renowned medical teams linked to the main Brazilian universities, whose project and final report were approved by the CNPq and are available at the website <http://www.sectec.go.gov.br>.

Eternit is entirely available to provide any eventual clarifications and invites the Brazilian population to know its industrial and mining processes at its units through the Open Door Program (*further information is available on page 68 and at www.eternit.com.br/portasabertas*).

WITH 72 YEARS OF ACTIVITIES IN THE COUNTRY, ETERNIT ENSURES THE QUALITY AND SAFETY OF ITS PRODUCTS

CORPORATE GOVERNANCE

A pulverized-capital Company, transparency is one of Eternit's greatest concerns, due to which it has implemented a corporate governance model based on the best practices. The main purpose of that model is to make the Company's operations viable in a responsible and sustainable manner in all the communities where it operates, in order to generate value to shareholders and remaining stakeholders. The adoption of the best practices, exceeding the requirements set by the legislation, has allowed Eternit to enter, since 2006, the *Novo Mercado*, the highest Corporate Governance level set by the BM&FBOVESPA.

One of the rules of the *Novo Mercado* is that a company must only have ordinary shares, with voting rights. To facilitate the compliance with that right, Eternit has been using, since 2010, the "meetings on the web" electronic platform, which facilitates the participation of shareholders living outside the State of São Paulo, which are equivalent to more than half of the shareholder base. Besides, differently from what is required by the *Novo Mercado* regulations, instead of one public meeting every year, the Company holds at least four meetings, one in every quarter. In 2011, six meetings were held all over the Country, to promote the evolution of the good practices of Corporate Governance.

<i>Novo Mercado</i> Requirements	Differentials practiced by Eternit
Maintenance of, at least, 25% of shares in circulation.	76.51% free float. Practice of distributing quarterly dividends.
Minimum of 20% of independent councilors.	Management Board with 57% of independent members. Management Board that ensures an anonymity system to the contacting part, called "Fale com o Conselho/Talk to the Board."
It holds public meetings at least once a year.	Eternit held six public meetings in the year 2011.

Another great advancement in terms of governance has been the adoption, since 2007, of the IFRS (International Financial Reporting Standards – International Accounting Norms) for the publication of Financial Statements. Among public companies, Eternit is one of the pioneers in Brazil in adhering to the norms, which, in the Country, became mandatory in 2010. In practice, the IFRS has generated an accrual of information in the explanatory notes, which has been providing greater transparency to investors.

RECOGNITION OF ETERNIT'S CORPORATE GOVERNANCE

Eternit's efforts to value transparency and maintain the best Corporate Governance practices was notable in the capital market in 2011, demonstrating that Eternit's quality is also present in its Corporate Governance practices.

>> **IRGR (Investor Relations Global Rankings):** The Company received three different awards in that ranking's 2011 edition, which evaluates, among registered companies, those that have implemented the best corporate governance and transparency practices in their relations with investors:

- Best Corporate Governance Program in Latin America
- Improvement of Corporate Governance Practices in Latin America
- Best Online Annual Report

More than 80 Latin American companies took part in 2011.



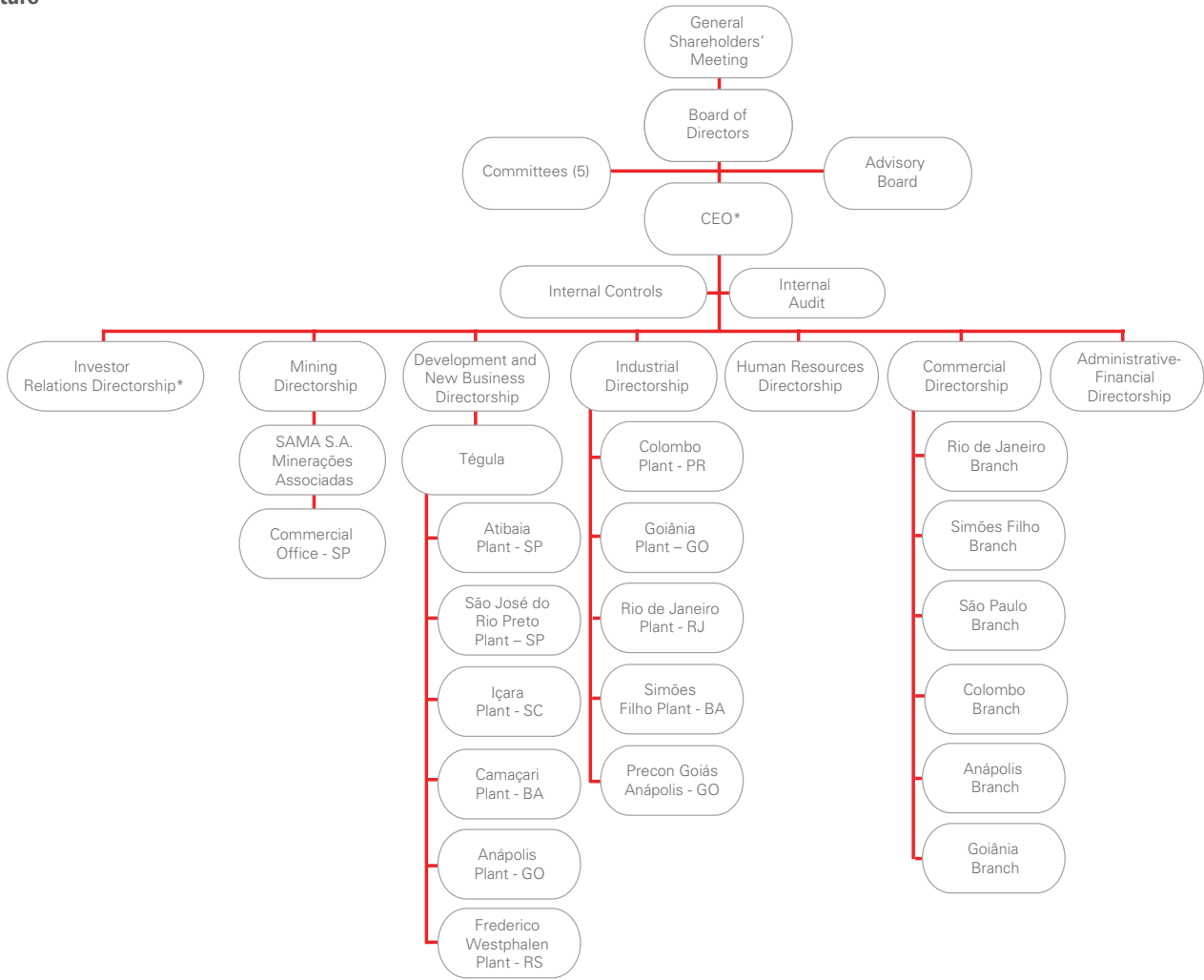
APIMEC Meeting in São Paulo

CORPORATE GOVERNANCE STRUCTURE

The Company’s Corporate Governance structure is composed of a Management Board and its advisory committees, a Statutory Board and the Internal Audit and Internal Controls areas. Eternit also goes through an external audit, undertaken by an independent company, which is replaced in no longer than every five years, as determined by the CVM Instruction nº 308/99.

Corporate governance structure

GRI 4.1



* Gathers function

BOARD OF DIRECTORS

GRI 4.5 / 4.6

Eternit's Board of Directors' mission is to promote growth and sustainability under the supervision of all shareholders. In relation to that entity, Eternit has adopted corporate governance practices that exceed the requirements set by the legislation and by the Stock Exchange. Since 2010, the Board has reduced the number of members from eight to seven, thus eliminating the possibility of casting votes.

Since that same year, the Company has established that more than 50% of the Board members would have to be independent, if compared to a 20% requirement set by the *Novo Mercado*. Independence, according to that listing segment is characterized, among other things, by the absence of links with the Company or its controlling shareholder, with the exception of the capital share. Their mandate is of one year, with the possibility of being reelected at the General Shareholders' Meeting (GSM).

The Board attributions are to guide the Eternit Group's businesses and strategies, to elect its Board of Directors, to manage its dividend policy and to create committees for specific debates, whether of an economic, social or environmental. The entity's meetings must be held every two months, with the ordinary sessions being held in even months and the extraordinary sessions being held if summoned by one of the councilors. According to the internal regulations, in case he/she does not consider him/herself to be an independent party in relation to any matter, that councilor must leave the deliberations, with such absence being recorded in the minute. In 2011, nine meetings were held.

The annual remuneration paid to the Board of Directors amounted to R\$ 1,543 thousand in 2011, of which R\$ 532 thousand as fixed part and R\$ 1,020 thousand as a variable part, which corresponds the 1% of the net profit in the exercise, as approved in the General Shareholders' Meeting held on April 13th, 2011.

COMMITTEES

Eternit's committees have been created to provide advice to the Board of Directors, allowing in-depth discussions on specific issues. Currently, Eternit has five committees:

- Auditing, Treasury and Financial Control Committee
- Socio-Environmental Responsibility Committee
- Legal Committee
- Strategic Planning Committee
- Human Resources Committee

The basic structure of all committees comprises the President of the Board of Directors, the president of the Executive Board a reporting councilor and members of the Board of Directors and/or the Executive Board. If necessary, it may also be composed of a manager or another employee of the Company and professionals from external consultancy and auditing companies.

The agenda is defined and distributed before the meetings. A secretary elaborates the minute related to these events and sends it to the participants of the next Board of Directors meeting. In 2011, 25 committee meetings were held.

MORE THAN 50% OF ETERNIT'S BOARD OF DIRECTORS MEMBERS ARE INDEPENDENT

Board of Directors members

GRI 4.3 / 4.7

CEO - Independent Councilor

Sergio Alexandre Melleiro

Admittance date

1993

Specialty

Accounting

Committees in which he is a member

All committees



Professional background

Brazilian, born on February 26th, 1928, he's been the president of Eternit's Board of Directors since 1993. A former businessman in the Company, he graduated in Economy at the University of Economy, Finances and Business Administration of São Paulo, in Law at Faculdades Metropolitanas Unidas de São Paulo, and in Accounting at Liceu Acadêmico de São Paulo. He doesn't hold nor has held any other management position in public companies in Brazil.

Independent Councilor

Lírio Albino Parisotto

Admittance date

2004

Specialty

Financial and Industrial

Committees in which he is a member

Strategic Planning Committee



Professional background

Brazilian, born on December 18th, 1953, Lírio Albino Parisotto is a Medicine graduated by the University of Medicine of Caxias do Sul, being a member of Eternit's Board of Directors since 2004. Currently, he also holds the positions of Board of Directors' President at Videolar S.A., a company dedicated to the translation, subtitling, authoring, and mastering of movies, music, and digital content, and to the manufacturing of all the blank and recorded media supports, and Vice-President of Fundação Amazônia Sustentável (Sustainable Amazon Foundation). None of the above companies is a part of the Eternit S.A. economic group.

Independent Councilor

Victor Adler

Admittance date

2005

Specialty

Legal

Committees in which he is a member

Legal Committee

Professional background

Brazilian, born on November 7th, 1946, Victor Adler is a Law graduated by the Federal University Fluminense and member of Eternit's Board of Directors since 2004. Currently, he holds the positions of CEO at VIC DTVM, and is also a member of the Board of Directors at Confab Industrial S. A., at UNIPAR Participações S. A., and at Forjas Brasileiras S.A. None of the above companies is a part of the Eternit S.A. economic group.

Councilor

Luiz Barsi Filho

Admittance date

2008

Specialty

Legal and Economic

Committees in which he is a member

All committees



Professional background

Brazilian, born on March 10th, 1939, Luiz Barsi Filho is a Law graduated by the Faculty of Law of Varginha, and an Economy graduate by the Faculty of Economy, Finances and Business Administration of São Paulo, being a member of Eternit's Board of Directors since 2008. He was editor of the Economy and Capital Markets folder of Newspaper Diário Popular, Director of the Economists Bar and Syndicate of São Paulo, member of the Fiscal Board of Comgás – when that company was still controlled by the City Hall of São Paulo –, Director of Capital Market of Magazine Marketing, member of the 2nd Jury Trial of São Paulo, member of the Regional Economy Council (Section of São Paulo) and Capital Market analyst at CESP Foundation. Currently, he's an independent investment consultant. This businessman does not hold or hasn't held any other management position in public companies in Brazil and none of the above companies is a part of Eternit's economic group.

Councilor

Élio Antonio Martins

Admittance date

2007

Specialty

Legal and Industrial

Committees in which he is a member

All committees

**Professional background**

Brazilian, born on January 29th, 1956, Élio Martins is a History graduated by the Catholic University of Goiás and a Law graduated by Unip (Universidade Paulista), with specialization in Business Administration/PDG-Exc, a course that was later incorporated by Ibmec - SP. He's in the Company since 1975, being a member of the Board of Directors since 2007 and President of Eternit's Executive Board and Director of Investor Relations since 2000. Currently he also holds many different positions in class representation entities, being Director of the Brazilian Chrysotile Institute (IBC), Vice-President of Sinaprocim (Syndicate of the of the Cement Products Industry of the State of São Paulo) and of Sinprocim (National Syndicate of the Cement Products Industry), and member of Cosema - Higher Natural Environment Council of the Federation of the Industries of the State of São Paulo (FIESP), and of the Advisory Board of ADIAL BRASIL - Brazilian Association For Industrial Development, and of Lide - Group of Corporate Leaders. None of the above companies is a part of the Eternit S.A. economic group.

Councilor

Marcelo Munhoz Auricchio

Admittance date

2011

Specialty

Industrial

Committees in which he is a member

Socio-Environmental Responsibility and Strategic Planning Committees

**Professional background**

Brazilian, born on September 1st, 1970, Marcelo Auricchio is a business management technologist and a businessman in the industrial automation area. He became a member of Eternit Group's Board of Directors in 2011. He's also a partner at Group Módena. None of the abovementioned companies is a part of the Eternit S.A. economic group.

Councilor

Luis Terepins

Admittance date

2011

Specialty

Finances and Industrial

Committees in which he is a member

Auditing, Financial Control and Treasury, Strategic Planning and Human Resources Committees

Professional background

Brazilian, born on August 9th, 1955, Luis Terepins is a Civil Engineering graduated by University Mackenzie, with specialization in Finances by the Getúlio Vargas Foundation. He was President of the Board of Directors of DASA (Diagnósticos da América S.A.) and currently is President of the Board of Matec Industrial and of the Biennale Foundation of São Paulo, besides being a member of the Board of Directors of Even Construtora e Incorporadora S.A. and ABIT (Brazilian Textile and Apparel Industry Association). None of the above companies is a part of the Eternit S.A. economic group.

ADVISORY BOARD

GRI 4.1

The Advisory Board, installed on April 13, 2011, is a entity that provides support to the Board of Directors, and whose main responsibility is to give opinions on Eternit's most relevant matters. It will be consulted by the Board of Directors or by the Executive Board whenever deemed convenient. For that purpose, its members take an active part in the meetings held by the committees and the Board of Directors, when summoned. Their mandates last one year, with the possibility of reelection at an General Shareholders' Meeting. Their remuneration in 2011 amounted to R\$ 108 thousand (fixed part). This entity has no right to variable remuneration.

Advisory Board Members

Independent Councilor

Mário Fleck

Admittance date

2011

Specialty

Auditing

Committees in which he is a member

Auditing, Treasury and Financial Control, Strategic Planning and Human Resources Committees



Professional background

Brazilian, born on April 16th, 1954, Mário Fleck is a member of Eternit's Advisory Board since 2011, being a Mechanical Engineering graduated by the Pontific Catholic University (PUC-RJ). Mário had already been a member of Eternit S.A.'S Board of Directors from 2004 to 2010, a position he has already held at Cremer S.A., at savings bank Nossa Caixa, at Unipar and at Ferbasa. Currently he holds the position of Executive Director at Rio Bravo Investimentos S. A. and is a councilor for the companies Disec, Direct Talk, Tecnológica, Bematech and GR. He's a member of the Board of Governors of the Weizmann Institute of Science, in Israel, vice-president of the Israelite Federation of São Paulo and of the Brazil-Israel Trade Chamber. None of the above companies is a part of the Eternit S.A. economic group.

Independent Councilor

Guilherme Affonso Ferreira

Admittance date

2011

Specialty

Human Resources

Committees in which he is a member

Human Resources Committee



Professional background

Brazilian, born on May 9th, 1951, Guilherme Affonso Ferreira is a member of Eternit's Advisory Board since 2011 and is a Production Engineering graduated by the Polytechnic School of the University of São Paulo. He's also an Economy and Political Science graduated by the Macalester College, in Minneapolis (USA). Guilherme was a member of Eternit's Board of Directors from 2004 to 2010 and currently he holds the positions of CEO at Bahema Participaçõess S.A. and is a member of the Board of Directors of the following companies: Grupo Pão de Açúcar, Sul América S.A., Valid Soluções and Serv. Seg. Meios Pag. Ident. S.A., Ideiasnet S.A., Arezzo Indústria e Comércio S.A., Gafisa S.A. and Tavex Algodonera S.A. None of the above companies is a part of the Eternit S. A. economic group.

EXECUTIVE BOARD

GRI 4.2 / 4.5

With a one-year mandate and the possibility of reelection, the Board of Directors is composed of seven members, including the Company's CEO, who accumulates the position of Director of Investor Relations.

Its function is to execute the strategic decisions proposed by the Board of Directors. Since 2008, the Board of Directors meets on a weekly basis, with the purpose of following Eternit's actions and results more often, besides promoting a greater synergy between the Group's areas. The annual remuneration paid to the Board of Directors amounted to R\$ 10,076 thousand in 2011, of which R\$ 3,372 thousand amounted to the fixed part and R\$ 6,704 thousand to the variable portion, which is composed of participation in the profits and in the Company's Stock Option Plan. According to the Stock Acquisition Plan, a director might invest, through the market, his/her bonus (profit share) in Eternit's stocks. The policy is available at www.eternit.com.br/ri.

In March 2012, the Board of Directors held 1.55% of the Company's capital.

Board of Directors Members

CEO and Director of Relations with Investors

Élio Antonio Martins

Election

2000



Professional background

Brazilian, born on January 29th, 1956, Élio Martins is a History graduated by the Catholic University of Goiás and a Law graduated by Unip (Universidade Paulista), with specialization in Business Administration/PDG-Exc, a course that was later incorporated by Ibmecc - SP. He's in the Company since 1975, being a member of the Board of Directors since 2007 and President of Eternit's Executive Board and Director of Investor Relations since 2000. Currently he also holds many different positions in class representation entities, being Director of the Brazilian Chrysotile Institute (IBC), Vice-President of Sinaprocim (Syndicate of the of the Cement Products Industry of the State of São Paulo) and of Sinprocim (National Syndicate of the Cement Products Industry), and member of Cosema - Higher Natural Environment Council of the Federation of the Industries of the State of São Paulo (FIESP), and of the Advisory Board of ADIAL BRASIL - Brazilian Association For Industrial Development, and of Lide - Group of Corporate Leaders. None of the above companies is a part of the Eternit S.A. economic group.

Director of Human Resources

Flávio Grisi

Election

2004



Professional background

Brazilian, born on May 25th, 1952, he's a Production Engineering graduated by the Engineering School of São Carlos (USP) and has a post-graduation degree in Business Administration by the Getulio Vargas Foundation, and he's been Eternit's Human Resources Director since 2004, having previously worked at Companhia Vale do Rio Doce and at Alcan Alumínio do Brasil.

Commercial Director

Marcelo Ferreira Vinhola

Election

2004



Professional background

Brazilian, born on November 17th, 1952, Marcelo Vinhola is a Business Administration graduated by the Higher Teaching Institute Senador Fláquer and has been Eternit's Commercial Director since 2004.

Financial & Administrative Director

Nelson Pazikas

Election

2004

**Professional background**

Brazilian, born on July 14th, 1948, Nelson Pazikas is a Mechanical and Industrial Engineering graduated by the Faculty of Industrial Engineering – FEI and has been Eternit's Financial and Administrative Director since 2004.

Mining Director

Rubens Rela Filho

Election

2000

**Professional background**

Brazilian, born on November 2nd, 1948, Rubens Rela Filho is a Production Engineering graduated by University Mackenzie and has been Eternit's Mining Director since 2004. He also holds the position of General Director at SAMA S. A. Minerações Associadas since 1997.

Director of Development and New Business

Saulo Simoni Nacif

Election

2007

**Professional background**

Brazilian, born on September 2nd, 1969, Saulo Simoni Nacif is an Aeronautics Mechanical Engineering graduated by the Aeronautics Technological Institute (ITA), with a MBA, with honor, in Finances and Operations Management by the University of Rochester, in New York (USA). Saulo has also been a Product Development Manager at the Xerox Corporation, in Rochester (NY), Strategy Manager at Xerox do Brasil, an Associate of the Consultancy Company Booz&Hamilton, Principal at consultancy company Consultoria Solving-Efeso, Director of New Business for General Electric do Brasil, and Mergers and Acquisitions Consultant for GE Energy Financial Services, from the General Electric Group. Since 2007, he's been Director of Development and New Business at Eternit S.A., and Corporate Director responsible for the Companies Tégula Soluções para Telhados and Companhia Sulamericana de Cerâmica.

Director industrial

Rogério Renner dos Santos

Election

2008

**Professional background**

Brazilian, born on May 20th, 1956, Rogério Renner dos Santos is a Mechanical Engineering graduated by the Federal University of Rio Grande do Sul, with a Business Administration specialization by Unisinos, and has been Eternit's employee since 2000, where he's acted as Manager at the plants of Bahia and Rio de Janeiro and, since 2008, he's been Eternit's Industrial Director.

INTERNAL CONTROLS

GRI 4.9

Internal Controls is an independent area, subordinated to the President of the Executive Board, and has as its purpose, through a set of procedures, methods or routines, protect the assets, to generate reliable accounting data and help the Company's management to orderly conduct its businesses. This area establishes the procedures to all Eternit Group's companies, with the purpose of implementing uniform practices, except for the particularities of each division.

In March 2011, the area started a project to review the administrative norms with the purpose of ensuring that the Company's operations are supported by adequate procedures and validated by the Legal area, when necessary. The project aimed at updating and standardizing, when applicable, all the procedures for all Eternit Group's companies. Therefore, the procedures held by Eternit, Precon, SAMA and Tégula are aligned according to corporate policies applicable to the entire Group.

The first phase of the project was concluded in December 2011. In 2012, the second stage will be started, which will consist in the maintenance of a communication channel for the Internal Controls to receive critical remarks or suggestions that may contribute to the enhancement or extension of the norms. It will also include visits to the Group's plants, allowing the units to clear their doubts on the procedures applicable to each area.

INTERNAL AUDITING

GRI 4.9/ HR6 / HR7 / S02

Principle 10 of the Global Compact

Eternit's Internal Auditing is an independent area, subordinated to the President of the Executive Board, whose function is to verify the conformity of the Company's activities with the norms, laws or policies and internal values.

This area acts based on an annual verifications calendar and it also fulfills the requests made by the Board of Directors and by the Executive Board. In addition the Company's headquarters, all the Group's plants and companies are audited at least twice a year.

According to the working plan, no evidence of corruption, child labor, and slave labor has been found, nor any other unconformity with the Company's ethical principles and values or with the applicable legislation.

EXTERNAL AUDITING

GRI 4.9 / S02

Currently, the external auditing company contracted by Eternit is Deloitte Touche Tohmatsu Brasil. The agreement will expire in March 2012. As of that date, Ernest Young & Terco will replace Deloitte. According to the contractual norms, the company responsible for the external audit shall be replaced after five years of activities with the Company. Therefore, Ernest Young & Terco will be replaced in March 2017.

THE INTERNAL CONTROLS AREA ESTABLISHES THE PROCEDURES
FOR ALL ETERNIT GROUP'S COMPANIES, WITH THE PURPOSE OF
IMPLEMENTING UNIFORM PRACTICES

ETHICAL PERFORMANCE

GRI 4.8 / 4.12 / SO3 / SO4 / HR4

Principle 10 of the Global Compact

On the admission date, newly hired professionals receive a Employee's Manual, which contains important information for their integration into the company, such as the staff management policies, benefits, Code of Ethics, among others, to be consulted at any time. That manual was reformulated in 2011 in order to adapt to the changes in the Company. There is a Code of Ethics since 2004, and it involves a set of rules of behavior that aim at conducting business according to human rights and in conformity with the ethical and anti-corruption principles practiced by the Group. All new employees go through a training course on those rules.

Eternit also counts on "O Telhadinho (The Little Roof)", a bulletin that is currently distributed every month in the headquarters and at the plants, to spread its precepts related to human rights and the UN'S Global Compact. In 2012, that publication will become bi-monthly and will be sent directly to our employees' homes. Eternit and the remaining companies that comprise the Group stimulate the reporting of cases of disrespect to the Code of Ethics – such as, for example, any prejudice against employees – confidentially, through the channels listed below. In 2011 no case of such a nature was reported in any of the Group's companies. In case they do occur, participants will be subject to disciplinary sanctions, including dismissal.

Eternit: The "Fale com o President (Talk to the CEO)" Program, at www.eternit.com.br

Eternit: The "Fale com o RH (Talk to HR)" Program, by e-mail at falecomorh@eternit.com.br

Tégula: The "Fale com o Nosso Diretor Superintendente (Talk to our Superintendent Director)" Program, at www.tegula.com.br

SAMA: (55 62) 3379-8180 - sugestoes@sama.com.br

The "Fale com o Diretor (Talk to the Director)" Program, with individual or group talks.

UN'S GLOBAL COMPACT and BLUEPRINT

GRI 4.8

Since 2007, Eternit is a signatory of the United Nations Organization's (UN) Global Compact, whose purpose is to mobilize the international business community to adopt, in their business practices, some fundamental and internationally accepted values in the human rights, labor relations, environmental and corruption fighting areas. The initiative involves, besides the UN and the companies, workers unions, non-governmental organizations, among other partners that may contribute to more inclusive and egalitarian global market. Currently there are more than 5,200 signatory organizations, organized around 150 networks all over the world. It's important to highlight that the Global Compact is not a regulatory or policing covenant, but indeed a wholly voluntary initiative.

The values proposed by the Compact are reflected in ten principles:

Human Rights

Principle 1: Companies must support and respect the protection of internationally recognized human rights.

Principle 2: Make sure that your own corporations are not being accomplices of abuses and violations of human rights.

Labor

Principle 3: Companies must support freedom of association and the effective recognition of the right to collective labor negotiations.

Principle 4: The elimination of all the forms of forced or compulsory labor.

Principle 5: The effective eradication of child labor.

Principle 6: To eliminate any and every prejudice with respect to employees and their functions.

Natural Environment

Principle 7: Companies must adopt a preventive approach to deal with environmental challenges.

Principle 8: Develop initiatives to promote a greater environmental responsibility.

Principle 9: Stimulate the development and diffusion of clean technologies that do not hurt the natural environment.

Corruption

Principle 10: Companies must commit themselves to fight corruption in all its forms.

As a signatory, Eternit has been translating each one of these principles into daily routines through good business and relationship-building practices with the stakeholders, based on the concept of sustainability. The initiatives that have incorporated these precepts are being portrayed throughout this report.

Now, the Company prepares itself to reinforce and extend them through the implementation, within the mid to long terms, of Blueprint – Action Plan for Leadership in Corporate Sustainability, which is linked to the Global Compact. In the context of Blueprint, corporate sustainability is exactly defined as a company's capacity to continually embrace all the principles and issues related to the Compact in order to increasingly infuse those values in financial, socio-environmental and ethical terms. The plan determines how to act in view of those three main dimensions and their cross-components as a way of implementing the principles in its strategies and operations. The idea is to have companies achieving all their positive potential within society.

INVESTOR RELATIONS

Eternit's Investor Relations (IR) area was created in 2004 due to the maturing of the Brazilian capital markets and the consequent increase in the number of individual investors, stimulated by the possibility of long-term gains. Since then, the area has been gaining trust and credibility in that market and has received a special attention of the Company's Executive Board.

The mission of IR area is to implement transparency when rendering accounts and establish a channel of dialogue with shareholders and investors, answering to any request within a maximum of 72 hours. To get to know the needs of that public in advance, the IR area counts on a CRM (Customer Relationship Management) system, that works through data management. At every quarter, the area holds teleconferences with webcasting – follow-up via Internet – and constantly promotes public meetings, disclosure of press releases and fact-sheets, national and international road shows and even individual meetings, such as lunch parties.

It's also present in the Internet with a bilingual website (www.eternit.com.br/ri or www.eternit.com.br/ir), which is constantly updated with Eternit's financial results and initiatives, besides information on chrysotile mineral and remaining businesses. In 2011, that website went through a reformulation and will be re-launched at the start of the year 2012, offering a new and modern look, with better browsing tools. The homepage also offers tools to follow the news on the group, such as Youtube, Twitter, Slideshare and RSS. Another form of quickly consulting the Company's businesses and activities is by browsing the blog www.blogdaeternit.com.br, in the Capital Markets section.

In 2011, there were approximately 850 contacts between the IR area and investors, shareholders and stakeholders, and more than 50 meetings were held. Therefore, the relationship reinforces Eternit's links with the institutions that follow and disclose its activities through reports. At the end of 2011, six institutions (one more than in 2010) were following the company's shares, and as a function of the legal issue around chrysotile mineral, five recommended keeping stocks and one was revising its position.

IR AREA RECOGNITION

Eternit's dedication to its relationship with investors was a highlight in the capital markets in 2011. The Company's IR program was recognized by the IR Magazine Awards Brazil as the best for individual investors in the Small & Mid Cap category and was ranked among the five top companies in the Grand Prix of the Best IR Program of Small & Mid Cap Companies. The award promoted by the IR Magazine, the most important international publication on investor relations, celebrates excellence of the Company's communications with shareholders and of the IR practices in Brazil. Eternit was selected in a survey undertaken by the Brazilian Economy Institute of the Getulio Vargas Foundation - FGV, involving 5 thousand individual investors, in addition to 400 analysts and institutional investors.

IN 2011, IR MAGAZINE ELECTED ETERNIT'S INVESTOR RELATIONS PROGRAM AS THE BEST FOR INDIVIDUAL INVESTORS



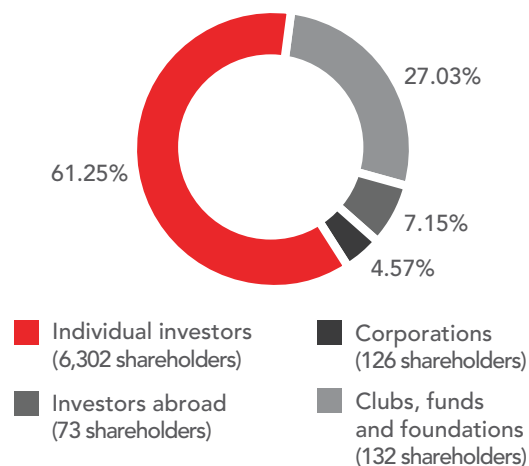
Administrative area of the plant in Simões Filho (BA)

SHAREHOLDING STRUCTURE

Eternit's share capital is composed of 89.5 million ordinary shares. That amount was achieved in 2010, the year in which the Company homologated a capital increase of R\$ 107.4 million, the equivalent to 17.9 million new ordinary shares over the 71.6 million base recorded in December 2009.

Eternit has neither a controller nor a shareholders' agreement. Just three shareholders own more than a 5% share in its capital, holding together 38.44% of the total shares. Eternit's Executive Board has also acquired shares, through the Share Acquisition Plan and, in December 2011, it held 1.62% of its share capital.

SHAREHOLDING STRUCTURE



Access www.eternit.com.br/ir to view the updated shareholding structure

Shareholders with a share of more than 5% (31/DEC/2011)

Geração L.PAR Fundo de Investimentos em Ações	18.30%
Luiz Barsi Filho	13.44%
Victor Adler	6.70%

The trust on Eternit's titles is represented not just by its results in the capital markets, even considering all the challenges it has faced, but also due to the presence of shareholders in all Brazilian states. The largest concentration of investors is in the Southeastern Region, with around 77% of the shares, and the state of São Paulo concentrates the largest quantity of shareholders.

DISCLOSURE AND NEGOTIATION POLICY

To comply with the requirements set by the Securities and Exchange Commission (CVM), Eternit has implemented, since June 2002, a policy to promote stock information and negotiation, consolidated in the Manual on the Disclosure and Use of Information and Policy on the Negotiation of Securities Issued by Eternit S/A. That document, destined to managers, employees and service providers, establishes the best practices related to the promotion and use of privileged information and to the negotiation of the Company's shares.

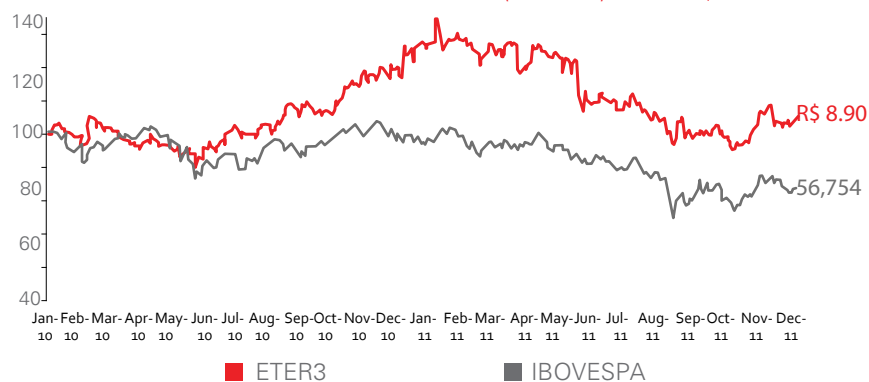
That policy was approved by the Board of Directors and its adhesion term has been signed by managers, members of the remaining entities with technical or advisory functions in the company; employees and businessmen with access to relevant information; and, also, by those who wish, due to their jobs, functions or positions in the Controlling Company or in the Controlled Companies, to have access to information related to Relevant Acts or Facts about the Company.

CAPITAL MARKETS

Affected by the global crisis, IBOVESPA, the main stock market index in Brazil, closed the year at 56,754 points. That performance was 18.11% lower than the figure verified in 2010, when the index had reached 69,304 points, exceeding by 1.04% the mark recorded in the previous year.

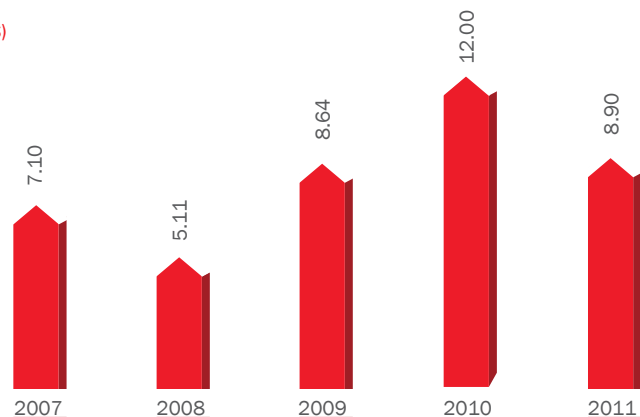
Within that scenario, Eternit's shares, negotiated under the code ETER3, faced devaluation, calculated at 25.8% in that year. That was a trend verified among the many different titles negotiated at BM&FBOVESPA. However, if compared to other titles, the value of the Company's shares was one with the lower devaluations in 2011. The Company's market value recorded in that year amounted to R\$ 796,550,000.

PERFORMANCE OF ETER3 SHARE VS. IBOVESPA INDEX (BASIS 100) - QUOTE R\$ / SHARE



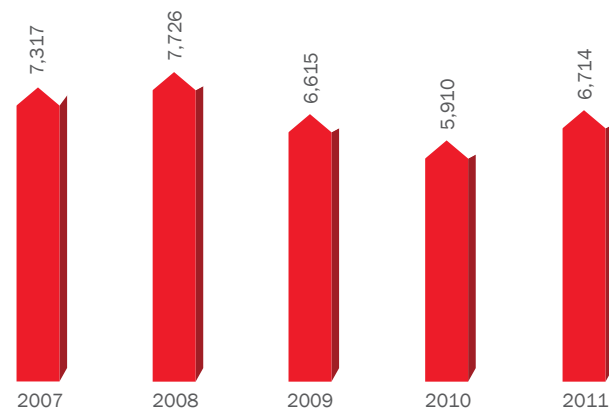
In the period between January 1st, 2010 and December 31st, 2011, Eternit's shares recorded a valuation of 4.7%, if compared to a negative valuation of the IBOVESPA index of 15.6%. In that same period, considering the payment of dividends and JCP, Eternit's shares recorded a 21.7% valuation.

SHARE PRICE (R\$)

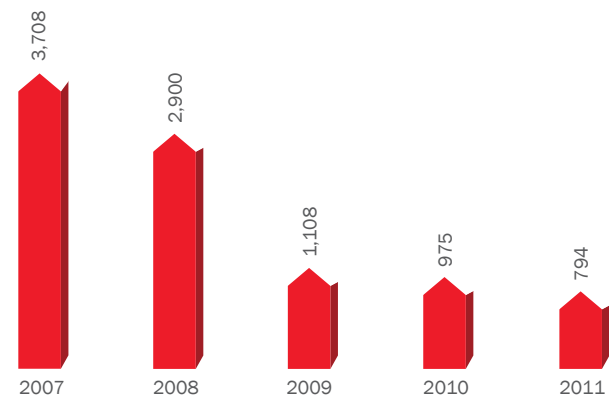


In 2011, the quantity of Eternit's shareholders increased from 5.9 thousand to 6.7 thousand. The daily average volume of business, however, suffered a retraction if compared to the year 2010, from R\$ 975.0 thousand to R\$ 794.0 thousand due to an increase in the participation of larger shareholders.

EVOLUTION OF SHAREHOLDING STRUCTURE



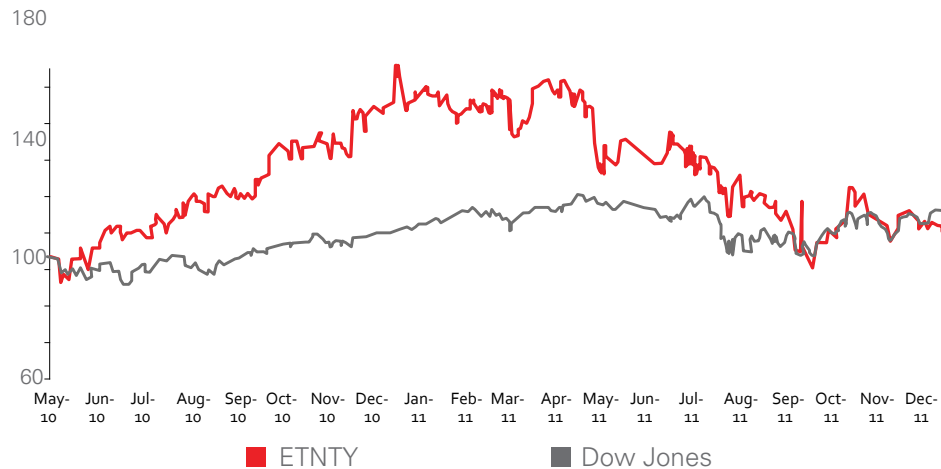
DAILY AVERAGE - BUSINESS VOLUME (R\$THOUSAND)



ADRs IN THE OTC

The participation of foreign investors in Eternit's capital went from 3.5% in 2009 to 8% in 2011, due to the disclosure and promotion of the Company's results in the North American market. That promotion was undertaken through the American Depositary Receipts – ADRs Program, Level 1, kept by Eternit since 2010. Each ADR represents an ordinary share of the Company and is negotiated in the American OTC (Over the Counter), or over-the-counter market, under the code ETNTY. The purpose of launching ADRs in that market was to provide international visibility to the Company, besides offering another investment option to foreign investors. It has been working, since, despite no deal with ADRs having been reports so far, Eternit brand's name exposition abroad has been attracting investors directly to BM&FBOVESPA, due to their preference to acquire shares in the local market instead of the over-the-counter market.

PERFORMANCE OF ETNTY (OTC) X DOW JONES INDEX (BASIS 100) – QUOTE US\$ / SHARE



DIVIDENDS

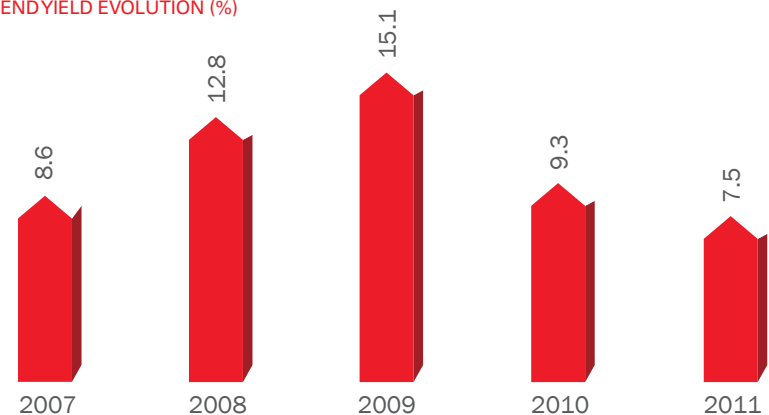
Eternit is seen by the capital markets as a good dividend payer and one of the few that endeavors to conciliate its dividend policy and growth. Despite that, the Company's dividend yield in 2011 suffered a retraction, being at 7.5% if compared to 9.3% recorded in 2010 due to the lower price per share, of R\$ 8.90 against R\$ 12.00 in the previous year. Last years' average was above 11.9%.

The payment of dividends and interest over the own capital is historically made at every quarter. Due to that practice, there is a large participation of legal persons in Eternit's shareholding structure. Eternit's is defined in Article 30 of its company bylaws, reproduced below:

Annually, net earnings for the year is destined as follows:

- I. 5% (five per cent) of the net income for the fiscal year shall be allocated, prior to any other allocation, to the constitution of the Legal Reserve, which shall not exceed 20% (twenty percent) of the capital stock of the Company;
- II. an amount may, as per proposal of the Board of Directors, be allocated to Reserves for Contingencies pursuant to Article 195 of Law 6404/76;
- III. 5% (five per cent) shall be allocated to the formation of a Statutory Reserve for the Maintenance of Working Capital pursuant to Article 32 of these Bylaws;
- IV. an amount of the net income for the fiscal year, as per proposal of the Board of Directors, may be retained based on the preliminary approved capital expenditures budget pursuant to Article 196 of Law 6404/76 contingent on compliance with the legal requirements and limits;
- V. these allocations having been made, the outstanding balance shall be allocated to the payment of the mandatory minimum dividend pursuant to the provision in Article 32 of these Bylaws;
- VI. After these allocations, should there still be a remaining balance, this shall be fully allocated to the payment of dividends to the shareholders.

THE DIVIDENDYIELD EVOLUTION (%)



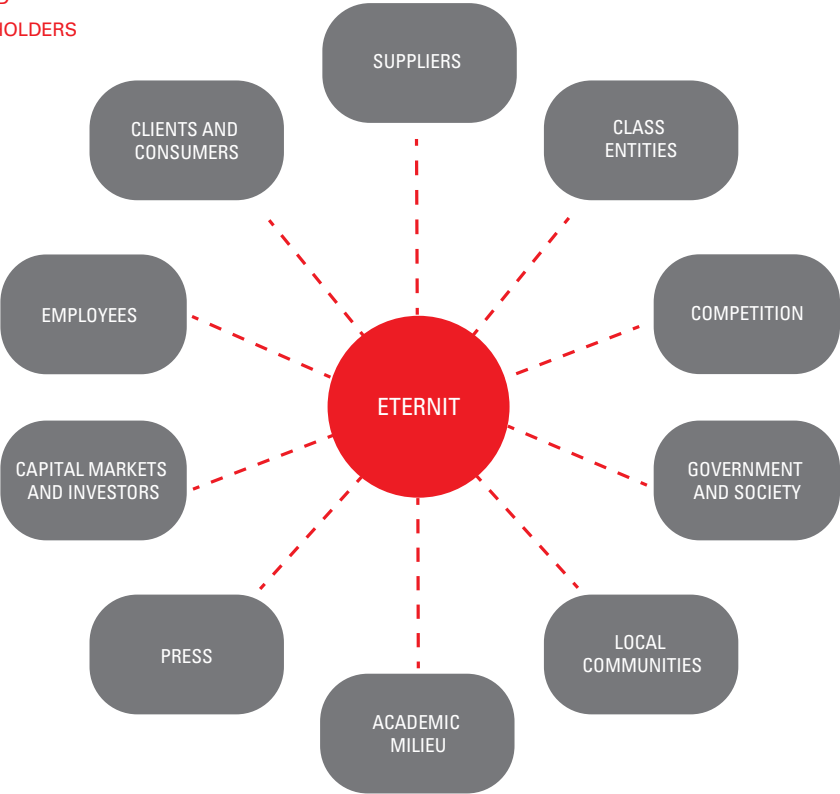
RELATIONSHIP WITH STAKEHOLDERS

GRI 4.4 / 4.14 / 4.15 / 4.16 / 4.17

Among other facts, as a consequence of the adherence to the UN'S Global Compact and with the purpose of reinforcing transparency, Eternit mapped its stakeholders in 2007. In a wider sense, that term may be understood as the groups or individuals that may be significantly affected by the activities and businesses of a company at the same time that they may, on the other side, act so as to affect that same company's capacity to implement its strategies and successfully achieve its goals. The Company employed for that mapping the AA1000 methodology, a tool developed by ISEA (Institute of Social and Ethical Accountability), from London.

As a consequence of that initiative, the Company identified the communication needs of each one of its stakeholders and how they converge towards its management strategies, developing then specific relationship-building channels and defining, based on a dialogue with every sector of the public, on the issues and concerns associated to the Company and that were most important to them. The graphic and the table below summarize the result of that work and indicate the pages of the current report where each specific public is dealt in greater detail.

MAPPED
STAKEHOLDERS



Social project at mining company SAMA (GO)



Stakeholders and respective relationship-building channels

Public/page (s)

Sub-themes

Suppliers (page 111)

Inspection visits
Training Sessions
Disclosure of relevant information, through the media
Annual Report
Open Door Program
Institutional Website
"Fale com o Presidente (Talk to the CEO)"

Class entities (page 69)

Lectures
Participation in forums and congresses
Face-to-face meetings
Disclosure of relevant information, through the media
Annual Report
Open Door Program
Institutional Website
Blog
"Fale com o Presidente (Talk to the CEO)"

Competition (page 114)

Participation in associations
Sharing of best practices to handle chrysotile mineral and safety in general
Disclosure of relevant information, through the media
Annual Report
Open Door Program
Institutional Website
Blog
"Fale com o Presidente (Talk to the CEO)"

Government and society (pages 97 to 114)

Improvement of social conditions with affordable prices for the roof coverings
Social programs
Environmental programs
Direct and indirect jobs
Participation in hearings on chrysotile mineral

Government and society (pages 97 to 114)

Disclosure of relevant information, through the media
Annual Report
Open Door Program
Institutional Website
Blog
"Fale com o Presidente (Talk to the CEO)"

Local communities (page 110)

Social programs
Environmental programs
Improvements at the plants
Direct and indirect jobs
Disclosure of relevant information, through the media
Annual Report
Open Door Program
Institutional Website
Blog
"Fale com o Presidente (Talk to the CEO)"

Academic milieu (page 36)

Open channel for surveys
Lectures
Training Sessions
Disclosure of relevant information, through the media
Annual Report
Open Door Program
Institutional Website
Blog
"Fale com o Presidente (Talk to the CEO)"

Press (page 68)

Press consultancy
Availability of material on the chrysotile mineral sector
Spokespeople for interviews
Annual Report
Open Door Program
Institutional Website
Blog
"Fale com o Presidente (Talk to the CEO)"

Capital markets and investors (page 60)

IR website
Telephone IR service
Public and online meetings
Participation in forums and congresses
Press release
"Fale com o Conselho (Talk to the Board)"
Disclosure of relevant information, through the media
Annual Report
Open Door Program
Institutional Website
Blog
Social media (as of February 2012)
Training Sessions
"Fale com o Presidente (Talk to the CEO)"
"Fale com o RI (Talk to the IR)"

Employees (page 68)

Collaborators manual
Plant commissions
Bulletins "O Telhadinho (Little Roof)", "Canal Aberto (Open Channel)", and "Antenado (Plugged)", published, respectively, by Eternit, SAMA and Tégula
Intranet
Occupational health and safety areas
Annual Report
Open Door Program
Institutional Website
Blog
Training Sessions
"Fale com o Presidente (Talk to the CEO)"
"Fale com o RI (Talk to the IR)"

Clients and consumers (page 36)

Technical support in any stage of the work
Online tools: Etertools and Etercalc
Post-sale customer service
Customer Service (CS)
Salespeople and retailers all over the Country
Labeling of products

Information on the handling of products
Disclosure of relevant information, through the media
Annual Report
Open Door Program
Institutional Website
Blog
Training Sessions
“Fale com o Presidente (Talk to the CEO)”

RELATIONSHIP-BUILDING CHANNELS

Among the relationship-building channels developed to fulfill the needs of the Company's stakeholders, some outstand due to their reach, and to their transparency and agility. The data handled in all these channels are confidential. Get to know the main channels:

Open Door Program

Created in 2004, the program consists in literally opening SAMA'S and the Eternit plants' doors for visitation to any and every individual interested in knowing closely Eternit's operations. During the visit, participants receive information on the processing of chrysotile mineral, the manufacturing of products and the health and safety practices. More than 50 thousand people, mostly students, have already taken part in the program, considered one of the largest in the market. To schedule a visit, access www.eternit.com.br/portasabertas.

Consumers

The main channel of communication with this public is the CS (Customer Service), available by phone at 0800-0211709, for free calls, or by e-mail at sac@eternit.com.br. In 2011, the CS received 5,760 requests from consumers.

Shareholders

GRI 4.4

For the shareholders and potential investors, Eternit offers the “Fale com o RI (Talk to the IR)” channel, both by e-mail at ri@eternit.com.br and by phone at 55 11 3194-3872, 55 11 3194-3881 and 55 11 3038-3818. The IR channel's policy is to answer any request made by investors in no longer than 72 hours.

Stakeholders

GRI 4.4

Any and every stakeholder has direct access to the Company's CEO, Élio Martins, through the e-mail “Fale com o Presidente (Talk to the CEO)”, available at the website www.eternit.com.br. The Company ensures it will answer all the doubts, suggestions or complaints.

The same applies to the Board of Directors, which keeps in that website a channel called “Fale com o Conselho (Talk to the Board)”, open to suggestions, praises, criticisms or denunciations.

Employees

The channel “Fale com o Presidente (Talk to the CEO)” is also available to the internal public, being the tool dedicated not only to contact the Company's top businessmen, but also to report denunciations related to corruption, slave and child labor, sexual harassment, among others. All the messages are handled and answered in full confidentiality. In 2011, a new channel was opened, “Fale com o RH (Talk to HR)”, for specific doubts, suggestions and criticisms related to human resources. The employees can also count on monthly or bi-monthly internal vehicles: “Telhadinho (Little Roof)”, “Canal Aberto (Open Channel)”, and “Antenado (Plugged)”, respectively dedicated to Eternit, SAMA and Tégula employees. In addition to the internal news, they also deal with the principles related to the Global Compact and the Millennium Development Goals, both set by the UN.

Press

Eternit's activities are promoted through a press consultancy service. The Company's a spokespeople are prepared and available to give interviews on many different issues. Besides, Eternit, together with the press consultancy service, annually revises its crisis communication plan, especially due to the legal issues around the use of chrysotile mineral.

Eternit in the Web 2.0

Since 2010, Eternit makes a website available, www.blogdaeternit.com.br, which provides fast news on the construction sector, innovations and other matters related to Eternit's universe that might be of interest to clients, investors, partners and to society at large. That online publication was the first step to introduce the Company into the universe of the Web 2.0, through which Eternit intends to achieve greater interactivity and proximity in the relationship with the Company's stakeholders.

That goal was reinforced in 2011 with the IR website's reformulation, whose novelties have allowed shareholders, investors and analysts to more easily access and browse information on the Company. Among the novelties, is the possibility for Internet users to customize the IR home page according to their preferences, and to access social networks such as Twitter, Youtube, Slideshare and RSS. There also are tools available to users, such an Interactive Calendar, which allows users to interact with Outlook in order to receive alerts about events in the capital markets area. The entire website content was developed to make it compatible with software found in many different types of equipment, allowing users to access it from devices such as smartphones and tablets.

Corporate TV

With the concern of keeping the internal public up to date on issues related to finances, capital markets, human resources, code of ethics, principles of the Global Compact, the Millennium Goals and legal issues involving chrysotile mineral, among other things, the Company will implement, in the first half of 2012, its Corporate TV. The TV will be initially available to Eternit's units and to Precon Goiás with a lineup that will include, besides the abovementioned issues, interviews with the Company's employees. The next step will be its implementation at all Eternit Group companies.

ACTIVE PARTICIPATION IN THE SECTOR

GRI 4.13 / SO5

Principles 1, 5 and 10 of The Global Compact

Eternit has a relevant participation in many different civil construction sector entities, workers unions, industry and environmental entities, among many others, both in Brazil and abroad, through the businessmen listed below:

Élio A. Martins

- >> CEO and Director of Investor Relations
- >> Vice-president of Sinprocim/Sinaprocim – Syndicate of the Cement Products Industry of the State of São Paulo/National Syndicate of the Cement Products Industry
- >> Director of the Brazilian Chrysotile Institute
- >> Member of the Higher Environmental Board – Cosema (FIESP)
- >> Member of LIDE – Group of Corporate Leaders
- >> Counselor at ADIAL BRASIL – Brazilian Association for Industrial Development

Marcelo Ferreira Vinhola

- >> Commercial Director
- >> Guest participant of Sinprocim/Sinaprocim
- >> Member of the Executive Committee of the International Chrysotile Association (ICA)

Rubens Rela Filho

- >> Mining Director
- >> President of the Higher Board of the Brazilian Chrysotile Institute
- >> Member of the Executive Committee of the International Chrysotile Association (ICA)

Saulo Simoni Nacif

- >> Director of Development and New Business
- >> Associate Member and Member of the Strategic Committee on Business Affairs of AMCHAM (American Trade Chamber)
- >> Associate Member of the Brazil/China Chamber of Commerce and Industry – CCIBC

Many employees also take part at the managerial level in many different Brazilian entities.

05

A YEAR OF GROWTH



SECTOR ANALYSIS

Influenced by a combination of worsening international crisis due to the measures to restrain credit adopted by the government in order to restrict inflationary pressures at the start of the year, the Brazilian GDP (Gross Domestic Product) grew just 2.7% in 2011, 0.3 percentage points below that year's goal. The growth rate was also below the one verified in 2010, when the economy in the Country leapt 7.5% if compared to 2009. It's important to stress that the increment verified in 2010 was calculated based on a GDP downturn of 0.2% in the previous year.

The main items influencing the Brazilian GDP in 2011 were the processing industry and a generalized slowdown observed in the service sector. Lower rates related to consumption among families, Gross Fixed Capital Formation (GFCF) and the external sector's contribution were also relevant.

Despite that scenario, the civil construction sector's GDP ended 2011 with a 3.6% growth if compared to 2010. According to a report issued by the Brazilian Association of Construction Material Industries (ABRAMAT), finishing materials were the items that most influenced the revenue increase that year, contributing with 8% if compared to 2010. With a less significant impact, basic materials advanced 0.2% over the same comparison base.

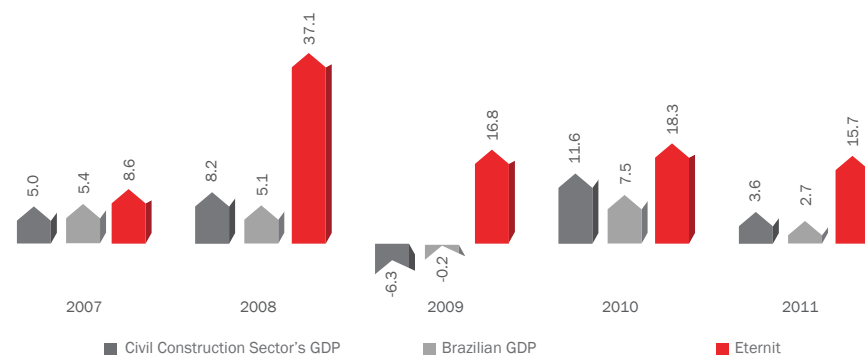
Also according to ABRAMAT's report, after a first half of oscillations in the revenues from internal sales, only positive variations were reported in the second half of that year, with consecutive evolution in the last seven months. If compared to the month of December 2010, the leap amounted to 7.4%. The expectations for the first months of 2012 tend to follow a positive scenario, however with a lower growth rate than the one seen in December.

Even with such a timid growth of the national economy and the civil construction sector, Eternit has reported growth rates above the sector average thanks to purchase power recovery and to the generation of income and jobs, especially in the second half of 2011.



Fiber cement tiles stock

BRAZILIAN GDP X CIVIL CONSTRUCTION SECTOR'S GDP X ETERNIT'S CONSOLIDATED GROSS REVENUES (%)



The Company's growth rate was deflated by the IGP-M index.

For 2012, the projected growth rate for the GDP amounts to 3.5%, with a highlight to the construction civil sector, with an expected increment of 4.8%, justified by government works and by the real estate credit expansion.

**HISTORICALLY, ETERNIT
PRESENTS HIGHER GROWTH
RATES THAN THE CIVIL
CONSTRUCTION
SECTOR'S GDP**

CHRYSOTILE MINERAL SEGMENT

Chrysotile mineral is employed in more than 150 countries as a raw material for hundreds of industrial products, which include friction and chemical materials, sealing masses and fiber cement, this last one being responsible for the consumption of 99% of the worldwide production. The largest consumers are the developing countries, especially in Asia, which take up half of the production due to the product's high durability and flexibility – besides its greater filtering and thermal and acoustic insulation capacity – and to a highly favorable cost-benefit relation.

Only five countries have deposits providing a viable exploration of that fiber: Russia, China, Brazil, Kazakhstan and Canada. Zimbabwe, which in the past was a large producer, is practically outside the market due to the deterioration of a large part of its equipment, which was affected by strong floods in 2008, and now requires high investments to resume large-scale operations. Brazil has been self-sufficient in terms of chrysotile mineral extraction since 1983 and, with a 15% market share, it is today the third largest producer in the world, behind only Russia (50%) and China (20%). The Brazilian mining company gives priority to internal market provision, since it's more profitable, and exports its production surplus. That is, 45% of its production is destined to more than 20 countries, including India, Indonesia, United Arab Emirates, Angola, Thailand, Mexico, Malaysia, Sri Lanka, Colombia and USA.

The chrysotile mineral mining activity progressed between 2004 and 2008, a period in which worldwide consumption reached 2.4 million tons per year. With Zimbabwe's demise and the reduction in the Canadian offer, added to the fact that the demand is adjusted with the offer, worldwide consumption in 2011 was of 2.2 million tons, a volume equal to the one verified in 2010 and superior to the 2.1 billion reported in 2009. In Brazil, the mining company has operated at full capacity since the second quarter of 2007.

Despite the forecasts pointing to the maintenance of the international economic slowdown, there are good perspectives for the global chrysotile market in 2012. The Rotterdam Commission has made a favorable decision to continue releasing transportation between countries. The decision is valid for two years. Besides, there is the possibility of a price increase because the production is in line with the global demand, since the remaining mining companies are operating close to their full capacity.

Aerial view of mining company SAMA (GO)

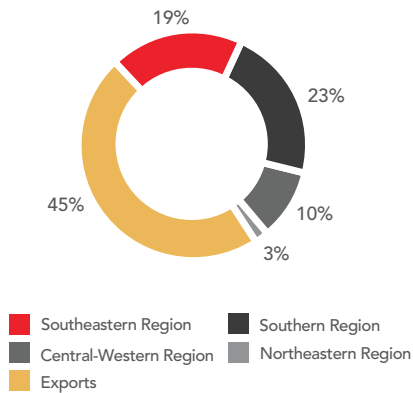


OPERATING MARKET AND SALES SEGMENTATION

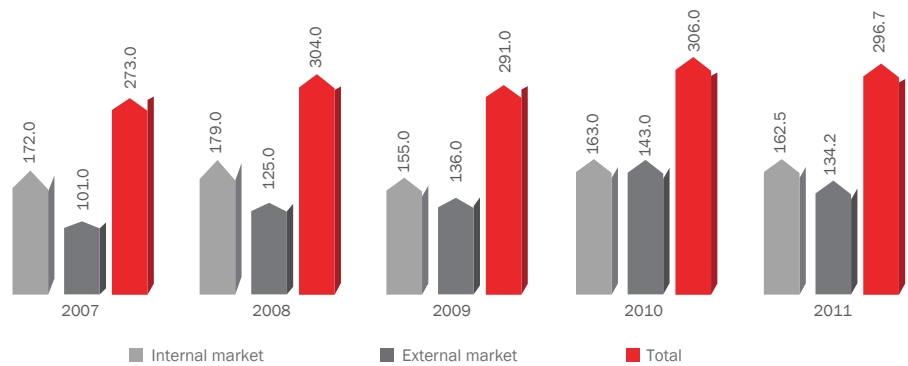
CHRYSTILE MINERAL MINING

In the last few years, the focus of SAMA'S commercial area has been the most profitable market, since chrysotile, despite being a mineral, is not commercialized as a commodity. Due to the operational difficulties faced by one of the Canadian mining companies, SAMA ended 2011 with a 1-percentage point leap in its share of the global chrysotile market, calculated at 15%.

DISTRIBUTION OF CHRYSTILE MINERAL SALES
AS PER REGION AND EXPORTS



CHRYSTILE MINERAL SALES (THOUSAND TONS)



The mining company operated at full capacity during all the year 2011. The mining company extracted that year a total of 306 thousand tons of chrysotile mineral, of which 296.7 thousand tons were commercialized, 3.2% less than in the previous year. The lower figure is due to a reduction in the safety stock levels in 2010, which provided a higher volume of sales then. The majority of the production – 162.5 thousand, or the equivalent to 55% – was destined to the internal market due to its higher profitability as a consequence of the boom in the civil construction sector. Internally, the sales go to fiber cement industries. 134.2 thousand tons were destined to the foreign markets, a 6% decrease if compared to 2010 due to the strategy of giving priority for the internal market. SAMA'S clients are located in the following countries: India, Indonesia, USA, United Arab Emirates, Angola, Thailand, Mexico, Malaysia, Sri Lanka and Colombia.

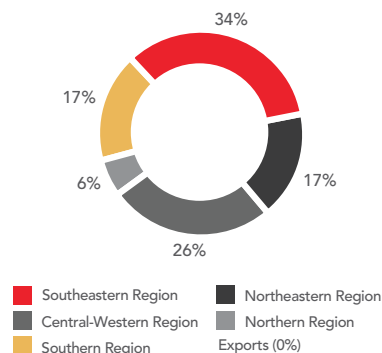
Prices are ruled by the market and by the demand. In the internal market, prices remained practically stable in 2011 if compared to 2010, while the prices seed in the external market went up by 10%. The mining activities' contribution to the consolidated net revenue in the year 2011 amounted to 26.2% if compared to 27.4% in the year 2010. For 2012, new price increases might occur in the external market, since offer and demand are very close and all the mining companies are operating close to their full capacities.

FINISHED PRODUCTS

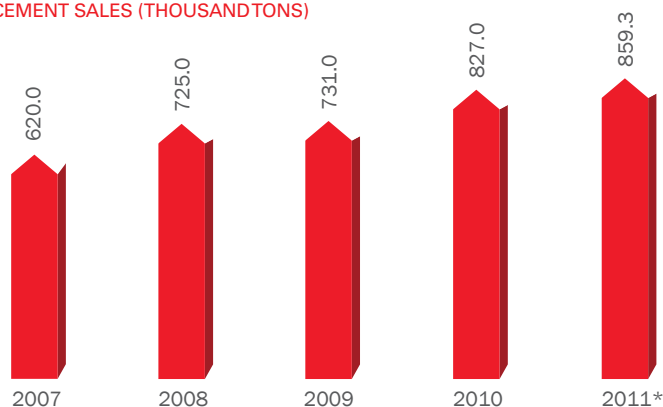
Fiber cement

The year 2011 saw Eternit increase its share in that market. The Company operated at around 85% of its production capacity, and its number of sales points went above 15 thousand due to the strong performance of the civil construction sector. It also gained a 1-percentage point share in the Brazilian fiber cement market, closing the year at 32%, and thus maintaining its leadership in that sector. In 2011, 859.3 thousand tons of fiber cement was sold, 3.9% above the figures in 2010. The keeping of the credit policy and purchase power at similar levels, plus a decrease in unemployment rates, have all contributed to that slight growth rate.

DISTRIBUTION OF FIBER CEMENT SALES AS PER REGION AND EXPORTS



FIBER CEMENT SALES (THOUSAND TONS)



*It includes the construction systems commercialization

The fiber cement segment's contribution to the consolidated net revenue amounted to 55.4% if compared to 56.9% in 2010. For 2012, there are good perspectives for the fiber cement sector. The continuity of the government works, such as the PAC Program (Accelerated Growth Program) and the "Minha Casa, Minha Vida (My Home, My Life)" Housing Program, the expansion of real estate credit and the investments to support the coming mega sports events – the 2014 World Cup and the 2016 Olympic Games – and of the complimentary works required by those events shall all favor the civil construction sector, which will generate more jobs and increase income and purchase power, making a positive contribution to Eternit's business.

ETERNIT OPERATED AT AROUND 85% OF ITS PRODUCTION CAPACITY AND THE NUMBER OF ITS SALES POINTS WENT ABOVE 15 THOUSAND



Bathroom chinaware

The year 2011 was marked by the consolidation of Eternit's share in the bathroom chinaware segment. The Company ended the year as the 5th largest in that market. In terms of sales, Eternit has been exceeding even companies already traditional in that segment due to its strategy of reaching many different sales points and its differentiated logistics. The number of retailers has significantly increased if compared to 2010, leaping from 2 thousand to 5 thousand in 2011.

The Expansion and Diversification Program has added, besides the bathroom chinaware, a wide range of new products to Eternit's portfolio, including metallic tiles, polyethylene water tanks, sanitary seats, filters for water pipes and synthetic marble. The sale of those items grew significantly if compared to 2011. Their contribution to the consolidated net revenue amounted to 4.9% if compared to 3.4% in 2010. In the mid to long terms, Eternit wishes to become a large national player in the bathroom chinaware segment.

Concrete tiles

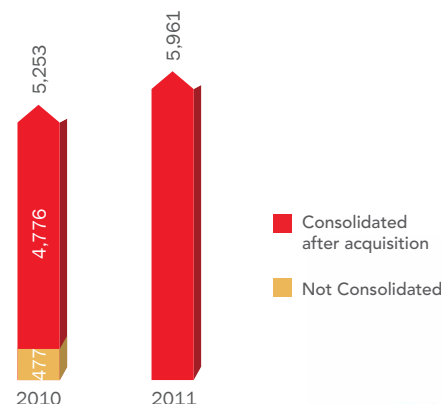
Concrete tiles are Tégula's most important products. The company is a leader in that segment with a market share of approximately 35%. Tégula products are mostly sold to the medium and upper classes. For construction companies, the BIG tile has become an interesting option. Tégula achieved in 2011 an important progress in the development of new consumer segments, especially by supplying to construction companies – including for the projects related to the Federal Program “Minha Casa, Minha Vida/My Home, My Life” – and the retail sector generally speaking. Tégula was created to operate in the segment of direct sale to end consumers, but it has been trying to explore new market segments in order to boost its growth.

In 2011, 5.9 million square meters of concrete tiles were sold, 13.5% above the figures verified in 2010. It's important to remind that Tégula had only been acquired in February of the previous year. That growth rate is associated, among many different factors, to the investments made to increase its production capacity, and to the opening of the sixth concrete tile plant in São José do Rio Preto (SP), in August 2011.

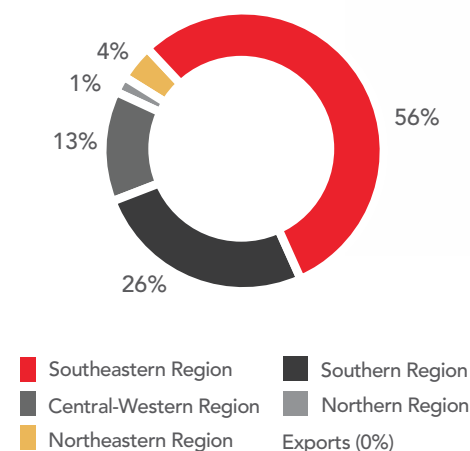
Despite seeing its revenues grow, Tégula's profitability hasn't followed the same pace due to the investments made in the new plant and in the automation projects at some manufacturing units. The company, however, plans to see a return over those investments already in 2012. Tégula represents today 10.9% of the Eternit Group's net revenues, by offering the Company access to the upper-class residential market, and its specifiers are therefore one of the most important pillars of the Expansion and Diversification Program.

For 2012, there are good perspectives for this segment, since with the investments already made in 2011, its capacity might reach around 10 million square meters. Also there is a great expectation that Tégula might gain market share, since the ceramic tile segment is going through environmental and product standardization difficulties.

SALES OF CONCRETETILES (THOUSAND M²)



DISTRIBUTION OF CONCRETETILE SALES AS PER REGION AND EXPORTS



OPERATIONAL AND FINANCIAL PERFORMANCE

GRI 3.9 / 3.11

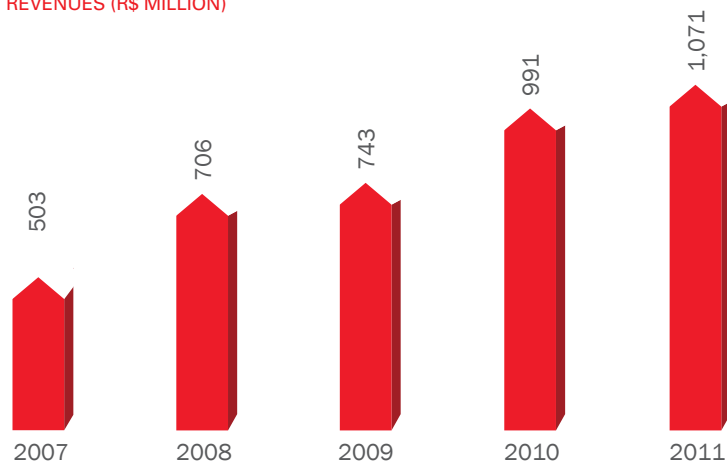
Eternit reported, in 2011, a growth rate superior to the one verified in 2010, which, on its turn, had already been significantly higher than in the previous year. The results that led to that increment will be described in the current chapter and should be read together with the audited financial statements and respective explanatory notes, available at www.eternit.com.br/ir or www.cvm.gov.br.

Since 2007 Eternit has adopted, as a pioneering move, the IFRS (International Financial Reporting Standard) standard to calculate its operational and financial results, which is a set of international accounting norms that only in 2010 became mandatory to public companies. Therefore, there are no relevant impacts for the information related to 2011.

GROSS REVENUES

Eternit reported, in 2011, gross revenues of R\$ 1,071 million, 8% higher than in 2010, when it had reported R\$ 991 million, and practically reached, one year before, its goal of achieving R\$ 1 billion in sales. The result confirms the growth trend verified in the last two years, when the gross revenues leapt by 44.1%. That increment is especially due to the strategies set in the Expansion and Diversification Program, implemented in 2007.

GROSS REVENUES (R\$ MILLION)



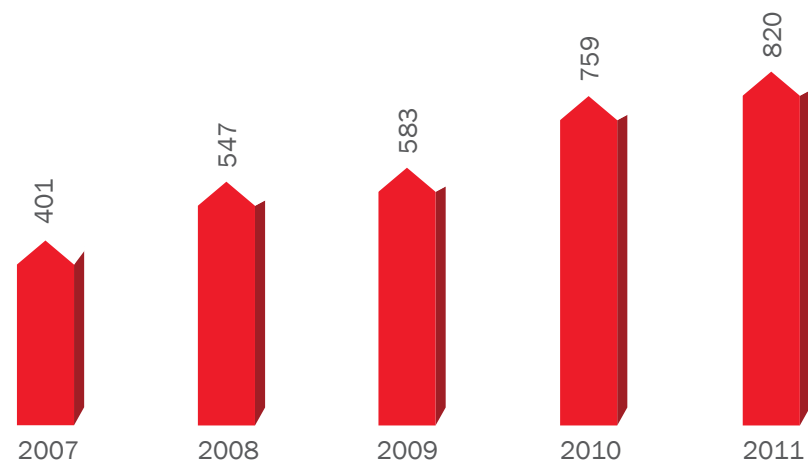
In 2011, as well as in 2010, the Company operated at full capacity in the chrysotile mining business, at around 85% in the fiber cement business, and at around 70% in the concrete tile business, considering the capacity increase verified at the end of 2011.

ETERNIT'S GROSS REVENUES EXCEEDED R\$ 1 BILLION IN 2011

NET REVENUES

As a consequence of the 11.2% increase in internal market sales, which amounted to R\$ 719.9 million, Eternit's consolidated net revenue grew by 8% in 2011, reaching R\$ 820.2 million. In that same period, the exports reported a 9.8% reduction, totaling R\$ 100.4 million, due to the currency devaluation, which was minimized by a rise in the American dollar exchange rates. The sales of new products and price recovery in the remaining lines of products contributed to the abovementioned growth rate.

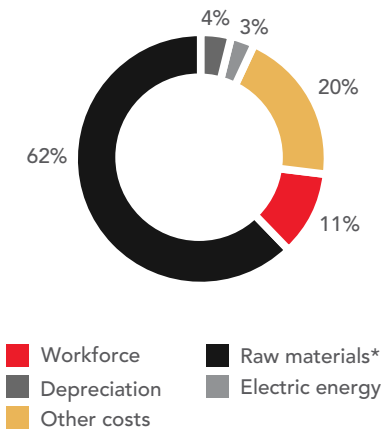
NET REVENUES (R\$ MILLION)



OPERATIONAL COSTS AND EXPENSES

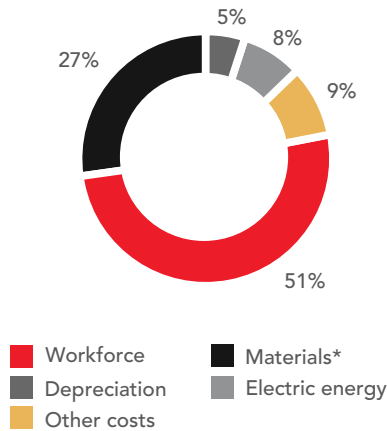
In 2011, Eternit totalized R\$ 496.5 million in the cost of consolidated products sold, a 14.9% rise if compared to 2010. The gross margin amounted to 39.0%, 4 percentage points below the same period in the previous year, due to the performance in the first half, when the Company was not able to pass on to the prices the cost increases verified in the period and the American dollar went through a strong devaluation against Brazilian real. The cost structure of the fiber cement, concrete tile and mining operations did not present great variations if compared to 2010.

FIBER CEMENT



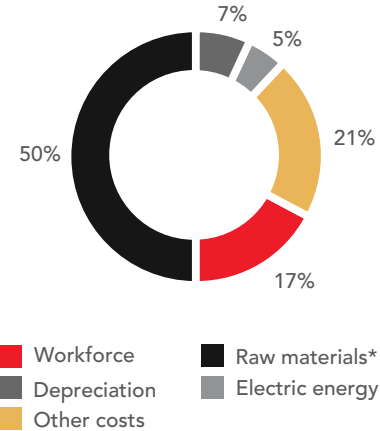
*Cement: 45% Chrysotile mineral: 44% Others: 11%

CHRYSOTILE MINERAL



*Fuel, explosives, packaging, others

CONCRETE TILES



*Cement: 53% Sand: 31% Others: 16%

The operational expenses amounted to R\$ 206.5 million, a figure 1.8% higher if compared to the previous year as a consequence of an increase in marketing investments in order to launch new products, of the opening of a showroom in São Paulo, of an increase in the fleet of vans – Mobile Training Units – that exhibit the bathroom chinaware and metal fittings and of sponsoring the TV program “Construindo um Sonho/Building a Dream” aired on the SBT TV channel. It’s important to stress that these investments directly contributed to the leap from 1% to around 5% in the bathroom chinaware’s share in the consolidated net revenue. It was equally relevant the 1.5 p.p. reduction in the operational expenses in relation to the consolidated net revenue.

Operational expenses (in R\$ thousand)	2011	2010	Variation 2011/2010
Expenses with sales	(97,294)	(88,403)	10%
Administrative expenses	(95,846)	(101,311)	(5%)
Other operational revenues (expenses)	(13,342)	(13,152)	1%
Total of operational expenses	(206,482)	(202,866)	2%
Percentage of the consolidated net revenue	25.2%	26.7%	1.5 p.p

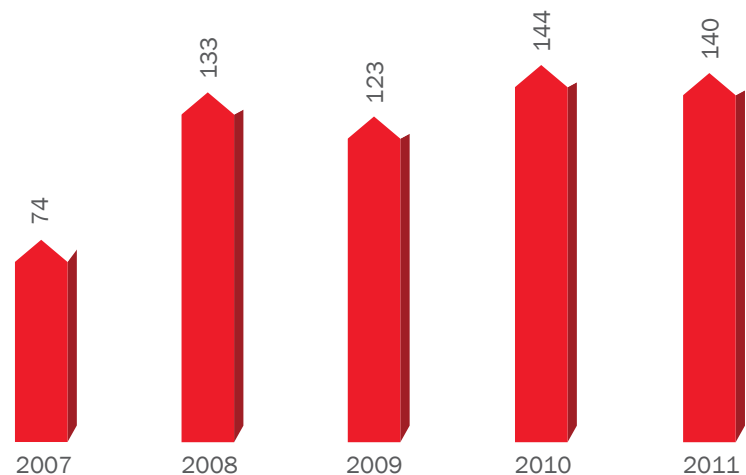
FINANCIAL RESULTS

In 2011, Eternit reported a positive net financial result of R\$ 13.8 million, 42.3% higher than R\$ 9.7 million verified in 2010 as a consequence of a higher active currency variation and of the recording of revenues with the anticipated liquidation of taxes related to the fiscal incentive programs “Produzir (Produce)” (State of Goiás) and “Desenvolver (Develop)” (State of the Bahia).

EBIT and EBITDA

Eternit's EBIT (Earning Before Interest and Taxes) amounted to R\$ 117.3 million in 2011, a 5.1% decrease if compared to 2010, because the growth of the costs of sold products and of operational expenses were higher than the consolidated net revenue, especially in the first half of the year, in which the currency devaluation negatively affected the exports. The EBITDA, of R\$ 140.1 million, was also lower than the one recorded in the previous year, at 2.9%. The EBITDA margin, on its turn, ended 2011 at 17%, a negative variation of 2 p.p in relation to the previous year.

EBITDA (R\$ MILLION)

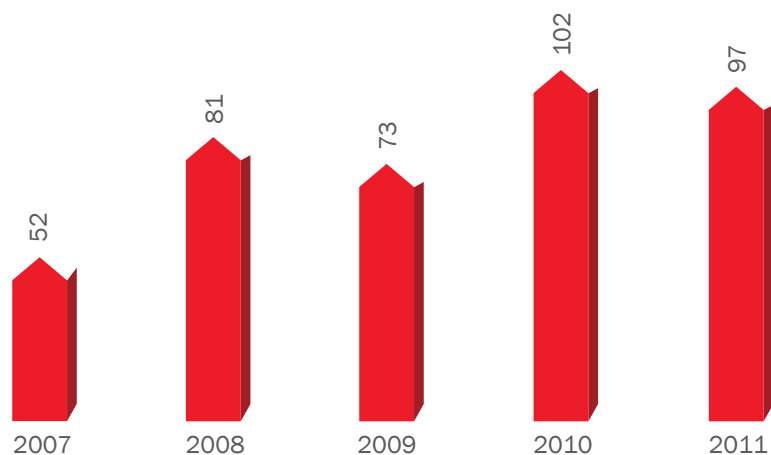


Reconciliation of the EBITDA (in R\$ thousand)	2011	2010	Variation 2011/2010
Operational profit	131,140	133,384	(2)%
Net financial result	(13,839)	(9,724)	42%
Financial expenses	29,820	22,676	32%
Financial revenues	(43,659)	(32,400)	35%
Depreciation and amortization	22,806	18,154	26%
Premium realization – surplus over the inventories	-	2,539	-
EBITDA	140,107	144,353	(3)%

NET INCOME

Eternit's net profit in 2011 amounted to R\$ 97.2 million, 4.8% lower than in 2010. However, it's important to stress that in the previous year the net profit in the fourth quarter was positively affected by the constitution of the income tax and of the social contribution deferred from controlled company Tégula, in function of fiscal losses accumulated in the previous exercises, in the amount of R\$ 10.3 million. After having purged that amount, the net profit in 2011 would have been 5.9% higher.

NET INCOME (R\$ MILLION)



CONSOLIDATED CASH FLOW

Eternit is a strong cash flow generator and, due to the investments it made, it ended 2011 with a R\$ 42.3-million cash flow, a 6.3% increase if compared R\$ 39.8 million recorded in 2010, when the company acquired Tégula.

Analysis of the consolidated cash flow	2011	2010	Variation 2011/2010
Initial balance	39,751	80,472	(50.6%)
Operational cash flow	88,862	100,103	(11.2%)
Investment cash flow	(28,354)	(61,974)	(54.3%)
Funding cash flow	(57,916)	(78,850)	(26.6%)
Final balance	42,333	39,751	(6.5%)

ANALYSIS OF THE TOTAL COST OF CAPITAL

The Company's management understands that Eternit's current capital structure is compatible with its debt levels. The Company leverages its operations substantially through non-onerous capital. There is, however, a margin to leverage the operations with onerous capital whenever the economic viability studies on the business seem to be positive.

In the last two corporate exercises the Company's assets were funded in the following manner:

Consolidated - R\$ thousand	2011	%	2010	%
Own capital	438,106	63.3	412,489	62.4
Capital from third parties	253,829	36.7	248,590	37.6
Total	691,935	100.0	661,078	100.0

In the comparison between 2010 and 2011, Eternit's own capital increased by R\$ 25,617 thousand, corresponding to the constitution of profit reserves in the total amount R\$ 25,406 thousand, and that amount already includes the constitution of an investment reserve in the amount of R\$ 15,899 thousand. As for the capital from third parties, it didn't report not significant alterations in that same period.

The debt before financial institutions (onerous capital) increased by R\$ 23,934 thousand in 2010 to R\$ 48,445 thousand on December 31st, 2011 due to the raising of funds to leverage the working capital of controlled company SAMA through ACE (cash advancements on export contracts), captured in North American dollars at the average currency exchange rate of R\$ 1.8676 and updated at the rate of R\$ 1.8751 on December 31st, 2011. The average capture rate (PRIME) amounted to 3.25 per year, and such cash advancements would mature, due to the characteristics of the transaction, within up to 360 days.

On December 31st, 2011, the capital from third parties was composed of 64.3% with short-term and 35.7% with long-term liquidation. A slight alteration in the short-term commitments is due to the capturing of resources by Eternit through a line of credit called Financiamento às Importações (Import Funding) (Finimp) in the months of March and December at interest rates of 2.68% and 4.4% per year, respectively.

ONEROUS DEBTS

In 2011, Eternit's and its controlled companies' gross debts – measured through onerous debt – amounted to R\$ 48.4 million due to the anticipation of the currency contracts related to the exports of controlled company SAMA. The Group's financial applications and funds amounted to R\$ 68.9 million.

Onerous debts	2011	2010	Variation 2011/2010
Total debt	48,444	23,934	102.4%
Cash and cash equivalent	68,921	80,651	14.5%
Net debts	(20,477)	15,817	229.5%

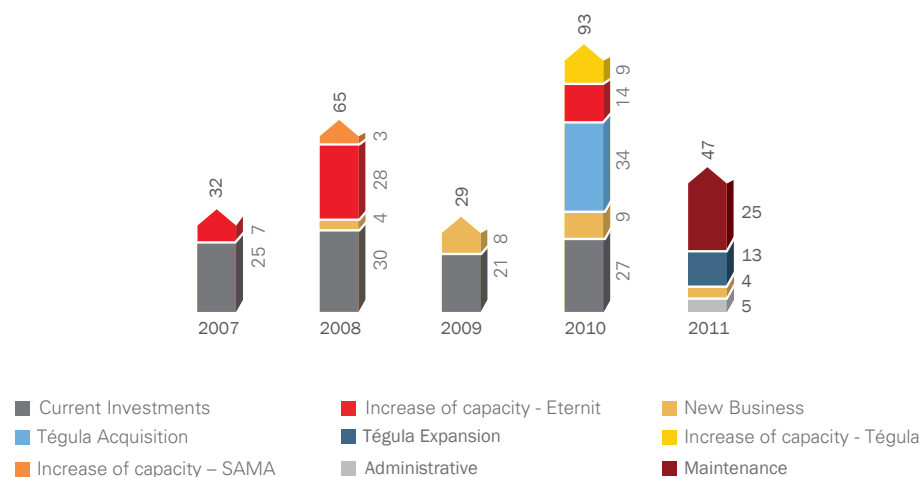
It's important to highlight that the Company does not hold operations leveraged with derivatives of any kind that might mean speculative positions.

INVESTMENTS

In line with the Expansion and Diversification Program, Eternit's and its controlled companies' investments amounted to R\$ 46.4 million in 2011, among which the outstanding ones are:

- >> R\$ 13.0 million destined to increase capacity of controlled company Tégula, with automation of the existing lines and the opening of a new plant in São José do Rio Preto (SP);
- >> R\$ 2.0 million for the installation of a pilot line for the production of synthetic marble;
- >> R\$ 2.0 million for the acquisition of the land for the construction of a multi-product plant to be installed in the Port of Pecém, State of Ceará;
- >> R\$ 5.0 million for the administrative area, which comprises renovations in the headquarters and showroom; and
- >> R\$ 24.4 million for maintenance of the Eternit Group's industrial park.

INVESTMENTS (R\$ MILLION)



On October 20th, 2011, Eternit announced to the market the start of the project to install its 12th plant, in the Industrial District of the Port of Pecém, Municipality of Caucaia, State of Ceará. That project's first industrial unit, approved at an extraordinary meeting of the Board of Directors held on October 19th, 2011, has as its purpose the production of bathroom chinaware and will count on an initial capacity of 1.5 million pieces per year. For its construction, investments have been forecasted in the total amount of R\$ 97 million, to which the Company will use, preferably, funds from third parties. The works' conclusion term will be of 18 months after their start, forecasted to the first half of 2012.

To invest in the bathroom chinaware plant, a joint venture between Eternit S.A. and Organizações Corona S.A. has been constituted. This later company is a Colombian multinational, one of the largest worldwide producers of bathroom chinaware, with of more than 130 years of experience and a diversified industrial park composed of 17 plants in Colombia and 2 in the United States. Under the denomination Companhia Sulamericana de Cerâmica S.A., Eternit will hold a 60% share and Corona a 40% share in the joint venture. This is a strategic alliance to jointly develop the bathroom chinaware production and commercialization business, to which Corona will contribute with its know-how in terms of development and production, and Eternit with its market knowledge, its logistic efficiency and a distribution network with more than 15 thousand sales points.

The remaining investments in the multi-product unit will be made in the mid to long-term. In addition to the amount already announced to build the bathroom chinaware plant, in 2012 more R\$ 70 million shall be destined to other projects. Among that amount, R\$ 50 million will be spent in the maintenance of Eternit Group's industrial park and in the modernization of its fiber cement plants. The remaining R\$ 20 million will be granted to controlled company SAMA so it may acquire trucks for its fleet, which is currently outsourced. SAMA has decided to make that investment after evaluating the outsourcing costs if compared to the savings and advantages of having its own fleet.

IN OCTOBER 2011, ETERNIT ANNOUNCED TO THE MARKET IT WAS STARTING THE INSTALLING PROJECTS OF ITS 12TH PLANT IN THE STATE OF CEARÁ



Application of Eternit's washbasins

PERSPECTIVES

According to the projections, the Brazilian GDP might grow 3.5% in 2012, with a highlight to the civil construction sector, with an expected growth of 4.8%. The continuity of government works, such as the PAC Program (Growth Acceleration Program) and Minha Casa Minha Vida (My Home My Life), and the expansion of real estate credit, besides the investments made to support the coming mega sports events – the 2014 World Cup and the 2016 Olympic Games –, shall favor the sector. Those activities will generate more jobs and help increase income and purchase power, which will positively contribute to Eternit's businesses.

The ABRAMAT Index (Brazilian Association of Construction Material Industries), based on the deflated internal sales of construction materials, has indicated a growth of around 2.9% in the construction civil sector in 2011 if compared to 2010. For 2012, the association has pointed to a 4.5% growth due to the retail sales perspectives, the forecasted rhythm of the works related to the PAC and My Home My Life programs, and to the rise in new public works usually contracted in municipal election years.

Considering such optimistic projections, Eternit and its controlled companies, as described throughout the current report, have prepared to follow and fulfill the demand of construction companies and end consumers, directing their activities to all social strata. In addition to invest in the diversification of its portfolio and in its manufacturing operations, the Company counts on more than 15 thousand sales points spread all over the Country, which will generate great opportunities to expand its business.

As regards Tégula, a company acquired in February 2010, its production capacity has been increased by 60%. That concrete tile manufacturer, exclusively dedicated to high-standard constructions, launched the BIG line of tiles for low-budget construction works, which has shown to be an excellent option to the federal housing program "Minha Casa Minha Vida (My Home My Life)". With that launch, the company has started to offer its products to all social classes.

Tégula plans to acquire real estates in order to open new plants in the Southern and Southeastern regions and the start of operations or works has been forecasted to 2013. In terms of products, the company launched two novelties in 2011: bathroom chinaware and certified woods, both produced by third parties. All these investments are an integral part of Tégula's Strategic Growth Plan, elaborated after the abovementioned acquisitions, which forecasts to double the company's revenues until 2013.

In October 2011, Eternit informed it would start the project to install its first multi-product unit, to be installed in the State of Ceará. That project's first industrial unit has as its purpose the production of bathroom chinaware, through a joint venture between Eternit S.A. and Organizações Corona S.A. The new plant will create around 330 jobs and is expected to generate gross revenues in the total amount of R\$ 127 million. The remaining investments in the multi-product site will be made in the mid to long terms.

IN THE MID TO LONG TERMS, ETERNIT'S PURPOSE IS TO HAVE 50% OF ITS REVENUES ASSOCIATED TO DIVERSIFICATION

Trying to ensure diversified organic growth, the controlled company Precon Goiás, in Anápolis, is operating a pilot plant for the production of synthetic marble, having undertaken experimental sales in the Central-Western region. That's a promising segment that will receive more investments for its extension, with positive results forecasted to 2013.

Eternit is trustful that the Brazilian economy will grow and, above all, the sector where it operates. Its goal in the mid to long terms is to consolidate itself as the most diversified construction materials industry in the Country, with around 50% of its sales associated to diversification. For that purpose, its Expansion and Diversification Program is based on the following premises: organic growth, in order to sell more of the products it is already commercializing; diversified organic growth, which aims at including new products in its portfolio; and inorganic growth, as a result of acquisitions.

The last four years have shown that Eternit was right when it implemented a diversification strategy. The Company has been growing faster than the civil construction GDP. Its capacity to innovate and develop differentials has allowed it to double its sales, raising its operations to a new level. And Eternit is the only company in the sector to apply such a strategic model. Those characteristics, added to a growth project associated to corporate governance and focus on the market's needs, will guide the Company's next cycle.

06

HUMAN CAPITAL



WORKFORCE PROFILE

GRI EC7 / LA1 / LA2 / LA4 / LA13 / LA14

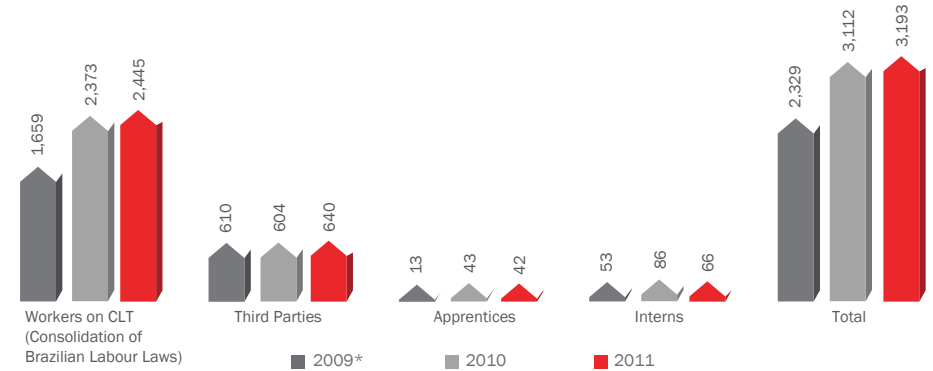
Principles 1, 3 and 6 of The Global Compact

Eternit understands the importance of human capital for the implementation of its strategies and consequently to the success of its business. That's why it always strives to invest in its employees and value them. In 2011, it promoted a series of initiatives in that sense, such as the elaboration of a succession map and the amplification of its channels of communication.

The Company's commitment to its professionals also applies to its controlled companies. As a result, SAMA, for the fifth consecutive time, was mentioned in the most relevant rankings of the best companies to work for.

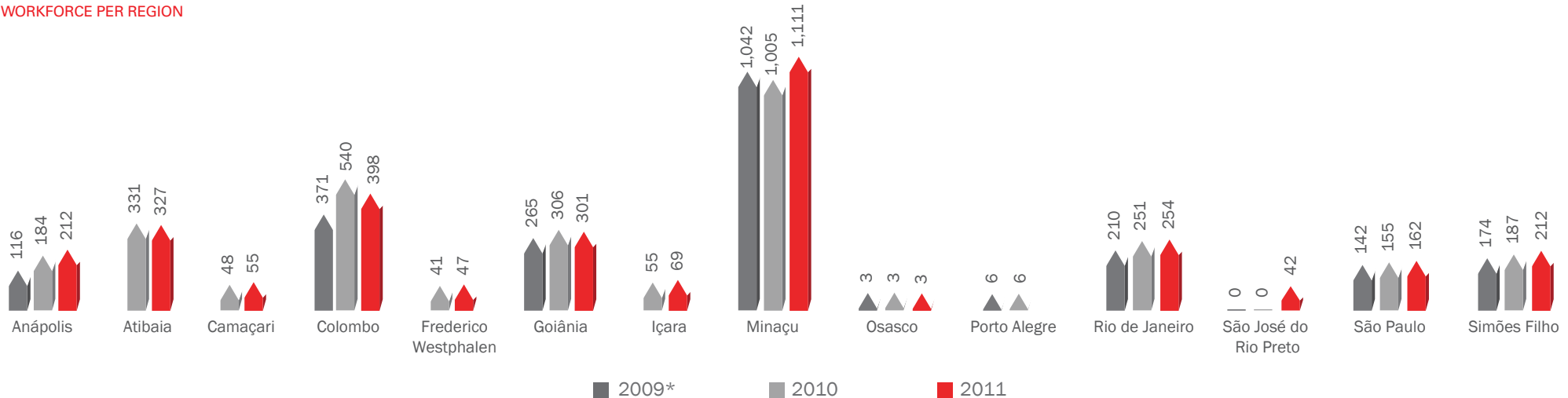
In December 2011, Eternit Group had 3,193 employees, between direct and indirect workers, a number practically stable if compared to the previous year. Out of that total, 66 are interns and 42 are apprentices, to demonstrate how much the Company values young talents. The majority of its employees are contracted under the CLT (Consolidation of Labor Laws) regime – 2,445 people. All the professionals contracted under that labor regime are included in collective agreements.

WORKFORCE PER HIRING REGIME



*Excluding Tégula, since it was acquired in February 2010

WORKFORCE PER REGION



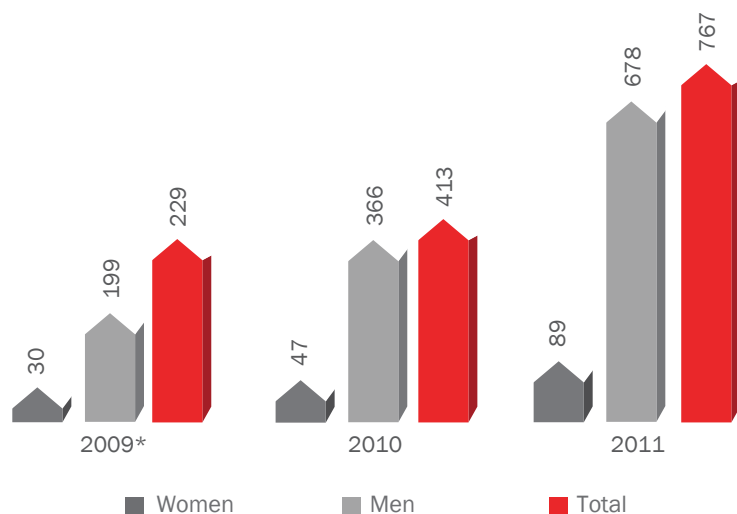
*Excluding Tégula, since it was acquired in February 2010

Out of the total of direct employees (CLT Workers and Apprentices), 2,231 are men. Currently, they receive in average wages 34.9% above those paid to women. As a way of promoting socio-economic development in certain regions, especially those with less population and lower income, Eternit gives priority to the hiring local workforce (in the regions where its units are installed) – 67% of its managerial staff work in their original State. At Tégula and SAMA those percentages amount, respectively, to 33% and 14%. That practice has been adopted when hiring new personnel for the new Tégula's plant in São José do Rio Preto (SP). Out of the 42 employed employees, only is not a local, having been transferred from the unit of Atibaia (SP).

In 2011, Eternit's turnover rate increased by 82.8% if compared to 2010. The turnover in the Group is especially associated to the scarcity of qualified workforce in the civil construction sector, which leads other companies to approach Eternit's highly qualified employees and sometimes offer them better remuneration deals. The high turnover rate has also been a consequence of automated and semi-automated systems implemented at Tégula's plants.

Turnover rate as per unit	2011	2010	2009
Anápolis (Precon)	1.43%	0.94%	2.68%
Anápolis (Tégula)	106.88%	105.26%	-
Atibaia	81.88%	80.78%	-
Camaçari	109.37%	124.34%	-
Colombo	10.33%	11.05%	6.32%
Frederico Westphalen	92.69%	75.67%	-
Goiânia	2.73%	3.41%	2.03%
Içara	76.37%	50.34%	-
Minaçu	1.31%	0.93%	1.05%
Rio de Janeiro	2.94%	3.88%	1.70%
São Paulo	2.08%	1.79%	1.58%

TURNOVER PER GENDER (IN NUMBER OF EMPLOYEES)



*Excluding Tégula, since it was acquired in February 2010

AS A WAY OF PROMOTING
SOCIO-ECONOMIC
DEVELOPMENT IN CERTAIN
REGIONS, ETERNIT GIVES
PRIORITY TO HIRING LOCAL
WORKFORCE

THE ISSUE AROUND CHRYSOTILE MINERAL AND OCCUPATIONAL HEALTH AND SAFETY

GRI LA6 / LA7 / LA8 / HR5

Principles 1 and 6 of the Global Compact

Occupational health and safety of its professionals is a constant concern at Eternit, intensified by the debate around chrysotile mineral, especially as regards the impacts of the mining activities and the production chain. That's why the Company strongly invests in measures to exceed the norms and guidelines required by the laws, and public and sector entities, on how to conduct the processes related to mining or to wet processing, to invest in the automation of manufacturing processes and keeping them confined, among other measures (*more information may be found on pages 22 to 24*). Initiatives such as those are found in all the steps of the production chain and have been developed in conformity with the particularities of each one of them. The purpose is to avoid the emission of particulate materials. And although the laws prescribe a maximum of 2 fibers/cm³, Eternit's measurements have reported the presence of 0.1 fiber/cm³, and sometimes even lower levels have been verified in the mining company.

The committees and special groups established in each fiber cement unit and at SAMA are fundamental to reach such a low level of emissions and therefore ensure the health and safety of workers, and they are composed of employees and people responsible both for inspection on the compliance with rules and norms, and for the preventive behaviors, which involve nothing else but being constantly aware of the risks, in order to avoid possible accidents.

Similar groups have also been established at Tégula's plants, since, regardless of employing or not chrysotile mineral or fiber cement, all manufacturing processes are liable to risks and, therefore, the company has established its own safety measures. Group Eternit stimulates and encourages the establishment of such groups.

Employees' Committees per Eternit and SAMA's Unit that use chrysotile mineral

	CIPA	Chrysotile Commission	Emergency Brigade	2011 Total Employees in Committees	2011 Total Employees	Variation
Anápolis	12	3	42	57	116	49.14%
Colombo	20	4	38	62	377	16.45%
Goiânia	14	5	43	62	272	22.79%
Rio de Janeiro	14	4	45	63	199	31.66%
SAMA	10	10	86	106	602	17.61%
Simões Filho	14	5	30	49	185	26.49%
Total	70	31	284	399	1,751	22.79%

Employees' committees per Tégula unit

	CIPA	Safety Committee and Mão de Ouro (Golden Hand) Program	Emergency Brigade	2011 Total Employees in Committees	2011 Total Employees	Variation
Anápolis	2	10	6	18	75	24.00%
Atibaia	14	25	19	58	327	17.74%
Camaçari	2	8	6	16	55	29.09%
Frederico Westphalen	2	8	6	16	47	34.04%
Içara	8	10	12	30	69	43.48%
São José do Rio Preto	0	0	0	0	42	-
Total	28	61	49	138	573	24.08%

In 2011, the accident frequency rate with medical license amounted to 13.00, if compared to 7.43 in 2010 and 10.48, in 2009. The severity rate was of 185.51, against 98.64 in the previous year and 341.96 in 2009. The variation between 2011 and the previous year was due to a larger production, and especially to the opening of the fiber cement line of production, in the fourth quarter of 2010, and to a capacity increase in controlled company Tégula. There weren't any deaths due to injury or disease related to work. Eternit's recording and reporting norms follow the rules set by ILO (International Labor Organization).

The Company has also adopted complimentary initiatives related specifically to workers' health. All the employees, from any hierarchical level and unit, including the Company's headquarters, go through annual physicians examinations. Since the start of the 1980's, there hasn't been any record of disease related to the use of chrysotile mineral among those hired after that date, confirming that the operations with that fiber are fully controlled and safe.

The concerns with health also apply to proper quality, with the offering of programs that go from workplace exercises and subsidies to the practice of sports the vaccination campaigns, lectures on cancer, cholesterol, and tobacco smoking, among other health problems. Many of those campaigns are also directed to service providers and local communities. employees from the administrative areas receive a similar attention, however adapted to their working conditions.

TALENT ATTRACTION AND RETENTION

Besides hiring local workers, Eternit also prioritizes internal recruitment, because it believes that such an initiative contributes to form and consolidate professionals with a vast knowledge of the Company and its culture. That's also, a way of allowing for professional growth within the company itself, in other positions or operational areas. All the employees can apply in case they fit the desired profile. In 2011, 83 internal recruitment actions were held in the Company.

Eternit also hires young professionals through internship and trainee programs, besides employing apprentices. Both the internship program and the hiring of apprentices help youngsters looking for their first job, by offering the opportunity of acquiring experience in a large company. As regards the apprentices, there is also a social inclusion factor, since the initiative also reaches lower income populations.

The trainee programs usually are good sources of dedicated professionals and already adapted to the Company's culture. Eternit offered five vacancies in 2011, to which 5,430 people applied. In the trainee programs, young people go through all the manufacturing units, to close the cycle at the administrative headquarters. At that point those professionals already have a general perception of the business and, especially, of the Company's values. After that, they are forwarded to the areas in which they had started the activities. At SAMA, the purpose is to instruct newly graduated professionals as regards technical and administrative knowledge of an interpersonal nature and related to that mining company's specific cultural aspects. The program lasts for one year. In 2011, there were seven trainees in that mining company. At Tégula there isn't any trainee program.

BENEFITS

GRI LA3

The benefits are fundamental incentives to retain talents. Eternit and SAMA offer a highly competitive package, above the market average, according to the wage surveys they undertake. Medical and dental assistance are offered, also to workers' family members; assistance to purchase drugs, also to workers' family members; reimbursement of expenses with nurseries, paid to female employees who have children from four months to three years of age; optical assistance, for the purchase of prescription glasses and contact lenses; and a wage complement so that the workers licensed from work for a period superior to 15 days as a consequence of any disease receives 92% of his/her wage for up to 90 days.

There is also an emergency loan to cover unpredicted expenses, such as any disease in the family, unexpected surgeries, personal accidents not covered by medical assistance or severe damages to a employee's home, provided they are caused by natural phenomena and that may represent a risk to the life of his/her family members. The package is complemented by a group life insurance; food, meals and restaurant stamps; basic foodstuffs; transportation stipends; gym stipends; massages; scholarships for technical courses; graduation, post-graduation and language studies; and complimentary private pension schemes.

The main benefits offered by those companies are also contemplated in Tégula's package.

GOALS AND PERFORMANCE

GRI LA12

Eternit's benefits are complemented by profit participation, which varies according to the Company's results in the year and the performance of its professionals. Performance goals specifically associated to the results are stipulated to all employees, and disclosed at the start of the year. Besides, each area defines its specific goals. The Executive Board and the Management, at Eternit and at SAMA, have individual performance goals, including quantitative factors and behavioral factors.

The continuous evolution of all the Group's employees, including those who hold leadership positions, is periodically evaluated. In 2011, all Eternit and SAMA'S employees went through a performance evaluation. The leaders were also evaluated in relation to their behavioral performance, through the 360° evaluation methodology, which includes the opinion of their immediate superiors, of their peers and subordinated personnel. At Tégula, only the directors, managers and supervisors go every year through a performance analysis, the equivalent to 5% of that company's total personnel.

All companies of the Group are also evaluated through Ambiance Surveys, which evaluate the satisfaction among employees regarding many different points, such as Human Resource policies, working environment and engagement. The answers to those surveys are confidential and allow diagnosing the points to be improved, which each company tries to pro-actively remedy, through structured action plans. SAMA has been recognized again by the market for its excellent organizational ambience, by the Great Place to Work Institute and by Exame and Você S/A magazines in the election of the best companies to work for in Brazil.

ALL COMPANIES OF ETERNIT GROUP ARE EVALUATED THROUGH AMBIANCE SURVEYS

Chrysotile mineral storage area, the raw material employed to make fiber cement



PROFESSIONAL DEVELOPMENT

GRI EC7 / LA10 / LA11

Principle 6 of the Global Compact

In the search for the excellence, the continuous improvement cannot be restricted to processes and businesses. It must also apply to people. Eternit considers the development of its professionals to be strategic for its results and, for that reason it strongly invests in the development and qualification of its employees.

The Company promotes a series of training sessions, which go from leadership preparation to technical upgrading, with choices that always ally the needs of employees and those of his/her area and function. For that purpose, it undertakes every year a Survey of Training Needs, whose purpose is to schedule the capacitating actions necessary for the employees so they can perform their activities.

In addition to the internally promoted training sessions, which are fully paid by the Company, Eternit, SAMA and Tégula also provide scholarships to technical, graduation and post-graduation courses, covering a part of their fees (see the side table). In the case of SAMA, are also offered, through a partnership with SESI and SENAI, qualification courses both to employees, and to partners and the community of Minaçu and surrounding region at a unit located within the mining company.

In 2011 approximately 112,072 hours of training were held, which corresponded to 44 hours per employee. The investment amounted to R\$ 1.1 million.



Training to qualify the workforce

Qualification and development initiatives held by each company

Eternit	<p>Internal free training sessions</p> <p>Scholarships to:</p> <ul style="list-style-type: none"> • Graduation courses – 50% • Post-graduation courses – 70% or 100%, according to the needs of every function • English and Spanish – Limited to 50% of the minimum wage in force or 100%, according to the needs of every function
SAMA	<p>Internal free training sessions</p> <p>Scholarships to:</p> <ul style="list-style-type: none"> • Graduation and post-graduation courses and technical courses – 70% • English and Spanish – Limited to 50% of the minimum wage in force or 100%, according to the needs of every function <p>Training Sessions at SESI and SENAI to employees, partners and the community of Minaçu and surrounding region</p> <p><u>“Be-a-Bá do Emprego (The ABC of a Job)”</u>: being concerned not only with employees’ career planning, but also with their family members, that mining company has created a program that aims at enlarging their family income and has launched a development program directed to the families</p> <p><u>“Segundo Tempo (Game Second Half)”</u> – a Pension Preparation Program: since 2009, SAMA promotes this program with the purpose of preparing employees who are three years away from retirement to face that new stage in their lives</p> <p><u>“Cuidando da Minha Carreira (Taking Care of My Career)”</u>: a program created with the purpose of building a permanent valorization relationship, able to help employees achieve self-fulfillment, to stimulate them, and help them to give priority to professional growth opportunities</p>
Tégula	<p>Internal free training sessions</p> <p>Scholarships to:</p> <ul style="list-style-type: none"> • Graduation courses – Limited to 30% of the minimum wage in force • Post-graduation courses – Limited to 30% of the minimum wage in force or 100% according to the need of the position • English and Spanish – Limited to 35% of the minimum wage in force.

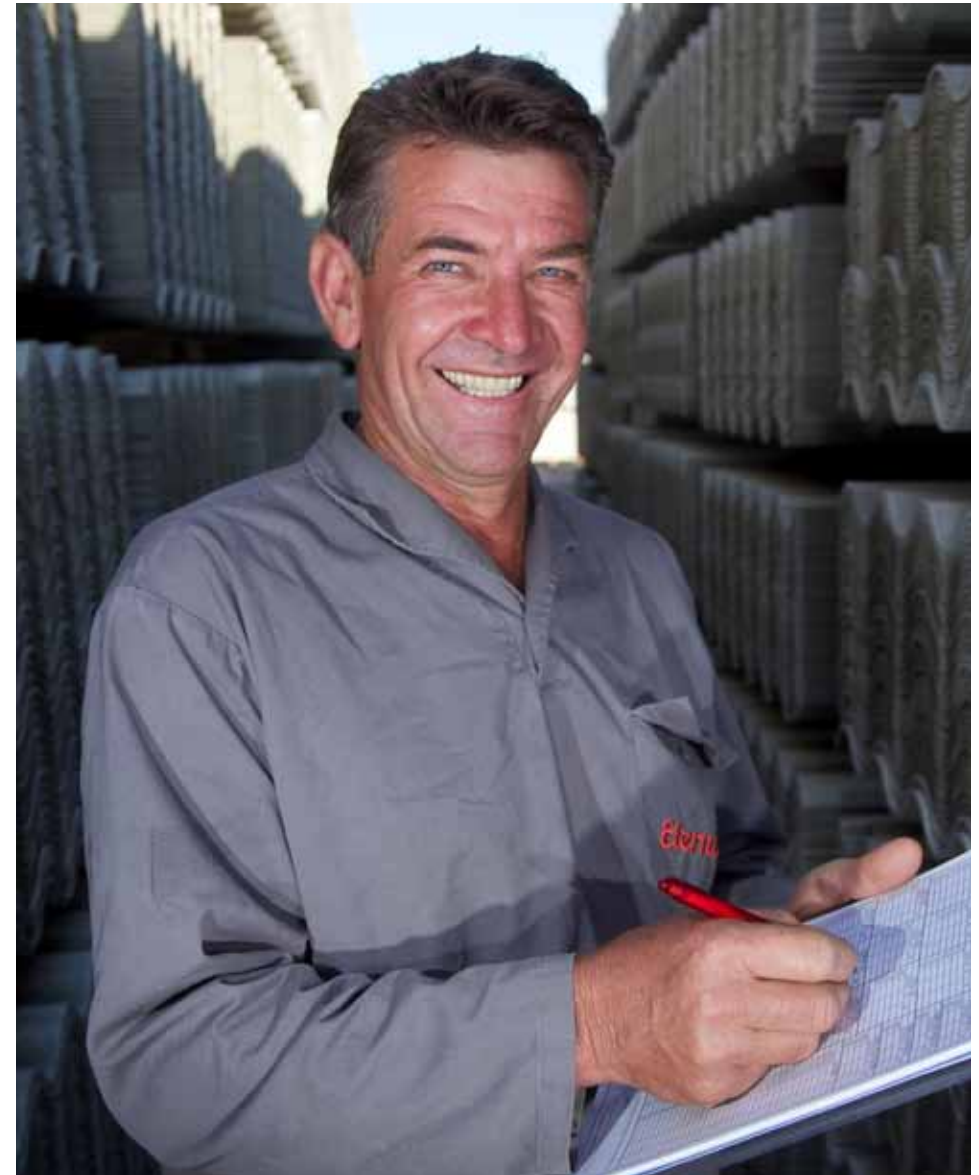
SUCCESSION PLANS

GRI LA5

Eternit's policy forecasts two successors prepared for every leadership position at the Management, Executive Boards and Presidency levels. This succession plan is annually updated and aims at ensuring that the people appointed to every function are the most qualified for the positions in question, ensuring excellent results and business continuity. In 2011, that mapping was reformatted to create a standard succession model, with well-defined criteria. Based on that mapping, development plans will be generated for the successors according to the deficiencies to be corrected and the abilities to be reinforced.

Although it has not been forecasted in a collective agreement, Eternit has the habit of notifying its employees with antecedence in the case of transfers to other units. In the case of SAMA, the rule established in a collective agreement is to forward a notification with at least 30 days of antecedence.

IN 2011, ETERNIT CREATED
A STANDARD FUNCTION
SUCCESSION MODEL, WITH
WELL-DEFINED CRITERIA



Storage area for finished products at the plant in Colombo (PR)

BEST COMPANY TO WORK FOR

SAMA was mentioned in 2011, for the fifth consecutive time, among the best companies to work for in the most respected rankings in the Country: The 150 Best Companies to Work For, elaborated by Exame magazine, and the 100 Best Companies to Work for, held by Época magazine. Such a position is due, among other reasons, to the priority given to the hiring of local workforce in Minaçu (GO), to which is offered a relevant package of benefits, besides professional qualification opportunities.

In that sense, the mining company has counted, for 22 years, on a partnership with Sesi and SENAI in Goiás to provide subsidies to technical and qualification courses, and enhancement and qualification actions within its facilities. The formation areas include health, safety at work, electricity, computer sciences, general mechanics, and mining, among others. A part of the courses counts on SAMA'S technical staff.

Within that partnership, that mining company also promotes social and sports projects including athletics, indoor soccer, volleyball, and tennis, among other sports, including the participation of local communities. It also sponsors athletes developed in the region who compete in the Tennis Championship of the State of Goiás.

FOR THE FIFTH CONSECUTIVE
TIME, THE MINING COMPANY
SAMA WAS ELECTED AS ONE
OF THE BEST COMPANIES TO
WORK FOR IN THE COUNTRY



Employees of mining company SAMA (GO)

RELATIONSHIP WITH FORMER EMPLOYEES

Eternit also extends the legal requirement to monitor the health condition of professionals to its former employees, not just from the existing units, but also from the old mine of Poçoões, in the State of Bahia, for example. The same applies to the suppliers that deal directly with its products, such as transportation truck drivers and longshoremen at the dispatch ports. The Company keeps a medical data bank with medical statistics, X-ray and thorax tomography records related to all those staff. To get in touch with that service, it has made a phone line available, at 0800-622945.

ETERNIT ALSO EXTENDS THE LEGAL REQUIREMENT TO MONITOR THE HEALTH CONDITION OF ITS PROFESSIONALS TO FORMER EMPLOYEES



Storage area of finished products at the plant in Rio de Janeiro (RJ)

COMMUNICATION WITH HUMAN RESOURCES

In 2011, Eternit's Human Resources area opened some communication channels with its employees. It launched the "Fale com o RH (Talk to HR)" service, available in the Intranet for the sending of questions on human resources and suggestions. The answers are sent in no longer than seven working days. At Tégula, there is the "Fale com o nosso Diretor Superintendente (Talk to our Superintendent Director)" service, a channel available at the Tégula's home page, in which an employee may leave a message, a suggestion or a critical remark. Eternit has been trying to implement all the proposals deemed viable.

Employees now also count on the "Plantão de RH (HR On-Duty)" service, in which professionals from that area are available to provide assistance at a certain date and time as regards a pre-defined issue. The integration between headquarters and plants has also been a concern in the Company, which through its HR area has been holding informal meetings to clarify any doubt, receive suggestions and deal with other organizational matters.

Eternit's Human Resources area has also acquired a tool to improve its recruitment and selection process through the Company's website. The tool allows it to apply some previous filters according to the profiles described in the registered curriculum vitae, to speed up the process and contribute to the search for the best professionals among those interested to work at Eternit.

IN 2011, THE HUMAN
RESOURCES AREA
LAUNCHED THE
COMMUNICATION
CHANNEL "FALE COM O
RH (TALK TO THE HR)"



Raw materials warehouse at the plant in Simões Filho (BA)

07

SUSTAINABLE GROWTH



SUSTAINABLE COMPANY

Eternit believes that sustainability is supported by three elements comprising the economic, social and environmental performances. Only by operating well in those three fronts it'll be possible to ensure business continuity.

The economic performance has an aspect that's more inherent to the activities of a company created and conducted to generate results and, consequently, profits. However, it cannot be limited only to the company itself, but it must also include those parties related to it, including local communities, professionals, clients, consumers, and suppliers, among others. After all, those are the stakeholders that will contribute to the conduction of its businesses and to the consumption of its products or services. Eternit understands such an interrelation and, for that reason, strives to contribute to the development of those stakeholders in many different ways.

In that sense, it knows that being socially and environmentally responsible is fundamental in order to positively influence its economic performance. The Company's impacts and initiatives regarding its stakeholders and the environment are described in the current chapter, followed by the initiatives implemented to mitigate them.

ETERNIT KNOWS THAT
BEING SOCIALLY AND
ENVIRONMENTALLY RESPONSIBLE
IS FUNDAMENTAL IN ORDER
TO POSITIVELY INFLUENCE ITS
ECONOMIC PERFORMANCE



The Jacaré Lagoon, located in SAMA'S own natural reserve (GO)

MAIN IMPACTS OF THE ORGANIZATION

Eternit's production activities generate impacts on its surroundings, on society and on the natural environment. In order to classify such impacts, it has adopted the concept of "externality", which involves the positive or negative effects generated by an economic agent, in this case, Eternit. According to that concept, the agent alters the remaining factors without them having any control over the impacts, since they do not take part in the initiative.

Since the Company's main activities are basically divided into two segments – mining and finished products – with these later ones being fiber cement and concrete tiles, they generate different impacts and, to improve our understanding of both of them, a table with the main changes in economic, environmental and social terms is shown below. According to its management guidelines, Eternit thoroughly works towards reducing the negative impacts and maximizing the positive ones.

	Mining	Finished products
Economic dimension		
Wealth generation	X	X
Development of the local communities	X	X
Job creation	X	X
Development of local benefits	X	X
Environmental dimension		
Emissions of greenhouse effect gases	X	
Impacts on biodiversity	X	X
Energy consumption	X	X
Waste generation	X	
Emission of particulate materials	X	X
Social dimension		
Labor practices	X	X
Health and safety	X	X
Respect for human rights	X	X
Learning opportunities	X	X
Common social life	X	X



Furrow of mining company SAMA (GO)

ECONOMIC DIMENSION

Many are the benefits generated to society by Eternit's activities. It's known to the public that fiber cement products containing chrysotile mineral play a strategic role in the market, by servicing lower-income families with technical and economic efficiency. Fiber cement's long useful life, added to its low installation cost, turns that material into the first option to replace canvas coverings. The sub-chapters below provide an in-depth report on the Eternit Group's actions as regards the generation of economic benefits in the areas surrounding its units.

COMPARATIVE ANALYSIS OF THE SVA

GRI EC1 / EC4 / EC5 / EC9

The SVA (Statement of Value Added) demonstrates the capacity to generate value and how wealth is being distributed, calculated based on the difference between the amount of the revenues and of the inputs acquired from third parties. This statement allows us to analyze the Company's economic performance, and it may help us to calculate its GDP (Gross Domestic Product) and social indicators.

According to the SVA, Eternit generated, respectively in 2011, 2010 and 2009, R\$ 516.8 million, R\$ 430.7 million and R\$ 322.8 million. In those three exercises, the majority of those values were distributed to employees, the government and shareholders. After analyzing those three years, from 2009 to 2010, the remuneration to its employees was 42% higher, and between 2010 and 2011, 15% lower. That variation was due to the receipt of an extra bonus, in the year 2010, derived from the one-year anticipation of the goal to reach R\$ 1 billion in gross revenues.

As regards the distribution to the government, the evolution has been constant, since in 2010 the Company acquired Tégula, and in 2011 that growth is explained by the growth in revenues, especially as a consequence of the new plant in São José do Rio Preto (SP) and of the commercialization of new products. The values destined to the government amounted to R\$ 258.3 million, R\$ 151.1 million and R\$ 117.0 million in 2011, 2010 and 2009.

Another large share was destined to shareholders, which in the last three years have received remuneration above 70% of the net profit. The part not destined to any item is retained by the Company for reinvestment, in line with the Expansion and Diversification Program.

Statement of Value Added	2011	2010	2009
Revenues	1,074,320	1,010,679	759,675
Sales of goods, products and services	1,071,780	991,302	743,393
Other revenues	3,110	8,442	8,502
Revenues related to the construction of own assets	-	13,188	8,843
Provision for doubtful accounts - Reversion / (Constitution)	(569)	(2,253)	(1,063)
Inputs acquired from third parties	(578,395)	(595,454)	(442,151)
Costs of products, goods and services sold	(372,674)	(389,845)	(263,156)
Materials, energy, services from third parties and other items	(195,306)	(192,097)	(200,007)
Loss / Recovery of asset values	(9,363)	(7,736)	(5,319)
Other donations	(1,052)	(5,776)	(669)
Gross added value (1 - 2)	495,925	415,225	317,524
Depreciation, amortization and exhaustion	(22,806)	(18,154)	(17,991)
Net added value produced by the entity (3 - 4)	473,119	397,071	299,533
Added value received in transfer	43,647	33,617	23,245
Financial earnings	47,005	32,400	18,364
Other	(3,358)	1,217	4,881
Total added value to distribute (5 + 6)	516,766	430,688	322,778
Added value distribution	516,766	430,688	322,778
Personnel	127,922	150,208	105,644
Direct remuneration	82,815	94,054	67,272
Benefits	37,921	49,539	33,147
F.G.T.S.	7,186	6,615	5,225
Taxes, fees and contributions	258,304	151,060	116,937
Federal	152,100	110,047	91,751
State	105,061	39,878	23,987
Municipal	1,143	1,135	1,199
Remuneration of third parties' capital	33,346	27,335	27,078
Interest	28,300	22,524	24,605
Leases	5,046	4,811	2,473
Remuneration of own capital	97,193	102,085	73,119
Interest over the own capital	23,620	22,367	15,118
Dividends	35,967	58,155	40,203
Retained profits	37,606	21,562	17,793
Participation of non-controllers in the retained profits	-	1	5

In the chart below, Eternit demonstrates its contribution to the economic development of the municipalities where its production units are installed through the levy of the ICMS tax (Tax Over the Circulation of Goods).

Units of the Eternit Group	State	2011		2010	
		ICMS tax levy in R\$ thousand	Value of the Municipalities Participation Fund - FPM*	ICMS tax levy in R\$ thousand	Value of the Municipalities Participation Fund - FPM*
Plant of Goiânia	Goiás	20,632	145,427	9,875	152,884
Plant of Anápolis	Goiás	9,545	40,352	4,628	42,855
Plant of Simões Filho***	Bahia	9,461	17,660	3,397	20,997
Plant of Rio de Janeiro	Rio de Janeiro	12,996	141,387	7,720	148,637
Plant of Colombo	Paraná	8,427	39,871	5,231	42,898
Tégula's Plant of Atibaia	São Paulo	4,064	23,924	3,506	25,260
Tégula's Plant of Içara	Santa Catarina	1,189	14,045	1,283	14,845
Tégula's Plant of Camaçari	Bahia	225	47,570	331	43,493
Tégula's Plant of Frederico Westphalen	Rio Grande do Sul	461	9,309	462	9,739
Tégula's Plant of Anápolis	Goiás	538	40,352	444	42,855
Tégula's Plant of São José do Rio Preto	São Paulo	12	34,511	-	-
Minaçu	Goiás	17,702	11,024	19,497	9,325

Share in the municipality's tax levy**

Plant of Goiânia	14.19%	6.46%
Plant of Anápolis	23.65%	10.80%
Plant of Simões Filho	53.57%	16.18%
Plant of Rio de Janeiro	9.19%	5.19%
Plant of Colombo	21.14%	12.19%
Tégula's Plant of Atibaia	16.99%	13.88%
Tégula's Plant of Içara	8.47%	8.64%
Tégula's Plant of Camaçari	0.47%	0.76%
Tégula's Plant of Frederico Westphalen	4.95%	4.74%
Tégula's Plant of Anápolis	1.33%	1.04%
Tégula's Plant of São José do Rio Preto	0.03%	0.00%
Minaçu	160.58%	209.09%

(*) Font: <http://www.ibge.gov.br/cidadesat/topwindow.htm?1>

(**) This calculation represents how much ICMS each unit contributes to the city.

For this calculation was not considered the ICMS ST (ICMS that is directed to other states).

(***) To the municipality of Simões Filho, the information available is for the previous year.

As a counterpart to the benefits they provide to the municipalities where they are installed, the plants of Anápolis, Camaçari, Frederico Westphalen and Goiânia receive fiscal incentives that, in 2011, amounted to R\$ 14.1 million if compared to R\$ 10.0 million in 2010.

Eternit's good conduct in its relationship with the government disseminates the good practices of compliance with the legislation to all the stakeholders. Another highlight among the Company's initiatives is the difference between the minimum wages offered by the Company and the local minimum wages in all the regions where the Group operates. Eternit's best wage exceeds by 525.23% that amount, according to table below.

					continuation				
Company	Units of the Group		2011	2010	Company	Units of the Group		2011	2010
Eternit	São Paulo Headquarters				SAMA	Minaçu (GO)			
	Local minimum wage	600.00	Variation	560.00		Local minimum wage	545.00	Variation	510.00
	Lowest wage at the unit	1,054.15	175.69%	794.13		Lowest wage at the unit	937.54	72.0%	806.32
	Plant of Anápolis (GO)				Tégula	Plant of Anápolis (GO)			
	Local minimum wage	620.00	Variation	510.00		Local minimum wage	620.00	Variation	510.00
	Lowest wage at the unit	622.60	0.4%	574.20		Lowest wage at the unit	682.00	10.00%	548.00
	Plant of Colombo (PR)					Plant of Atibaia (SP)			
	Local minimum wage	817.78	Variation	765.00		Local minimum wage	622.00	Variation	560.00
	Lowest wage at the unit	1,012.00	23.7%	842.62		Lowest wage at the unit	998.80	60.6%	920.00
	Plant of Goiânia (GO)					Plant of Camaçari (BA)			
	Local minimum wage	545.00	Variation	510.00		Local minimum wage	545.00	Variation	510.00
	Lowest wage at the unit	776.60	42.5%	577.76		Lowest wage at the unit	631.00	15.8%	530.99
	Plant of Rio de Janeiro (RJ)					Plant of Frederico Westphalen (RS)			
	Local minimum wage	639.26	Variation	510.00		Local minimum wage	545.00	Variation	510.00
	Lowest wage at the unit	833.80	30.43%	653.40		Lowest wage at the unit	707.40	29.8%	706.20
	Plant of Simões Filho (BA)					Plant of Içara (SC)			
	Local minimum wage	545.00	Variation	510.00		Local minimum wage	545.00	Variation	510.00
	Lowest wage at the unit	772.00	41.7%	704.00		Lowest wage at the unit	858.60	57.5%	787.71
	Osasco office					Plant of São José do Rio Preto (SP)			
	Local minimum wage	600.00	Variation	560.00		Local minimum wage	622.00	Variation	-
	Lowest wage at the unit	3,151.38	525.23%	2,904.50		Lowest wage at the unit	998.80	60.6%	-

ENVIRONMENTAL DIMENSION

MITIGATION OF ENVIRONMENTAL IMPACTS

GRI EN26 / EN28/ EN30

Principles 7, 8 and 9 of the Global Compact

For the Eternit Group, the environment where its companies operate is an extension of its own operations, since the protection and respect for the environment are essential for the sustainability of its business. Its employees, therefore, are asked to follow its environmental responsibility policies, as forecasted in the PEG (Management Excellence Program) and applicable to all the Company's facilities.

Due to their initiatives in that sense, Eternit, Precon Goiás and SAMA have been certified with the ISO 14001- Environmental Management System, which ratifies the mitigation of significant environmental impacts on biodiversity, atmospheric emissions, treatment of effluents and the correct destination of residues. SAMA was also the first chrysotile mining company in the world to receive that accreditation. All those units follow the Environmental Management System, which is supported by a tool able to promote the survey, evaluation and control of the environmental aspects applicable to the Group's activities through the cross-referencing of information on the Federal, State and Municipal Legislations. That tool is based on the FMEA (Failure Mode and Effect Analysis) methodology. All the applicable legal requirements are controlled in order to ensure full compliance with each one of them.

Tégula, recently acquired by Eternit, is still under certification process by ISO 14001. That's why it's implementing a control processes that aims at reducing air, land and water pollution. An example of that approach is the adoption of synthetic de-molders instead of diesel oil for the de-molding tiles, among other actions.

In the sub-chapters below, you'll find an in-depth report on all Eternit Group actions to mitigate environmental impacts according to type of impact and natural resource affected. The investments made in waste disposal, treatment of emissions, mitigation of impacts, environmental prevention and management amounted to R\$ 6.0 million in 2011 and R\$ 6.7 million in 2010, due the higher costs of the de-dusting systems and to depreciation due to the new fiber cement production lines, besides the replacement of filter sleeves in the mining company SAMA.

Cost types	Cost discrimination	2011	2010
Costs with waste disposal, treatment of emissions and expenses to mitigate the following items:	Waste treatment and disposal	R\$ 966,586.56	R\$ 1,143,166.99
	Treatment of emissions	R\$ 1,207,157.30	R\$ 1,642,794.28
	Emission certificates	R\$ 73,889.43	R\$ 54,360.05
	Depreciation, materials and maintenance	R\$ 703,435.90	R\$ 492,687.07
	Total cleaning costs	R\$ 1,009,801.78	R\$ 1,409,008.15
	Total	R\$ 3,960,870.97	R\$ 4,742,016.54
Costs with prevention and environmental management based on the expenses related to the following items:	Education and training	R\$ 139,983.18	R\$ 170,107.67
	External Management Services	R\$ 629,389.44	R\$ 512,764.62
	Environmental		
	External certification	R\$ 36,866.88	R\$ 115,580.74
	General Environmental Management Activities	R\$ 1,900.00	R\$ 15,594.55
	Research and development	-	R\$ 5,167.50
	Expenses to install clean technologies	-	R\$ 35,000.00
	Other costs with Environmental Management	R\$ 1,234,994.60	R\$ 1,147,611.23
Total		R\$ 2,043,134.10	R\$ 2,001,826.31
Total		R\$ 6,004,005.07	R\$ 6,743,842.85

Due to its investments in initiatives to mitigate the environmental impacts, in 2011 none of the Eternit Group companies was subject to significant fines or non-cash sanctions due to nonconformities with the environmental laws and regulations.



Receipt of raw materials at the plant of Goiânia (GO)

MATERIALS

GRI EN1 / EN2 / EN22 / EN23 / EN24

Principles 8 and 9 of The Global Compact

Eternit has implemented a zero reject policy, that is, the full consumption of all materials, including packaging. At the fiber cement production units, the materials derived from breakages are crushed and reutilized in the mixing process, without the generation of industrial waste. Nonconforming products are reutilized in the process and even the office paper is reutilized in the manufacturing of tiles. Water won't leave the plant's facilities either, being kept in a closed circuit and, therefore, retained and reutilized in the manufacturing operations. As for the water used in the administrative area, it's also treated and reutilized to water gardens. Some units also utilize rainwater.

The exception are oil sludge, felts, hoses, tires and metal scrap, which are destined to specialized disposal companies. Other materials are recycled by the RECICLANIT program, which, since 2006, has kept recyclable material collectors at the plants that are destined to recycling cooperatives or companies. At SAMA, that project is under the responsibility of the Sambaíba project, aligned to the concept of 3 Rs – Reduce, Reutilize and Recycle.

When compared to 2010, the evolution in the consumption of materials has occurred due to a production increase of chrysotile mining and of Tégula's production lines, especially due to the capacity increase, with highlight to the opening of a new plant in São José do Rio Preto (SP).

ALL RAW MATERIALS ENTERING ETERNIT'S PLANTS LEAVE AS A FINAL PRODUCT - ZERO REJECT

The table below shows a list of the materials utilized in the Company's production process and also the percentage of recycled inputs:

Utilized materials as per Weight and Volume/ Recycled Percentage - Consolidated		Raw material	Input	2011	2010	Unit	Direct	Non-renewable	Recycled
Fiber cement coverings and Construction systems	Chrysotile mineral	X		66,892.12	68,465.56	t	X	X	
	Limestone	X		138,403.36	146,345.38	t	X	X	
	Recycled cellulose (newspapers)	X		11,708.63	11,781.47	t	X		X
	Cement	X		433,074.02	446,020.58	t	X	X	
	Steel coils	X		271.88	619.39	t	X	X	
	Filler	X		15,833.76	17,989.70	t			X
	Limestone waste (Lama call)	X		5,265.88	4,594.24	t	X	X	
	Polyethylene resin	X		1,206.53	1,507.71	t	X	X	
	Aluminum paint	X		10,224.00	9,702.00	L	X	X	
	Ceramic paint	X		5,196.84	216,904.42	L	X	X	
	Wooden Laths	X		9,096.73	9,527.70	t	X		X
	Pine blades	X		4,227.81	2,411.90	t	X		X
	Wood (Pallets)		X	106,291.92	119,771.28	m ³	X		X
	Other Liquid Materials		X	1,064,723.72	1,174,105.42	L		X	
	Others		X	1,986.93	3,086.90	t	X		X
Concrete coverings and accessories	Cement	X		54,517.00	45,505.29	t	X	X	
	Sand	X		242,799.63	203,354.83	t	X	X	
	Filler	X		1,336.00	1,793.17	t	X	X	
	Pigment	X		391.89	368.47	t	X	X	
	Varnish	X		247.29	210.86	t	X	X	
	Soy Lecithin		X	45.02	36.42	t		X	
	Pine shingle		X	115.14	112.94	t		X	
	Pine frame		X	238.18	184.22	t		X	
	Stretch film		X	57.15	37.98	t		X	
	Other Liquid Materials		X	656,691.17	700,489.77	L		X	
Chrysotile mining	Mineral	X		4,914,502.33	4,870,538.69	t	X	X	
	Sterile components	X		11,889,675.00	11,328,058.00	t	X	X	
	Plastic		X	282.59	269.97	t	X		X
	Wood (Pallets)		X	3,629.58	4,154.22	t			X
	Diverse materials		X	15,093.75	17,134.64	t		X	
	Fanfold bag for packaging	X		5,827.54	5,755.50	t	X		X
Total inputs used in the Eternit Group				17,831,819.49	17,210,087.26	t			
Total inputs used in the Eternit Group				1,736,835.73	2,101,201.61	L			
Total inputs used in the Eternit Group				106,291.92	119,771.28	m ³			
Total non-renewable materials				17,766,119.10	17,137,975.26	t			
Total non-renewable materials				1,736,835.73	2,101,201.61	L			
Total direct materials				17,779,726.24	17,147,391.70	t			
Total direct materials				15,420.84	226,606.42	L			
Total direct materials				106,291.92	119,771.28	m ³			
Recycled percentage				0.28%	0.31%	t			
Recycled percentage				100.00%	100.00%	m ³			

The residues derived from the production process receive their proper destination through the contracting of specialized companies. The Eternit Group's companies do not undertake the importation and exportation of residues; they just direct their hazardous waste to adequate treatment.

As regards spills, Eternit, Precon Goiás and Tégula did not record any significant occurrence in 2011. Now at SAMA, 200 liters of oil leaked from a brook type truck tank during a decantation box cleaning activity. A part of the leak was collected manually, placed in a drum and destined to co-processing. There wasn't any percolation in the soil, because the due measures were immediately taken.

To keep continuous improvement, Eternit constantly establishes goals and programs to reduce the impact on the environment. Besides, the mining company deposits rejects and the sterile components derived from the extraction process in embankments – areas that, when they reach a final deposition situation, are recovered through the planting of many different native species. Between the years 1986 and 2011 more than 103.69 hectares were reforested.

PACKAGING

GRI EN27

Principles 8 and 9 of the Global Compact

Eternit and Precon Goiás reutilize 100% of the chrysotile mineral packaging used in the fiber cement manufacturing process. Additionally, all the finished products dispatched by those manufacturing units utilize wooden wedges and laths in their packaging, which can also be recovered. In 2011, the reutilization of those materials generated savings of approximately R\$ 331 thousand. As for the raw materials – cement and limestone – the packaging is disposed through storage in silos.

At SAMA, with the utilization of the final parts of the production batches that do not complete a pallet, new batches are formed. The sum of those parts led to the reutilization of 1,216 tons of chrysotile mineral, the equivalent to savings of 24,320 raffia bags. The pallets themselves are made of the leftovers of sawmill woods, without the suppression of local vegetation specifically for the production of those pieces, according to SAMA's environmental preservation policies.

Tégula also recovers laths upon loading. In the majority of the units, there isn't any control of that process. The only unit to perform that counting in 2011 was the plant of Içara, which calculated 14,860 recovered pieces, the equivalent to R\$ 2.5 thousand.

ENERGY

GRI EN3 / EN4 / EN5 / EN6 / EN7

Principles 7, 8 and 9 of the Global Compact

Eternit acquires electric power from distributors located in the states where its production units are installed. The Company's goal is to reduce consumption and, for that purpose, it has implemented a demand control system, whose main function is to release energy at peak times, that is, of maximum consumption. The total consumption of indirect electric power purchased from the distributors in 2011 amounted to 126.0 million KWh (in 2010 it amounted to 126.4 million KWh), and 58% of that consumption corresponded to the mining company, 3% to Tégula and the remainder to Eternit.

In order to save electric power, SAMA utilizes a SGE (Power Management System) system similar to Eternit's, besides actions related to the 6 Sigma program. With the purpose of cutting demand at peak times, that mining company installed in 2011 at Furrow A, to feed the water trucks, two water tanks – with total capacity of 120 m³ each – that have pumps activated at scheduled intervals for lower consumption hours. Another action implemented was the scheduled halt of the frontal facilities (comprising primary and secondary crushing operations) at peak times, which has contributed to electric power consumption approximately 14.6% lower. Together, those initiatives have led to an 8.83% reduction in consumption in 2011 if compared to 2010.

The Group's plants have also adopted solutions in that sense. The unit of Colombo, for example, has a wood-fired boiler to generate energy from wood waste, such as packaging and leftovers from Wall Panel production. The fiber cement plants received generators to produce electric power at peak times by using biodiesel.

Tégula has also adopted measures to minimize consumption. In 2011, the roof of the plant of Içara was given translucent tiles with the purpose of increasing natural brightness, making it unnecessary to turn lights on in the majority of the production shifts. Wind exhausters have also been installed to provide great thermal comfort to employees without the need of electronic devices. As for the office's air conditioning equipment, they were replaced for another system, which works based on more efficient system. At the unit of São José do Rio Preto the old curing chambers are being renovated and new ones are being built with improvements in their hot air system. Until the end of 2011, those initiatives provided savings of 97,003 kWh.

The Company's energy mix is also composed of alternative sources, according to the table below:

Direct energy consumption	Unit	2011	2010
Natural gas	m ³	367,877.77	339,684.00
LPG	m ³	2,379,809.31	325,412.52
Diesel Oil	L	748,469.77	799,088.49
Biodiesel Oil	L	8,304,996.00	8,925,397.00
Oil 2A	L/Kg	-	2,119,458.00
Coal (log)	m ³	426.27	49,580.14
Acetylene	kg	2,007.12	1,925.30
Oxygen	m ³	4,943.77	4,491.21
Vegetable Oil	ton	1,103.34	2.43
Alcohol	L	1,065.00	894.00

IN 2010 ETERNIT'S PLANTS, PRECON GOIÁS AND MINING COMPANY SAMA COUNTED THEIR DIRECT EMISSIONS OF GHG FOR THE FIRST TIME ACCORDING TO THE GHG PROTOCOL BRAZIL METHODOLOGY

In 2011, the Group significantly surpassed the consumption of GLP (Liquefied Petroleum Gas) as reported in 2010 – from 325 thousand m³ to 2,380 thousand m³ – due to the replacement of the 2nd type oil (fossil fuel) in the chrysotile mineral drying ovens. GLP is less pollutant and emits few CO₂, it doesn't emit SOx and it doesn't release particles in the atmosphere, avoiding the contamination of the soil or of the water tables. In 2011, through the optimization of the monitoring and control of the consumption of that type of gas, SAMA reported a reduction of 24.84% in the kg/ton ratio of fiber at drying, falling from 4.87 in 2010 to 3.66 kg/ton in that year.

GLP was also adopted during that year by the plant of Içara, a Tégula unit, for its boiler's blaster to replace diesel oil. Fuel consumption fell by 19.2% in that unit.

EMISSIONS

GRI EN12 / EN16 / EN17 / EN18 / EN19 / EN20

Principle 8 of the Global Compact

Eternit does not employ substances deemed hazardous to the ozone layer and mentioned in annexes A, B, C and E of the Montreal Protocol, an international treaty through which signatory countries commit themselves to replace substances that may affect the ozone layer. Despite that, in 2010 Eternit's plants, Precon Goiás and the mining company SAMA counted their direct emissions of GHG (Greenhouse Gases) for the first time within the GHG Protocol Brazil methodology, a national program for the counting, quantification and publication of corporate inventories of GHG emissions. The process was not repeated in 2011.

SAMA, however, continually measures, through the Ringelmann Scale method, the rate of black smoke generated by all the vehicles driven by diesel that operate at the industrial plant, enter the mining company to transport chrysotile mineral, or undertake the discharge of materials and inputs. That method also aims at controlling the emissions of greenhouse effect gases. Currently, there are 99 diesel-driven equipment in operation in the mine, and 60 equipment for rock transportation, 9 for rock loading and 30 for support. The fleet of light vehicles driven by biodiesel, with 63 vehicles, is also monitored. The results of the measurements are within or below the standard 2 of the Ringelmann scale, a graphic graduation for the calorimetric evaluation of smoke density, the maximum value allowed by the legislation. All the vehicles and equipment not in conformity with that standard are forbidden to enter the company's patio until they have been regularized.

At Tégula, the emissions detected by the responsible environmental entity were taken into consideration as deemed fit. The company will start, in 2012, a monitoring action of the rate of black smoke of the equipment driven by diesel to know if it will be necessary to correct the pollution source.

Both in the plants and in the mining company, the surveys and data collection activities were applied to the mapped processes according to the Management System, in order to facilitate the integration with the already existing data, as well as to standardize the nomenclature and the forms of survey and utilize the already consolidated definition of responsibilities.

As regards the emission of particles, the plants control air quality on a half-yearly basis, with measurements at many different points of the scale of quantity of fibers/cm³ of air. The limit established by the National Agreement for the Safe Use of Chrysotile is of 2.0 fibers/cm³ of air, but the Eternit Group's standard is of 0.1 fiber/cm³. The Company also undertakes the monitoring of the outputs of all the de-dusting systems and chimneys, according to Resolution 054/06 – Secretariat of the Natural Environment (SEMA).

SAMA has the largest sleeve filter system in Latin America, added to more than 17 thousand filtering elements. Its vacuum cleaners and sweeping machines also include filtering systems. The environmental and occupational measurements have always been below the mining company's target (0.1 fiber/cm³). The environmental measurements, which follow international norms not forecasted in Federal Law, have recorded rates similar to any city or place, since the fiber is natural and is found on the air, in water and all over the planet. SAMA also undertakes measurements of NOx, SOx, MP and CO in the equipment utilizing GLP. The results have been considered satisfactory if compared to the different legislations – there are no specific parameters for GLP.

WATER

GRI EN8 / EN9 / EN10 / EN21 / EN25 / EN26

Principles 7, 8 and 9 of the Global Compact

Due to the increase in Tégula's production capacity and in the chrysotile mining company's production, the consumption of water of the Eternit Group in 2011 was 12% higher than in 2010. At the Eternit plants and at Precon Goiás, all the water derived from the production process is stored in decantation tanks for posterior reutilization in the production process, and losses can only occur through evaporation.

All those units count on a closed circuit system where the water from the production process is 100% reutilized in the production, and so that is never discarded. The units can also count on STS (Sewage Treatment Station) responsible for capturing, treating and employing the sewage effluents generated by the use of human consumption water in the Company. After the treatment, the water is reutilized to irrigate green areas. Eternit has not measured yet how much is discarded, but it can ensure that that disposal does not significantly affect the related bodies of water and habitats, neither are there disposals in wet zones included in the Ramsar Convention's list.

In 2011, SAMA consumed 1,260 thousand m³ of water out of the 1,693 thousand m³ captured from three different sources. The surface waters are taken from the Bonito River, and 649 thousand m³ were pumped and treated in the WTS, while 4 thousand m³ were captured in natura by water trucks during the dry season. Those values correspond to 41% of the limit of 50 liters per second assigned by Semarh (Secretariat of the Environment and Water Resources of the State of Goiás), and are mentioned in the reports issued by the WTS and on Extraction/Tillage.

The water stored on the bottom of the furrows comes from rains and from lowering the aquifer (water table), at a proportion of 40% and 60%, respectively, and is utilized in the industrial process to humidify tracks and reject. The volume of those sources has been estimated and the calculations to determine their origins are undertaken taking into consideration the size of the area of influence in relation to the rainfalls and the area around the furrows, considering the pluvial index verified in 2011. The increase in the water stored in the furrows led to an increase in the consumption of underground water in that year, reducing the use of recycled water. The savings from that process amounted to R\$ 35 thousand in 2011 in expenses with water trucks. Therefore, 60.9 thousand liters of fuel were also saved. As regards re-circulated or recycled water, 10,592 m³ of water were utilized, pumped from the Decantation Box located after the Maintenance Shop and the STS Stabilization Pond, during the process of humidifying the Industrial Processing Waste. That figure represents 0.8% of the total volume of water utilized by the company.

Also in 2011, four new hydrometers were installed at strategic points of SAMA's water distribution network, and the SIGA - Water Management System program was developed. With those initiatives, that mining company will start to have consumption indicators related to all of its processes, with a systematic for data collection and standardization of controls and records, ensuring reliable information to guide future mitigation measures.

A part of the waters found in the furrows, which must be emptied in order to continue with the carving process, is destined to the Tartarugas and Jacaré Lagoons (decantation lagoons) and later directed to the bodies of water (Caju Lagoon and Amianto Brook) or utilized to humidify tracks, industrial rejects and exploration fronts to be disassembled. In this last case, they wither percolate or evaporate, without being possible to reutilize them. In 2011, Jacaré Lagoon went through a de-sanding process to enlarge its depth from three to six meters, which has increased its storage capacity from 120,000 m³ to 146,000 m³. That quantity of water will allow for less water capturing from the Bonito River in the dry season and will practically eliminate the utilization of treated water in the processes to humidify tracks and industrial rejects.

The industrial effluents derived from the transformation process and from the washing of water-resistant tracks are directed to decantation boxes and later to the stabilization pond. In the ETE (Effluent Treatment Station), the difference between the treated volume (146,245 m³) and the discarded volume (94,670 m³) is based on the quantity of sediments taken by the residual waters, whose separation happens through filtration, added to the evaporation during the drying process of the beds prepared for that purpose plus the percolated volume.

After a biological treatment at the ETE, those sediments are directed to the stabilization pond, before disposal in the Amianto Brook, whose average flow in 2011 was of 7.11 liters. In that body of water periodical chemical analyses are undertaken to evaluate the quality of the effluents (some are performed on a daily basis, other ones every half-year), in compliance with the standards established by the Conama Resolution 357/2005. The results of the analyses and evaluations undertaken by employees from companies Ecomaj, Conágua Ambiental and Bioagri certify the Company's compliance with the legislation. In relation to the total flow (224,220.96 m³/year) and release (76,613.00 m³/year) volumes, 34% of the effluents were discarded in the Amianto Brook.

Tégula has also been trying to reutilize water, by collecting a part of the volume generated when cleaning the varnish application machines. Currently 60% of the water is re-utilized, however the company has been trying to improve its reutilization system, which also counts on an open concrete

tank that, on rainy days, overflows into a pluvial gallery. The company is also building a reservoir for rainwater collection at the plant of Atibaia, which will start operations in March 2012. After that, in that same unit, the tractor and forklift washing area will be renovated to allow for the collection of all the polluting materials and consequently the separation of water, oil and greases.

Finally, in 2011 no water source was significantly affected by the withdrawal of water to undertake any of the Eternit Group activities, if we consider criteria such as volume withdrawn, ecosystem sensibility and protection of the established area. The activities of Eternit's plants, of Precon Goiás and of Tégula do not interfere with the wet zones listed by the Convention Ramsar, and water consumption does not significantly affect the local ecosystems and natural habitats either.

Total of the Water Taken as per Source		2011	2010
Surface water	Wet areas		
	Rivers	649,248.05	742,714.74
	Ponds		
	Oceans		
Underground water		861,776.72	960,858.46
Rainwater			
	Stored	442,000.00	100,000.00
Effluents from another organization			4,491.21
Municipal supply		228,361.81	141,234.47
Supply (others)			
Total m ³		2,181,386.58	1,944,807.67

RECOVERY PLAN FOR DEPRESSED AREAS

GRI S01 / EN14

Principle 8 of the Global Compact

In the chrysotile mine, the removal of materials from the soil is restricted only to those points destined to the advancement of the carving operations, to the deposition of sterile components derived from the mine, and to discarding industrial process rejects, procedures that are undertaken with the responsible environmental entity's authorization. The soil removal is executed by a bulldozer and the soil is transported by dump trucks to the location of the deposition pile. A part of the removed land is directly utilized to recover the slopes under final situation (where no further advancement will be performed) and another part is stashed at a separate location for posterior utilization. The main purposes of the revegetation are to decrease the visual impact caused by the deposition of sterile components and rejects, and to protect the piles against wind and water erosion. The recovered areas are periodically inspected, to verify the performance of the vegetal protection of the soil. If necessary, SAMA undertakes actions to correct the detected imperfections.

The areas affected by mining activities in Brazil have their recovery ensured by the Constitution through the PRDA (Plan to Recovery Depressed Areas). At SAMA, the plan's execution involves a good planning of the carving activities to ensure future recovery. The mining company's furrows, despite being deep (currently with a depth of approximately 170 meters), have been following geo-technically stable angles in relation to the slopes, defined according to studies undertaken by the IPT (Technological Research Institute and Higher National Mining School) of Paris.

The end of the activities, forecasted to 31 years from now, the furrows will be utilized to form lagoons that will utilize underground and rain water, and offer many different possibilities of use, such as fish nursery for fishing, contemplative recreation, water sports and many other activities. Beside the furrows, the construction of a camping area has been forecasted, with parking lot, bathrooms, administration area, access to boats, playground and other leisure structures. The banks of sterile components and rejects will be geo-technically stabilized and fully recovered with soil and reforested. Those areas not possible to recover during the mine's useful life will be renovated after the end of activities. In one of the disposal embankments the construction of a lookout has been forecasted with explanatory placards on the observed points, together with a parking lot and landscape treatment.

A part of the buildings, such as, for example, bathroom, refectories, shops and other facilities, may be used for many different purposes, such as:

- >> Mineral history museum, with pictures, mineral samples and the equipment employed during the mine's exploration phase;
- >> Management office;
- >> Water and sewage treatment stations, developed to serve the residential village and remaining buildings; and
- >> After the halt of SAMA's activities, a part of the buildings may be employed to create an industrial area in the municipality.

The provisory schedule to execute the PRDA after the end of the mining activities has been devised for the period between 2042 and 2051. The document includes stages such as mine deactivation and cleaning, infrastructure handling, soil stabilization and preparation, and engineering and monitoring works. The investment forecasted to recover the mining company after the mine has been closed amounts to approximately R\$ 10 million. After the end of the mining activities, the recovered area will continue to be monitored until its complete stabilization.

BIODIVERSITY

GRI EN11 / EN12/ EN13 / EN15
Principle 8 of the Global Compact

None of the Eternit Group’s activities affect the species mentioned in the Red List of the IUCN (International Union for Conservation of Nature). Additionally, the Group preserves and keeps environmental reserves at the manufacturing units of Colombo (PR), Simões Filho (BA) and Atibaia (SP), as well as at SAMA. The plant of Colombo occupies 58,377 m² of the APA (Environmental Preservation Area – conservation units established by the public power) of Irai, which covers 115 Km², within five municipalities. Encrusted in a part of the Serra do Mar mountain range, that EPA has in its flat regions a transition area between the Mixed *Ombrophilous* forest, also known as forest the Brazilian Araucaria forest, and the Dense *Ombrophilous* forest, housing one of the last remainders of the old lea-area soccer fields.

The plant of Simões Filho is inside an EPA – Joanes/Ipitanga, in the region of the Hydrographic Sub-basin of the Itamboatá River, considered an important source for the provision of water to the Metropolitan Region of Salvador. That’s one of the main protection areas in the Northern Bay Area (Recôncavo Norte) of the State of Bahia, characterized by a hot and wet weather and beautiful beaches associated to dunes and sandbank vegetation. There also are mangroves rich in biodiversity in the estuary of the Joanes River, besides some remains of the Atlantic Forest and local avifauna. The plant’s area covers around 854 thousand m² of an environmental reserve and includes, besides the municipality of Simões Filho, the cities of Camaçari, Lauro de Freitas, São Francisco do Conde, Candeias, São Sebastião do Passe, Salvador and Dias D’Ávila.

Tégula’s plant in Atibaia is also inside an environmental preservation area, with a total extension of 4,881 m², on the margins of the Ponte Alta Stream. That area is composed of approximately 20% of native vegetation and remainder is covered by ground vegetation and grass. At SAMA, around 80% of the 4.5 thousand hectares of the area under custody is kept as a forest reserve, located in the Cana Brava Mountain Range, in Minaçu (GO). The mining company keeps a Conservation Nursery in the area, seen as a habitat protected and regulated by Ibama. By using the metrics adopted by Fifa (International Soccer Federation), the total of green areas kept by Eternit is equivalent to 4,469 soccer fields.

Both Eternit’s plants and mining company SAMA are certified by ISO 14001, which establishes standards to control and mitigate the Company’s impacts on the biodiversity of the areas where it operates. Within the risk map required by that certification, more than 2,000 points of attention in relation to the environment have been verified. Tégula is in the process of adapting its operations in order to apply for that certification.

Habitats protected or restored				
Location	Plant of Colombo (PR)	Plant of Simões Filho (BA)	SAMA – Minaçu (GO)	Atibaia Plant (SP) - Tégula
Stage	Environmental reserve	Environmental reserve	Environmental reserve	Environmental preservation area Paulo C. R. Rocha
Responsible for the study at the time	SPVC – mapping of fauna and flora	Terra Mirim Foundation – mapping of fauna and flora	Ibama – Chelonian Project	Surveyor – Survey of the Permanent Preservation Area
Area domain time	Since 1975	Since 1967	Since 1999	Since 1994
Size (m²)	58,377	854,000	36,000,000	4,881

THE TOTAL OF GREEN
AREAS KEPT BY ETERNIT
IS EQUIVALENT TO 4,469
SOCCER FIELDS

CONSERVATION

GRI EN11/ EN13

In 1995, SAMA implemented the Chelonian Project, a partnership with IBAMA (Brazilian Environmental Institute) for the conservation of native species of chelonians, such as Amazonian turtles, “tracajás” (or Amazonian river turtle), freshwater turtles, *Trachemys dorbigni* turtles (known as “water tiger” turtles) and box turtles. The purpose is to sensitize and make the community aware of how to care for the environment. Currently, 809 chelonians are under the custody of the program, which undertakes two complimentary activities: handling the reproduction of Amazonian turtles, and environmental education. Established in a 36-thousand m² area, this is the only chelonians Conservation Nursery inside a company in Brazil, and is seen as a benchmark for this type of initiative. In addition to chelonians, the Project receives from environmental protection entities, such as the State Environmental Police and IBAMA itself, other species of wild animals for treatment and reintegration into the environment, such as macaws, parrots and monkeys.

SAMA has also promoted, since 1999, the CADA Project (Environmental Awareness Against Water Waste), for the local communities and schools and that mining company’s employees. Educational campaigns are held on the issue, especially during the dry season, to show that the water is a resource that can become scarce, and measures to reduce and optimize consumption, in order to avoid waste. Another important awareness-building program promoted by SAMA is Antiqueimadas (Anti-burning), whose purpose is to avoid burnings in the mining company’s Forest Reserve. SAMA has built dry and wet cleaning spaces to avoid the propagation of fires within the limits and in the surroundings of the Reserve, and endeavors to make local farmers aware of the harm of using burnings to clear forest. The mining company’s Firefighting Brigade supports the program.

In Rio de Janeiro, Eternit has a partnership with Rio Zoo – the Zoo of Rio de Janeiro, by adopting a chimpanzee and an owl within the project “Adoção é o Bicho” (Animal Adoption Project). The plant of Goiânia has supported, since 2004, the Araguaia River Preservation Campaign, which aims at promoting environmental education among tourists and the riverside population along the Araguaia River.



Chelonian Project at mining company SAMA (GO)

SOCIAL DIMENSION

The Eternit Group believes that social responsibility is one of the main pillars of sustainable development, and therefore it has adopted policies to promote it. In the sub-chapters below you'll find in-depth information on all the Eternit Group's social actions, which have contributed to the development of the communities located around its units.

COMMUNITY QUALIFICATION

GRI EC8

Aiming at the development of local communities, Eternit has invested in actions to qualify the inhabitants of the cities where it operates. In Minaçu, SAMA develops the Sambaíba Program, which provides to poorer young people – including handicapped children with hearing impairment – a chance to start professional life through handcraft courses with an environmental touch – held in partnership with SENAI, and offered within the mining company's facilities –, by using as raw material the sterile rocks extracted from the mine, recycled paper and banana tree fibers. Since the program's implementation, in 2004, more than 70 artisans have been qualified.

In November 2011, the Sambaíba program took part in the National Handicraft Fair, known as "Mão de Minas/Hand of Minas", held in the city of Belo Horizonte, where artisans were able to expose and sell the pieces and special packaging they make. The event is considered as one of the largest and most important fairs in all Latin America. In that year, the project was once again recognized for its relevance to Minaçu, being awarded then the Chico Mendes Socio-Environmental International Award, for its benchmark position in the handcraft industry in the Northern region of the Country, and for promoting the development of its participants. In 2010, the Sambaíba program took first place in the rankings of the Programs Brazilian Environmental Benchmarking and Best Sustainability and Social Responsibility Practices, this later one held by the Brazilian Human Resources Association, from the State of Goiás. It had also won the Brazil Environment Award, promoted by newspaper Jornal do Brasil, from Rio de Janeiro.

The plant in Rio de Janeiro, on its turn, supports the Environmental Monitor Project, held by the Jequiá Center for Environmental Education, and by the Municipal Environmental Secretariat, whose purpose is to form young people to act in awareness-building actions among local communities and visitors on the importance of responsible socio-environmental behaviors.

Eternit also supports assistance actions focused on the communities where it operates. Every year, the Company units select local entities to donate products, food and toys and, in some cases, amounts in cash.

In 2011, Eternit investments in actions towards society amounted to R\$ 2.3 million, 19% lower if compared to 2010. Among the sponsored projects, we may highlight:

- 1. Project to Publish and Distribute Books in Braille and Audio Books:** Eternit Group companies, together with other companies, have sponsored a project to publish and distribute books in braille and audio books, held by the Dorina Nowill Foundation for Blind People. The purpose is to distribute books to handicapped citizens with visual impairment all over the Country. The books in braille and the audio books were delivered free in 2011 to libraries and schools in the municipalities where Eternit holds operations. In 2012 that partnership has been maintained.
- 2. Museum of Art of São Paulo Assis Chateaubriand – MASP:** Eternit and SAMA, together with other companies, have sponsored the Museum of Art of São Paulo Assis Chateaubriand – MASP. The sponsorship aims at preserving a collection composed of 7.8 thousand works of art and of 60 thousand rare books specialized in the history of art. In 2012 that partnership has been maintained.
- 3. Art in Hospitals Project:** Eternit, Precon Goiás and other companies have signed partnership agreements with the institutions ImageMágica and Doutores da Alegria, which, through the activities of professional clowns, share artistic creations, arts and entertainment to children at hospitals. Therefore, those children have the chance of a faster recovery.
- 4. Cultural inclusion project – Olga Kos Institute:** Eternit and SAMA have signed this partnership agreement, together with other companies, with the purpose of providing children and young people affected by Down syndrome with cultural inclusion through arts. At the end, a fine artist will select the best works and will put together a book to be commercialized, and a part of the earnings from its sale will be directed to that very institution.
- 5. SAMA at schools:** SAMA'S voluntary employees qualify teachers from the public teaching network of Minaçu on the activities developed by the company, including and giving priority to socio-environmental responsibility actions. This initiative includes the following disciplines: history of chrysotile mineral, water, soil and air. After the training, an exercise booklet is elaborated for the students. Therefore, students and teachers may become SAMA's promoters and opinion makers.

6. Court of Talents: in covenant with Sesi, SAMA promotes social inclusion through sports among the children and adolescents who live in Minaçu, the majority of them coming from lower income families. The sports talents discovered during the project's activities are transferred to specific training activities in their outstanding sports modality, with the purpose of stimulating them and forming high-performance athletes. Tennis is a highlight, with a project sponsored with support of federal funding.

7. Athlete of the Future: a project also conducted in partnership with Sesi, it consists in the sponsorship of young talents from many cities in the Northern region of the State of Goiás, including, besides Minaçu, Porangatu and Mara Rosa. It currently benefits 650 students between the ages of 7 and 15.

8. Projects sponsored by the Fiscal Incentive Law: these include activities related to Volleyball, Handball and Athletics.

9. Classic Books Project: Eternit, in partnership with KOMEDI and other companies, distributes children's books to public schools in the city of Rio de Janeiro whose plots discuss, through the fantasy of their characters, matters and issues linked to essential values, including environmental and social notions. Therefore, Eternit contributes to build awareness among children.

10. Other projects: Eternit sponsored, in 2011, the Motocross Cup in Goiânia (GO). Precon Goiás sponsored a project to qualify multiplying agents in musical education with the purpose of developing musical formation among children, adolescents and youngsters through music and singing classes. Tégula sponsored in the year 2011 a cinema festival in the city of Campos do Jordão (SP).

BUSINESS CHAIN

Suppliers

GRI HR2 / HR6 / HR7 (partially)

Principles 2 and 4 of the Global Compact

To select its suppliers' chain, Eternit takes into consideration, besides the financial criteria, a valuation of local communities, their ethical practices and principles, and their professionalism and actions to mitigate environmental impacts. Thus, it values local entrepreneurship, while at the same time it disseminates its socio-environmental responsibility values and culture to other companies, stimulating sustainable development all over the Country.

ETERNIT VALUES LOCAL ENTREPRENEURSHIP AND DISSEMINATES ITS SOCIO- ENVIRONMENTAL RESPONSIBILITY VALUES AND CULTURE TO OTHER COMPANIES

The Group's strategic suppliers are thoroughly evaluated by the qualification program. Analyses are undertaken as regards compliance with the labor legislation and regulations, and socially and environmentally responsible procedures, among other issues. In 2011, those suppliers represented around 40% of Eternit's total purchases. None of them presented any nonconformity with the Company's requirements.

Information to consumers

GRI PR3 / PR4

The information related to the products manufactured by the Eternit Group's companies is mentioned on the labels and seals, and we follow the standards stipulated by ABNT (Brazilian Association of Technical Norms), besides the guidelines of the Integrated Management System, stipulated by the Company itself.

For commercialized products containing chrysotile mineral, besides the information included on seals applied to the products, other information is provided for correct installation and adequate handling.

In 2011, the Company reported two cases of nonconformity in regard to the voluntary regulations and codes related to information and labeling of products and services. Eternit was booked in November under the claim that the concrete tiles commercialized under its brand did not carry any quantitative indication, being therefore breaching articles 1st and 5th of Law 9933/1999 c/c item 14. As for Tégula, it reported a process related to concrete tiles without the data required by the IPEM (Institute of Weights and Measures), against which it appealed, and which appeal was denied. The company has adopted a corrective action to discard all the tiles not carrying that information.

Mandatory Labeling Information		Yes	No
Chrysotile mineral	Outsourcing of components		X
	Content (substances)	X	
	Safe use	X	
	Product disposal		X
	Percentage of subjected products		100%
Fiber cement tiles and shaped pieces	Outsourcing of components		X
	Content (substances)	X	
	Safe use	X	
	Product disposal		X
	Percentage of subjected products		100%
Polyethylene water tanks	Outsourcing of components		X
	Content (substances)	X	
	Safe use	X	
	Product disposal		X
	Percentage of subjected products (percentage of the sold volume)		100%
Components for construction systems	Outsourcing of components		X
	Content (substances)		X
	Safe use	X	
	Product disposal		X
	Percentage of subjected products		100%
Bathroom chinaware	Outsourcing of components	X	
	Content (substances)		X
	Safe use	X	
	Product disposal		X
	Percentage of subjected products		100%
Concrete tiles	Outsourcing of components		X
	Content (substances)		X
	Safe use	X	
	Product disposal		X
	Percentage of subjected products		100%

Consumers' safety

GRI PR1 / PR2

The possible impacts of products on the consumers' health and safety is a constant concern for the Group. All Eternit manufacturing units and Precon Goiás have their own labs to simulate and evaluate the different situations through which products may be exposed to risks, to follow their evolution in all the phases of products' life cycle. The Integrated Management System requires that all the Company's products go through that process.

At Tégula, there is at the plant of Atibaia a field where the products are tested for more than 20 years to anticipate eventual future distortions or risks. In 2011, there wasn't any case of nonconformity in relation to the life cycle of the Eternit Group products.

	Fiber cement tiles and shaped pieces		Polyethylene water tanks		Components for construction systems (Wall Panel)		Bathroom chinaware		Concrete tiles	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Product concept development	X		X		X		X		X	
Research and development	X		X		X		X		X	
Certification	X		X		X		X		X	
Manufacturing and production	X		X		X		X		X	
Marketing and promotion	X			X		X		X	X	
Storage, distribution and supply	X		X		X		X		X	
Use and service	X		X		X		X			X
Disposal, reutilization or recycling	X		X		X			X		X

Clients' satisfaction

GRI PR5

All the Group's companies measure their clients' satisfaction with products and customer services, and the Company is constantly thriving for improvement. In that sense, Eternit contracted, in 2011, another employee to its SAC (Customer Service). Since 2010, it's possible to verify the frequency of calls and the level of satisfaction with that service. The company is also undertakes surveys with its clients (retailers) to measure the degree of satisfaction with the customer service, with the delivery of products, their quality, among other issues. Based on the results, improvement actions are designed.

SAMA also undertakes such measuring, but through a questionnaire sent to its clients both in the national and in the international markets. The evaluation is undertaken every two years and clients receive an answer to their suggestions. Additionally, clients visited by SAMA's technical or commercial professionals are questioned on their satisfaction with the mining company, its products and customer services. They are also invited to visit the mine and the office in São Paulo, so they are able to know the extraction process and better understand the processing of products.

In addition to those actions, upon the receipt of products, clients may provide their suggestions during goods' checklist process. Telephone contacts and e-mails complement SAMA'S channels.

Tégula on its turn, regularly applies a sampling research to its clients and distributors or representatives, with the purpose of monitoring and enhancing its products and customer services. The results are analyzed by the Marketing department and disclosed to all involved departments, such as Sales, Industrial and Quality. That research is a part of the procedures forecasted by the ISO 9001 certification. The company also makes available a 0 300 phone line and specific e-mails so that clients can contact the company whenever they deem necessary.

None of the Group's companies paid in 2011 any fine due to nonconformities with laws and regulations related to the supply and use of products or services.

Competition

GRI S07

Eternit defends fair commercial practices, based on free competition, always in conformity with the legislation. The Company's relationship with its competitors is based on ethics and mutual respect, in conformity with international behavior standards. In 2011, no lawsuit was brought against Eternit due to disloyal competition, trust practices, and monopoly.

CLIENTS SATISFACTION
WITH PRODUCTS AND
CUSTOMER SERVICES IS
MEASURED BY ALL ETERNIT
GROUP COMPANIES

ANEXXES



ETERNIT S.A. AND SUBSIDIARIES

BALANCE SHEET AS OF DECEMBER 31, 2011

(In thousand of Brazilian reais - R\$)

ASSETS	Note	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		12/31/11	12/31/10	12/31/11	12/31/10
CURRENT ASSETS					
Cash and cash equivalents	4	21,352	15,101	42,333	39,751
Temporary investments	5	26,588	40,900	26,588	40,900
Accounts receivable	6	72,592	63,889	156,273	135,299
Inventories	7	72,913	73,918	110,483	98,445
Recoverable taxes	8	5,083	6,303	6,539	8,799
Related parties	10	22,864	16,120	-	-
Other receivables		2,978	5,606	8,670	16,110
Total current assets		224,370	221,837	350,886	339,304
NONCURRENT ASSETS					
Judicial deposits and tax incentives		5,984	7,020	11,264	11,894
Recoverable taxes	8	20,957	22,054	23,600	22,867
Deffered income tax and social contribution	18.b	22,951	23,554	52,370	49,788
Related parties	10	9,314	-	-	-
Other receivables		132	931	1,720	2,532
Investments in subsidiaries	9	183,487	175,441	-	-
Other investments		8	8	250	250
Property, plant and equipment	11	119,873	124,999	225,889	209,989
Intangible assets	11	2,853	1,811	25,956	24,454
Total noncurrent assets		365,559	355,818	341,049	321,774
TOTAL ASSETS		589,929	577,655	691,935	661,078

The accompanying notes are an integral part of these financial statements.

ETERNIT S.A. AND SUBSIDIARIES

BALANCE SHEET AS OF DECEMBER 31, 2011

(In thousand of Brazilian reais - R\$)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		12/31/11	12/31/10	12/31/11	12/31/10
CURRENT LIABILITIES					
Suppliers	12	20,171	32,523	38,709	41,097
Loans and financing	13	2,744	441	40,553	20,443
Accruals and social expenses	14	14,834	19,638	27,861	34,842
Dividends and interest on capital payable		17,346	27,245	17,346	27,245
Accrual for employees' future benefits	16.d	1,645	1,645	2,965	2,835
Taxes payable	15	10,712	9,357	23,454	29,937
Other payable accounts		2,852	3,738	11,697	13,879
Total current liabilities		70,304	94,587	162,585	170,278
NON-CURRENT LIABILITIES					
Provision for employees' future benefits	16.d	19,492	19,286	26,308	26,570
Loans and financing	13	1,671	1,071	7,891	3,491
Related parties	10	33,573	24,750	-	-
Provision for risks	19	20,085	18,457	46,845	37,966
Taxes payable	15	6,698	6,757	6,812	7,017
Deferred income tax and social contribution		13	90	13	280
Mine remediation	28	-	-	2,773	2,505
Deferred revenues		-	181	-	482
Other accounts payable		-	-	602	-
Total noncurrent liabilities		81,532	70,592	91,244	78,311
SHAREHOLDERS' EQUITY					
Capital	17.a	334,251	334,251	334,251	334,251
Capital reserves		18,747	18,536	18,747	18,536
Treasury shares	17.d	(174)	(174)	(174)	(174)
Earnings reserves		85,269	59,863	85,269	59,863
Shareholders' equity attributable to owners of the Company		438,093	412,476	438,093	412,476
Non-controlling interests		-	-	13	13
Total shareholders' equity		438,093	412,476	438,106	412,489
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		589,929	577,655	691,935	661,078

The accompanying notes are an integral part of these financial statements.

ETERNIT S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

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

	Note	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		12/31/11	12/31/10	12/31/11	12/31/10
NET SALES	21	465,084	424,316	820,238	758,745
COST OF SALES	22	(336,531)	(297,876)	(496,455)	(432,219)
GROSS PROFIT		128,553	126,440	323,783	326,526
OPERATING INCOME (EXPENSES)					
Selling expenses	22	(51,940)	(41,932)	(97,294)	(88,403)
General and administrative expenses		(34,356)	(42,503)	(84,119)	(89,683)
Management compensation	10.b	(8,818)	(8,313)	(11,727)	(11,628)
Financial expenses	24	(7,205)	(5,023)	(29,820)	(22,676)
Financial income	24	22,436	14,478	43,659	32,400
Other operating expenses, net	23	(7,866)	(7,228)	(13,342)	(13,152)
Equity in subsidiaries	9	65,112	76,711	-	-
		(22,637)	(13,810)	(192,643)	(193,142)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		105,916	112,630	131,140	133,384
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	18.a	(8,372)	(8,923)	(37,138)	(43,736)
Deferred	18.a	(351)	(1,622)	3,191	12,436
NET INCOME		97,193	102,085	97,193	102,084
ATTRIBUTABLE TO:					
Owners of the Company		97,193	102,085	97,193	102,084
Non-controlling interest		-	-	-	1
NET INCOME		97,193	102,085	97,193	102,085
EARNINGS PER SHARE - R\$					
Basic	17.f	1.09	1.14	1.09	1.14
Diluted	17.f	1.09	1.14	1.09	1.14

The accompanying notes are an integral part of these financial statements.

ETERNIT S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011

(In thousands of Brazilian reais - R\$, except the amounts per share)

	Note	Capital reserves				Earnings reserve				Attributable to the owners of the Company (BR GAAP and IFRS)	Non-controlling interest	Total (BR GAAP and IFRS)
		Capital	Subsidy for investments	Stock premium	Treasury shares	Bylaws	Legal	Profit retention	Retained earnings			
BALANCES AS OF JANUARY 1, 2010		334,152	18,513	-	(174)	6,260	9,900	22,141	-	390,792	11	390,803
Net income		-	-	-	-	-	-	-	102,084	102,084	1	102,085
Capital increase		99	-	-	-	-	-	-	-	99	-	99
Reserves restriction		-	-	23	-	-	-	-	-	23	-	23
Allocation of net income:												
Dividends - R\$0.65 per outstanding share		-	-	-	-	-	-	-	(58,155)	(58,155)	1	(58,154)
Interest on capital - R\$0.25 per outstanding share		-	-	-	-	-	-	-	(22,367)	(22,367)	-	(22,367)
Reserves		-	-	-	-	5,104	5,104	11,354	(21,562)	-	-	-
BALANCES AS OF DECEMBER 31, 2010		334,251	18,513	23	(174)	11,364	15,004	33,495	-	412,476	13	412,489
Net income		-	-	-	-	-	-	-	97,193	97,193	-	97,193
Allocation of income:												
Dividends - R\$0.13 per outstanding share	17.b	-	-	-	-	-	-	-	(47,956)	(47,956)	-	(47,956)
Interest on the capital - R\$0.06 per outstanding share	17.c	-	-	-	-	-	-	-	(23,620)	(23,620)	-	(23,620)
Reserves	17.h and 17.i	-	-	-	-	4,859	4,859	15,899	(25,617)	-	-	-
BALANCES AS OF DECEMBER 31, 2011		334,251	18,513	23	(174)	16,223	19,863	49,394	-	438,093	13	438,106

The accompanying notes are an integral part of these financial statements.

ETERNIT S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011

(In thousand of Brazilian reais - R\$)

	Note	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		12/31/11	12/31/10	12/31/11	12/31/10
CASH FLOWS FROM OPERATIONS					
Net income		97,193	102,085	97,193	102,085
Reconciliation of net income:					
Equity in subsidiary	9	(65,112)	(76,711)	-	-
Depreciation and amortization	11	11,460	9,051	22,806	18,154
Gain in fair value of inventory (Tégula)		-	-	-	2,539
(Gain)/loss on write-off of investments/fixed assets/deferred charges		5,661	349	5,843	(1,847)
Allowance for bad debts		615	847	409	2,253
Accrual for risks	19	1,628	7,009	8,011	14,560
Reversal of (provision for) losses		(651)	1,635	(999)	4,437
Financial expenses, inflation adjustment and exchange rate fluctuation, net		3,199	1,430	115	(881)
Financial income		(3,489)	(4,360)	(3,489)	(4,360)
Prepaid expenses		290	1,405	481	1,929
Deferred revenue		(209)	(270)	(1,560)	(600)
Deferred income tax and social contribution	18.a	351	1,622	(3,191)	(12,436)
		50,936	44,092	125,619	125,833
(Increase) decrease in assets:					
Accounts receivable		(13,863)	(16,186)	(21,547)	(21,591)
Inventories		1,905	(29,690)	(11,138)	(32,064)
Taxes to recover		3,285	(2,354)	2,496	(3,047)
Interest revenue		-	289	-	289
Deposits in court		1,036	(3,574)	630	(4,577)
Other assets		2,360	(3,007)	8,456	(3,404)
Increase (decrease) in liabilities:					
Suppliers		(4,216)	14,756	(2,367)	16,521
Taxes, fees and contributions payable		8,168	14,012	21,480	48,900
Provisions and social charges		(4,804)	10,211	(6,981)	12,431
Payment of labor, civil and tax risks		-	(2,233)	-	(2,233)
Other liabilities		1,150	(458)	2,318	(901)
Cash provided by operating activities		45,957	25,858	118,966	136,157
Interest expenses		(411)	(91)	(175)	(91)
Income tax and social contribution expenses		(8,643)	(7,879)	(29,939)	(35,963)
Dividends received		55,721	56,458	-	-
Net cash provided by operating activities		92,624	74,346	88,852	100,103

	Note	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		12/31/11	12/31/10	12/31/11	12/31/10
CASH FLOWS FROM INVESTING ACTIVITIES					
Temporary investments		17,799	28,860	17,799	28,860
Related party	10	(9,314)	-	-	
Gain on sale of property, plant and equipment		54	730	203	2,010
Net cash outflow on acquisition of subsidiary Tégula		-	-	-	(34,303)
Payments for property, plant, equipment and intangible asset	11	(13,233)	(31,055)	(46,356)	(58,541)
Capital increase in controlled company - Neptune		-	(41,996)	-	-
Net cash used in investing activities		(4,694)	(43,461)	(28,354)	(61,974)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from debts and financing - third party		2,464	2,916	147,147	126,524
Related parties loans	10	(2,156)	(373)	-	-
Capital increase		-	99	-	99
Contributed capital in excess of par value		-	23	-	23
Loans and financing paid	13	(512)	(4,455)	(123,588)	(134,099)
Payment of dividends and interest on capital		(81,475)	(71,397)	(81,475)	(71,397)
Net cash used in financing activities		(81,679)	(73,187)	(57,916)	(78,850)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		6,251	(42,302)	2,582	(40,721)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
In the beginning of year	4	15,101	57,403	39,751	80,472
In the end of year	4	21,352	15,101	42,333	39,751
		6,251	(42,302)	2,582	(40,721)

The accompanying notes are an integral part of these financial statements.

ETERNIT S.A. AND SUBSIDIARIES

STATEMENTS OF THE VALUE ADDED FOR THE FISCAL YEAR ENDED ON DECEMBER 31, 2011

(In thousand of Brazilian reais - R\$)

	Note	Parent Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		12/31/11	12/31/10	12/31/11	12/31/10
REVENUES					
Sales of goods, products and services	21	628,960	574,610	1,071,780	991,302
Other incomes		3,478	783	6,454	8,442
Incomes related to the construction of own assets		12	12,245	2,195	13,188
Provision for doubtful debts		(615)	(847)	(409)	(2,253)
Total		631,835	586,791	1,080,020	1,010,679
INPUTS ACQUIRED FROM THIRD PARTIES					
Cost of goods sold		(300,764)	(295,081)	(465,104)	(389,845)
Materials, power, third parties service and other		(117,570)	(104,333)	(159,859)	(192,097)
Loss/Recovery of asset		(9,363)	(7,710)	(9,363)	(7,736)
Other donations		(454)	(2,453)	(1,053)	(5,776)
		(428,151)	(409,577)	(635,379)	(595,454)
GROSS VALUE ADDED		203,684	177,214	444,641	415,225
DEPRECIATION, AMORTIZATION AND DEPLETION	11	(11,460)	(9,051)	(22,806)	(18,154)
NET VALUE PRODUCED BY THE COMPANY		192,224	168,163	421,835	397,071
VALUE ADDED RECEIVED ON TRANSFER					
Equity in subsidiaries	9	65,112	76,711	-	-
Financial income	24	22,436	14,478	43,659	32,400
Other		(3,712)	697	(3,358)	1,217
		83,836	91,886	40,301	33,617
TOTAL VALUE ADDED DISTRIBUTION		276,060	260,049	462,136	430,688
VALUE ADDED DISTRIBUTED					
		276,060	260,049	462,136	430,688
Personnel:					
Salaries and wages		51,418	46,390	105,313	94,054
Benefits		21,458	25,777	44,490	49,539
FGTS (Guarantee Fund for Length of Service)		5,011	3,700	8,907	6,615
		77,887	75,867	158,710	150,208
Taxes					
Federal		68,323	61,427	122,919	110,047
State		20,616	13,182	46,129	39,878
Municipal		857	769	1,255	1,135
		89,796	75,378	170,303	151,060
Third parties					
Interests		7,205	5,023	28,300	22,524
Rental		3,979	1,696	7,630	4,811
		11,184	6,719	35,930	27,335
Shareholders:					
Dividends	17.b	47,956	58,156	47,956	58,155
Interests on own capital	17.c	23,620	22,368	23,620	22,367
Retained earnings	17.g	25,617	21,561	25,617	21,562
Non-controlling shareholders's interest		-	-	-	1
		97,193	102,085	97,193	102,085

The accompanying notes are an integral part of these financial statements.

REPORTS OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of
ETERNIT S.A. - São Paulo - SP

We have audited the accompanying individual and consolidated financial statements of Eternit S.A. (the "Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as of December 31, 2011, and the statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, and in accordance with accounting practices adopted in Brazil, 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 - ISA. 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 the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the individual financial statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Eternit S.A. as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, consolidated financial statements present fairly, in all material respects, the consolidated financial position of Eternit S.A. as of December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS issued by IASB and accounting practices adopted in Brazil.

Emphasis of matter

We draw attention to Note 2 to the financial statements, which states that the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of the Company, these accounting practices differ from IFRS, applicable to the separate financial statements, only with respect to the measurement of investments in subsidiaries, associates and joint ventures by the equity method of accounting, which, for purposes of IFRS, would be measured at cost or fair value.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2011, prepared under the responsibility of the Company's Management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRS that does not require presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 7, 2012

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Reynaldo Awad Saad
Engagement Partner

ETERNIT S.A. AND SUBSIDIARIES

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

(In thousands of Brazilian reais - R\$, except when indicated otherwise)

1. OPERATIONS CONTEXT

Eternit S.A. ("Company" or "Eternit"), incorporated in Brazil, headquartered at Rua Dr. Fernandes Coelho, 85 - 8º floor, in the city of São Paulo, State of São Paulo, constituted on January 30, 1940, is a publicly held company, without a controlling interest, registered in the special segment of the shares market of BM&FBOVESPA S.A. - Stock Exchange, Commodities and Futures, referred to as Novo Mercado, under trading code ETER3. Its shareholders are private and corporate individuals, investment clubs, investment funds and foundations (see explanatory note No. 17).

The Company and its subsidiaries ("Group") have as their main corporate purpose the industrialization and commercialization of products of fiber-cement, cement, concrete, plaster and plastic matter materials, as well as other construction materials and respective accessories.

The Group is formed as follows:

- The Company has four plants installed in the states of Bahia, Goiás, Paraná and Rio de Janeiro.
- The subsidiary Precon Goiás Industrial Ltda. ("Precon") has a plant in the city of Anápolis, state of Goiás, and its main corporate purpose is the industrialization and commercialization of products and artifacts of fiber cement.
- The subsidiary Tégula Soluções para Telhados Ltda. ("Tégula") has six plants, installed in the states of Bahia, Goiás, Rio Grande do Sul, Santa Catarina and São Paulo, and its principal activity is the industrialization of concrete tiles and accessories.
- The subsidiary Sama S.A. Minerações Associadas ("Sama"), a closely held joint stock company, located in the city of Minaçu, state of Goiás, is the only mining company of chrysotile in Brazil and its main corporate purpose is the exploitation and improvement of the mineral chrysotile, which is commercialized in the internal and external markets.
- The subsidiary Engedis Distribuição Ltda. ("Engedis"), located in the city of Minaçu, state of Goiás, does not have an economic activity.
- The subsidiary Prel Empreendimentos e Participações Ltda. ("Prel"), located in the city of São Paulo, state of São Paulo, has as its main corporate purpose holding of interest in industrial and commercial companies.

- The subsidiaries Wagner Ltda. ("Wagner") and Wagner da Amazônia Ltda. ("Wagner da Amazônia"), located in the city of São Paulo, State of São Paulo, do not have an economic activity.

The principal industrialized and/or products commercialized by the Group are described in explanatory note No. 25.

2. SUMMARY OF THE PRINCIPAL ACCOUNTING PRACTICES

2.1. Declaration of conformity and basis for preparation

The financial statements of the Company comprise:

- The consolidated financial statements prepared according to IFRSs, issued by the "International Accounting Standards Board - IASB", and the practices adopted in Brazil, identified as Consolidated - IFRS and BR GAAP.
- The individual financial statements of the parent company according to the BR GAAP, identified as Parent Company - BR GAAP. The accounting practices adopted in Brazil comprise those included in the Brazilian legislation and the technical pronouncements and orientations and technical interpretations issued by the Accounting Pronouncement Committee - CPC and approved by Comissão de Valores Mobiliários - CVM (The Brazilian Securities and Exchange Commission).

The individual financial statements present the measurement of the investments in subsidiaries, in undertakings jointly controlled and associated entities by the equity accounting method, according to the Brazilian legislation in force. Thus, these individual financial statements are not considered in accordance with the IFRSs, which require the evaluation of these investments in the separate statements of the parent company by its fair value or acquisition cost.

As there is no difference between the consolidated shareholders' equity and the consolidated income attributable to the shareholders of the parent company, set forth in the consolidated financial statements prepared according to the IFRSs and Brazil GAAP, and the shareholders' equity and income of the subsidiary, set forth in the individual financial statements prepared according to Brazil GAAP, the Company chose to present individual financial and consolidated statements in a single whole, side by side.

The financial statements were prepared based on the historic cost, except by certain financial instruments measured by their fair values, as described in the accounting practices below. The historic cost is generally based on the fair value of the considerations paid in exchange of assets.

The principal accounting practices adopted in the preparation of the individual and consolidated financial statements are defined below. These practices were applied consistently in the previous year presented, except as provided otherwise.

2.2. Bases of consolidation and investments in subsidiaries

The consolidated financial statements include the financial statements of the Company and of its subsidiaries. Control is obtained when the Company has the power to control the financial and operating policies of an entity to earn benefits from its activities.

In the individual financial statements of the Company, the financial information of the subsidiaries is recognized through the equity accounting method.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated financial statements of income from the date of the effective acquisition until the date of effective disposal, as applicable.

When necessary, the financial statements of the subsidiaries are adjusted to adapt their accounting practices to those established by the Group. All the transactions, balances, revenues and expenses among the Group Companies are eliminated fully in the consolidated financial statements.

Changes to the interests of the Group in existing subsidiaries

In the consolidated financial statements, the changes in the interests of the Group in subsidiaries that do not result in loss of control of the Group on the subsidiaries are recorded as capital transactions. The accounting balances of the interests of the Group and of non-controlling interests are adjusted to reflect changes in their respective interests in the subsidiaries. The differences between the values based on which the non-controlling interests are adjusted and the fair value of the considerations paid or received is recorded directly in the shareholders' equity and attributed to the owners of the Company.

2.3. Revenue recognition

Revenue is measured by the fair value of the contra-entry received or receivable, less any estimates of returns, commercial discounts and/or bonuses granted to the buyer and other similar deductions.

2.3.1. Sale of products

The revenue from the sale of products is recognized when all the following conditions are met:

- The Group transferred to the buyer the significant risks and benefits related to the ownership of the products.
- The Group does not maintain continued involvement in the management of the products sold in a degree normally associated to the ownership nor effective control over such products.
- The value of the revenue may be measured with reliability.
- It is probable that the economic benefits associated to the transaction shall flow to the Group.
- The costs incurred or to be incurred related to the transaction may be measured with reliability.

More specifically, the revenue from the sale of the products is recognized when the products are delivered and the legal title is transferred.

2.4. Goodwill

The goodwill resulting from a combination of businesses is demonstrated at cost on the date of arrangement of the business, net of accrued loss in the recoverable value.

For purposes of impairment test, the goodwill is allocated to each one of the cash generation units of the Group (or groups of cash generation units) which will benefit from the synergies of combination.

The cash generating units to which the goodwill was allocated are submitted annually to an impairment test or with greater frequency when there are indications that the unit may present an impairment. If the recoverable value of the cash generating unit is lower than the book value, the impairment loss is first allocated to reduce the book value of any goodwill allocated to the unit and, subsequently, to other assets of the unit, proportionally to the book value of each of its assets. Any impairment loss due to reduction in the recoverable value of goodwill is recognized directly in the profit or loss statement. Impairment loss is not reverted in subsequent periods.

2.5. Revenue from dividends and interest

The revenue from dividends from investments is recognized when the right of the shareholder to receive such dividends is established (provided that it is probable that the future economic benefits shall flow to the Group and the value of the revenue may be measured with reliability).

The revenue from interest is recognized when it is probable that the future economic benefits shall flow to the Group and the value of the revenue may be measured with reliability. The revenue from interest is recognized by the linear method based on time and on the effective interest rate on the principal amount outstanding, whereas the effective interest rate is that which discounts exactly the receipts from future cash flows estimated during the estimated life of the financial asset in relation to the initial book value of this asset.

2.6. Foreign currency

In the preparation of the financial statements of each Company of the Group, the transactions in foreign currency, i.e., any currency different from the functional currency of each Company, are recorded according to the exchange rates in force on the date of each transaction. At the end of each period of report, the monetary items in foreign currency are reconverted by the rates effective at the end of the fiscal year. The non monetary items recorded by the fair value verified in foreign currency are reconverted by the rates effective on the date on which the fair value was determined. The non monetary items which are measured by the historic cost in a foreign currency must be converted, using the rate effective on the date of the transaction.

2.7. Costs of loans

The costs of loans attributable directly to the acquisition, construction or production of assets which can be qualified, which take, necessarily a substantial period of time to be ready for use or the sale intended, are added to the cost of such assets until the date on which they are ready for the use or sale intended.

All the other costs with loans are recognized in the income of the period in which they are incurred.

2.8. Governmental grants

The governmental grants are not recognized until there is reasonable assurance that the Group will meet the related conditions and that the grants shall be received.

The governmental grants are recognized systematically in the income during the periods in which the Group recognizes as expense the corresponding costs which the grants intend to compensate.

2.9. Retirement costs

The payments of retirement plans of defined contribution are recognized as expense when the services that grant the right to these payments are provided.

2.10. Taxation

The expense with income tax and social contribution represents the sum of the current and deferred taxes.

2.10.1. Current taxes

The provision for income tax and social contribution is based on the taxable profit of the fiscal year. The taxable profit differs from the profit presented in the income statement, because it excludes revenues or expenses which are taxable or deductible in other fiscal years, in addition to excluding non taxable or non deductible items permanently. The provision for income tax and social contribution is calculated individually by each Company of the Group based on rates in effect at the end of the fiscal year (see explanatory note No. 18).

2.10.2. Deferred taxes

Deferred income tax and social contribution ("deferred taxes") are recognized on the temporary differences at the end of each report period among the balances of assets and liabilities recognized in the financial statements and the corresponding tax bases used in calculation of the taxable profit, including balance of tax losses, when applicable. The deferred taxes liabilities are generally recognized on all the temporary taxable differences, and the deferred taxes assets are recognized on all the temporary differences deductible, only when it is probable that the company shall present a taxable future profit for a sufficient amount so that such temporary deductible differences may be used (see explanatory note No. 18).

The recovery of the balance of deferred taxes assets is revised at the end of each reporting period and adjusted by the amount which one expects to be recovered.

The current and deferred income tax and social contributions are recognized as expense or revenue in the income of the fiscal year, except when they are listed with items recorded under the caption "Other comprehensive income", when applicable.

2.11. Property, plant and equipment

It is demonstrated at cost, less accumulated depreciation and subsequent accumulated impairment losses, when applicable. Properties in course of construction for production are carried at costs including professional fees and, in the case of assets which may be qualified, the costs of loans are capitalized until the goods are completed. The depreciation of these assets begins when they are ready for the intended use on the same basis of the other fixed assets.

The depreciation is recognized based on the estimated useful life of each asset by the linear method, so that the cost value less its residual value after its useful life, are fully written off (except for land and constructions in progress). The estimated useful life, the residual values and the depreciation methods are revised at the end of each reporting period and the effect of any changes in the estimates is accounted for prospectively.

An item of the fixed assets is written off after disposal or when there are no future economic benefits from continuous use of the asset. Any gains or losses in the sale or write off of an item of the fixed assets are determined by the difference between the values received on the sale and the book value of the assets and are recognized in the income statement.

2.12. Intangible

Intangible assets with defined useful life acquired separately are recorded at cost, less amortization and the accrued losses due to reduction to recoverable value. The amortization is recognized linearly based on the useful life of the assets. The estimated useful life and the method of amortization are revised at the end of each reporting period, and the effect of any changes in the estimates is accounted from prospectively. Intangible assets with undefined useful life acquired separately are recorded at cost, less the accrued losses for reduction to recoverable value.

Expenses with research activities are recognized as expense in the period in which they are incurred.

The Group does not have an intangible asset generated internally.

2.13. Reduction to the recoverable value of tangible and intangible assets, excluding goodwill

At the end of each reporting period, the Group revises the book value of its tangible and intangible assets to determine if there is any indication that such assets suffered any loss due to reduction to recoverable value. If there is any indication, the recoverable amount of the asset is estimated to measure the amount of this loss, if any.

If the recoverable amount of an asset (or cash generating unit) calculated is smaller than its book value, the book value of the asset (or cash generation unit) is reduced to its recoverable value. The loss due to reduction to recoverable value is recognized immediately in the income.

2.14. Inventories

They are presented for the lowest value between the cost value and the realizable net value. The inventory costs are determined by the average cost method. The net realizable value corresponds to the estimated sale price of the inventories, less all the costs estimated for completion and costs necessary to make the sale.

2.15. Provisions

Provisions are recognized for present obligations (legal or assumed) resulting from past events, where it is possible to estimate the values reliably and whose liquidation is probable.

The provision for future benefits to ex-employees is accounted from based on an actuarial estimate, as described in explanatory note No. 16.

The subsidiary Sama records the provision for potential environmental liabilities based on the best estimates of cleaning and repair costs in known environmental locations, employs a team of environmental specialists to manage all the phases of its environmental programs, uses external specialists, when necessary and follows the Program for Recovery of Degraded Area - PRAD, valuing expenses based on market quotations.

2.16. Adjustment to present value

Accounts receivable and payable are adjusted to their present value considering the rate of the Special Liquidation and Custody System - SELIC as a discount rate. The constitution of such adjustments is recorded as reducing in the accounts of origin and its realization is recorded in the caption "Financial revenues (expenses)" in the income statements.

2.17. Financial instruments

The financial assets and liabilities are recognized when a Company of the Group is part of the contractual provisions of the instrument.

The financial assets and liabilities are initially measured by their fair value. The costs of the transaction directly attributable to the acquisition or issuance of financial assets and liabilities (except for financial assets and liabilities recognized at fair value in the income) are accreted or deducted from the fair value of the financial assets or liabilities, if applicable, after initial recognition. The costs of the transaction directly attributable to the acquisition of financial assets and liabilities at fair value by means of the income are recognized immediately in the income.

2.18. Loans and financing

They are recognized, initially, by fair value, in the receipt of funds, net of the transaction costs. Afterwards, they start to be measured by the amortized cost, using the effective interest method, that is, accreted of charges, interest and monetary and foreign exchange variations, as contractually contemplated, incurred until the dates of the financial statements, as demonstrated in explanatory note No. 13. The effective interest method is used to calculate the amortized cost of a financial liability and allocate its interest expense for the respective period. The effective interest rate is the rate that deducts exactly the future estimated cash flows (including fees and points paid or received which constitute an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the estimated life of the financial liability, or, when appropriate, for a smaller period, for initial recognition of it net book value.

2.19. Interest on net current assets

They are calculated based on the number of shares in circulation on the dates of the respective releases at a Meeting of the Board of Directors and receive the same accounting treatment as the dividends (see explanatory note No. 17).

2.20. Added Value Statement

The purpose of this statement is to evidence the wealth created by the Company and its distribution during a certain period and is presented by the Company, as required by Brazilian corporate legislation, as part of its individual financial statements and as supplementary information to the consolidated financial statements, as it is not a statement contemplated nor mandatory according to the IFRSs.

The added value statement was prepared based on information obtained from the bo9ok records which serve as basis for the preparation of the financial statements and following the provisions in technical pronouncement CPC 09 – Added Value Statement.

2.21. New rules, changes and interpretations of rules

a) Rules, interpretations and changes of existing rules in force on December 31, 2011 and which did not have significant impacts on the financial statements of the Group

The interpretations and changes in the existing rules below were edited and were in force on December 31, 2011. However, they did not have significant impacts on the financial statements of the Group:

Rule	Principal requirements	Date it came into effect
Improvements in the IFRSs - 2010	Change of several accounting pronouncements.	Applicable to fiscal years beginning on or after January 1, 2011.
Changes to IFRS 1	Limited exemption of comparative disclosures of IFRS 7 for those beginning to adopt it.	Applicable to fiscal years beginning on or after July 1, 2010.
Changes to IAS 24	Disclosures by related parties.	Applicable to fiscal years beginning on or after January 1, 2011.
Changes to IFRIC 14	Early payments of minimum requirement of financing.	Applicable to fiscal years beginning on or after January 1, 2011.
Changes to IAS 32	Classification of rights of issue.	Applicable to fiscal years beginning on or after February 1, 2010.
IFRIC 19	Extinction of financial liabilities through property instruments.	Applicable to fiscal years beginning on or after July 1, 2010.

b) Rules, interpretations and changes in existing rules which are not yet in effect and were not adopted in advance by the Group

The rules and changes in the existing rules below were published and are mandatory for the periods began after December 31, 2011. However, there was no early adoption of these rules and changes by the Group.

Rule	Principal requirements	Date it came into effect
IFRS 9 (as amended in 2010)	Financial instruments.	Applicable to fiscal years beginning on or after January 1, 2013.
Changes to IFRS 1	Elimination of fixed dates for those adopting for the first time the IFRSs.	Applicable to fiscal years beginning on or after July 1, 2011.
Changes to IFRS 7	Disclosures – transfers of financial assets.	Applicable to fiscal years beginning on or after July 1, 2011.
Changes to IAS 12	Deferred taxes - recovery of underlying assets when the assets are measures by the fair value model according to IAS 40.	Applicable to fiscal years beginning on or after January 1, 2012.
IAS 28 (Revised 2011) - Investments in Associated Companies and Entities with Shared Control	Revision of IAS 28 to include changes introduced by IFRSs 10, 11 and 12.	Applicable to fiscal years beginning on or after January 1, 2013.
IAS 27 (Revised 2011) - Separate Financial Statements	Requirements of IAS 27 related to consolidated financial statements are substituted by IFRS 10. Requirements for separate financial statements are maintained.	Applicable to fiscal years beginning on or after January 1, 2013.
IFRS 10 – Consolidated Financial Statements	Substitutes IAS 27 in relation to the requirements applicable to the consolidated financial statements and to SIC 12. IFRS 10 determined a single consolidation model based on control, regardless of the nature of the investment.	Applicable to fiscal years beginning on or after January 1, 2013.
IFRS 11 – Interest Agreements	Eliminated the proportional consolidation model for the entities with shared control, maintaining only the model by the equity accounting method. Eliminated also the concept of “assets with shared control”, maintaining only “operations with shared control” and entities with shared control.	Applicable to fiscal years beginning on or after January 1, 2013.
IFRS 12 – Disclosures of Interest in other Entities	Expands the requirements of disclosure of investments in the entities in which the company has significant influence.	Applicable to fiscal years beginning on or after January 1, 2013.
IFRS 13 – Measurements to Fair Value	Substitutes and consolidates all the orientations and requirements related to measurement at fair value contained in the other pronouncements of the IFRSs in a single pronouncement. IFRS 13 defines fair value and orients how to determine fair value and the disclosure requirements related to measurement of fair value. However, it does not introduce any new requirement with respect to the items which must be measured at fair value, which remain in the original pronouncements.	Applicable to fiscal years beginning on or after January 1, 2013.
Changes to IAS 19 - Benefits to Employees	Elimination of the corridor approach, the actuarial gains or losses being recognized as other encompassing results for the pension plans and the income for the other long term benefit plans, when incurred, among other changes.	Applicable to fiscal years beginning on or after January 1, 2013.
Changes to IAS 1 - Presentation of the Financial Statements	Introduces the requirement that the items recorded in other encompassing results be segregated and totaled among items which are and those which are not subsequently reclassified to profits and losses.	Applicable to fiscal years beginning on or after January 1, 2013.

Considering the current operations of the Group, the Management does not expect that these new rules, interpretations and changes have a significant effect on the financial statements as of their adoption.

CPC has not yet published the respective pronouncements and modifications related to the new and revised IFRSs presented previously. As a result of the commitment of CPC and CVM keeping updated the set of rules issued based on the updates made by IASB, it is expected that these pronouncements and changes be published by CPC and approved by CVM by the date of their mandatory application.

3. MAIN ACCOUNTING JUDGMENTS AND SOURCES OF UNCERTAINTIES IN THE ESTIMATES

In the application of principal accounting practices of the Group described in explanatory note n° 2, the Management must make judgments and prepare estimates with respect to the book values of the assets and liabilities for which values are not easily obtained from other sources. The estimates and corresponding assumptions are based on the historical experience and on other factors considered relevant. Actual results may differ from such estimates.

The underlying estimates and assumptions are continuously revised. The effects resulting from the revisions made to the accounting estimates are recognized in the period where the estimates are revised, if the revision affects only such period, or also in later periods if the revision affects both the present period and future periods.

3.1. Main sources of uncertainties in the estimates

Below are the main assumptions with respect to the future and other main sources of uncertainty in the estimates at the end of each reporting period, which may lead to significant adjustments to the book values of the assets and liabilities in the next fiscal year.

3.1.1. Recoverable value of goodwill

In order to determine if there is goodwill impairment, it is necessary to make estimates of the value in use of the cash generating units to which the goodwill was allocated. The calculation of the value in use requires that the Management estimates the expected future cash flows of the cash generating units and an adequate discount rate so that the present value is calculated.

No indications of goodwill impairment were identified.

	Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10
Subsidiary:		
Sama	16,559	16,559
Tégula	3,436	3,436
	19,995	19,995

3.1.2. Useful life of the fixed assets

As described in explanatory note n° 2.11, the Group annually revises the estimated useful life of the fixed assets at the end of each reporting period. During the current fiscal year, the Management established that the useful life of certain items of machinery, equipment and buildings should be increased and supported by internal and external evaluation reports, considering the preventive maintenance, over the course of the next fiscal years.

3.1.3. Income tax, social contribution and other taxes

The Group recognizes assets and liabilities based on the differences between the book value submitted in the financial statements and the tax basis of assets and liabilities using the rates in force. The Management of the Group regularly revises the active deferred taxes in terms of possibility of recovery, considering the historical profit generated and the projected future taxable profit, in accordance with a technical feasibility study.

3.1.4. Provision for risks

The Group is a party to various administrative and judicial proceedings, as described in explanatory note n° 19. Provisions are constituted for all contingencies related to judicial proceedings which represent probable losses and estimated with a certain degree of certainty. The evaluation of the probability of a loss includes the evaluation of the evidence available, the hierarchy of the laws, available legal precedents, the most recent decisions in the courts and their relevance in the legal system, as well as the evaluation of the legal advisors. The Management of the Group believes that such provisions for risks are correctly presented in the financial statements.

3.1.5. Provision for future benefits to former employees

The current value of the provision for future benefits to former employees depends on a series of factors which are determined on the basis of actuarial calculation, which update a series of assumptions, such as discount rate and inflation, among others, which are disclosed in explanatory note n° 16. Change to one of these estimates could affect the results presented.

4. CASH AND CASH EQUIVALENTS

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Cash and banks	2,011	1,769	5,243	3,357
Investment funds	19,341	13,332	37,090	36,394
Total	21,352	15,101	42,333	39,751

In the fiscal year, the investment funds had returns at average rates of 104% of the variation of the Interbank Deposit Rate (CDI) (103% in 2010), having in its portfolio basically index funds - CDI and Fixed Income. Such balances consist of values of immediate liquidity, with the purpose of paying short term commitments, quickly convertible into cash and subject to insignificant risk of value change.

5. TEMPORARY INVESTMENTS (FINANCIAL INVESTMENTS)

The temporary investments have as their main objective to finance the permanent investments of the Group and were invested in investment funds which had returns in the period at average rates of 104% of the variation of the CDI (103% in 2010).

6. TRADE ACCOUNTS RECEIVABLE

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Trade accounts receivable from clients	77,501	67,633	168,259	146,336
(-) Adjustment to present value	(2,077)	(1,527)	(5,516)	(4,654)
Allowance for doubtful accounts	(2,832)	(2,217)	(6,470)	(6,383)
Total	72,592	63,889	156,273	135,299

The aging list of trade accounts receivable is as follows

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Current to mature	72,926	64,331	153,369	133,095
Past-due amounts:				
Up to 30 days	745	1,115	5,926	5,108
30 to 60 days	163	196	350	1,053
Over 60 days	3,667	1,991	8,614	7,080
Total	77,501	67,633	168,259	146,336

Activity in allowance for doubtful credits

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Opening Balance	(2,217)	(1,623)	(6,383)	(4,485)
Addition	(884)	(847)	(1,083)	(2,253)
Reversion	8	43	(57)	71
Write off	261	210	1,053	284
Total	(2,832)	(2,217)	(6,470)	(6,383)

No client of the parent company represents more than 1.5% of the corresponding balances of the trade bills receivable on December 31, 2011 (1.66% in 2010).

7. INVENTORIES

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Finished products	35,368	40,723	53,280	49,252
Semi-finished products	-	-	1,553	1,976
Resale	18,128	10,706	23,423	13,242
Raw Materials	16,445	20,903	15,698	20,364
Indirect Materials	2,972	2,486	17,268	15,180
Provision for losses (*)	-	(900)	(739)	(1,569)
Total	72,913	73,918	110,483	98,445

(*) The offsetting entry of the provision for losses is recorded under the heading "Other operating expenses, net" in the income statements.

The total cost of the inventories recognized as expense and included under the heading "Cost of products sold" is disclosed in explanatory note n° 22.

8. RECOVERABLE TAXES

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Current:				
ICMS [Tax on Circulation of Goods and Services]	1,486	1,279	1,972	1,718
IRRF [Withholding Income Tax]	432	509	603	715
IRPJ [Corporate Income Tax]	1,211	2,323	1,681	3,458
CSLL [Social Contribution on Net Profit]	92	739	248	1,287
IRRF - interest on own capital	373	412	373	548
FOMENTAR Fund - ICMS	1,080	685	1,092	711
COFINS [Contribution for the Funding of Social Security] and others	409	356	570	362
Total	5,083	6,303	6,539	8,799
Non-current:				
ICMS and others	1,145	3,052	3,786	3,865
IRRF	12,606	12,090	12,608	12,090
IRPJ	7,206	6,912	7,206	6,912
Total	20,957	22,054	23,600	22,867

9. INVESTMENTS IN SUBSIDIARIES

The details of the subsidiaries of the Company at the closing of the fiscal year are presented below:

	Parent company (BR GAAP) Interest and voting capital held - %	
	12/31/11	12/31/10
Subsidiaries:		
Engedis	99.99	99.99
Precon	99.99	99.99
Prel	99.99	99.99
Sama	99.99	99.99
Tégula	99.99	99.99
Wagner	99.85	99.85
Wagner da Amazônia	99.85	99.85

The transactions with investments in subsidiaries, presented in the individual financial statements, are as follows:

	Parent company (BR GAAP)						
	Precon	Prel	Sama	Tégula	Neptune	Wagner	Total
On January 1, 2010	12,429	7,967	93,365	-	-	6,019	119,780
Capital increase	-	-	-	-	41,996	-	41,996
Dividends	(8,852)	(440)	(44,026)	-	(3,020)	-	(56,338)
Interest on own capital	(668)	(437)	(4,774)	(400)	(672)	-	(6,951)
Equity in subsidiary	11,207	879	52,704	11,271	2,716	(2,066)	76,711
Supplementary indexation - IFRS	-	-	-	243	-	-	243
Acquisition	-	-	-	41,020	(41,020)	-	-
On December 31, 2010	14,116	7,969	97,269	52,134	-	3,953	175,441
Dividends	(7,600)	(1,763)	(38,364)	-	-	(14)	(47,741)
Interest on own capital	(668)	(436)	(5,053)	(2,958)	-	(25)	(9,140)
Equity in subsidiary	9,853	2,153	48,357	4,604	-	145	65,112
Supplementary indexation - IFRS	(7)	(57)	(93)	(28)	-	-	(185)
On December 31, 2011	15,694	7,866	102,116	53,752	-	4,059	183,487

10. RELATED PARTIES

a) Balances and transactions of the parent company with related parties

	Parent company (BR GAAP)	
	12/31/11	12/31/10
Balances:		
Current assets-		
Trade accounts receivable: (i)		
Sama	-	1
Precon	1,925	1,154
Tégula	7	-
	<u>1,932</u>	<u>1,155</u>
Non-current assets (loan - Tégula)	<u>9,314</u>	<u>-</u>
Dividends and interests receivable on own capital:		
Sama	13,922	12,550
Prel	1,174	188
Precon	2,180	2,247
Tégula	3,656	1,135
	<u>20,932</u>	<u>16,120</u>
Current and non-current liabilities:		
Liabilities to related parties:		
Suppliers- (i)		
Sama	8,108	7,173
Other accounts payable-		
Prel	25	-
Loan: (ii)		
Sama	25,442	23,177
Prel	(2)	1,573
	<u>33,573</u>	<u>24,750</u>
Total	<u>33,573</u>	<u>24,750</u>

(i) The balances receivable and payable are related to supplies and purchases of raw materials (Chrysotile ore) and finished products, eliminated in the financial statements of the Company, and such transactions are usual and constant during the years, which is why said balances are classified under the headings of 'current'.

(ii) Concerning the loan agreements on which the variation of 100% of the CDI and amortization term of 24 months from the date of the amendment, renewable for additional 24 months, apply.

	Parent company (BR GAAP)	
	01/01/11 to 12/31/11	01/01/10 to 12/31/10
Transactions:		
Sales:		
Precon	15,421	13,092
Tégula	137	270
Total	<u>15,558</u>	<u>13,362</u>
Purchases-		
Sama	80,157	79,987
Discounts obtained-		
Sama	3,485	3,368
Administrative expenses-		
Prel	281	259
Total	<u>83,923</u>	<u>83,614</u>
Interests on loan:		
Expenses -		
Sama	2,667	2,075
Prel	179	141
Total	<u>2,846</u>	<u>2,216</u>
Revenues-		
Interests on loan		
Tégula	369	-
	<u>369</u>	<u>-</u>
Interest on own capital:		
Sama	5,053	4,774
Prel	436	436
Precon	668	668
Wagner	25	-
Tégula	2,958	1,867
Total	<u>9,140</u>	<u>7,745</u>

All transactions between related parties were eliminated in the consolidated financial statements.

b) Management compensation

The compensation of the officers and other key personnel of the Management during the fiscal year is the following:

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Salaries and fees	3,042	2,895	4,003	3,755
Profit sharing	3,194	2,300	4,090	3,903
Bonus	2,582	3,118	3,634	4,780
Total	8,818	8,313	11,727	11,628

The Board of Directors of the Group approved in 2006 an incentive plan for the purchase of shares of the company by the Executive Board. The Group will grants additional bonuses to officers who invest up to 100% of the net value of the bonus received in shares of the Company. This supplementary bonus is based on the appreciation of shares over the past 12 months and must be fully invested in shares of the Company. The plan establishes specific rules for acquisition and dealings of shares, such as a minimum term of one year after the acquisition for dealings of the shares, limited to 30% per year. The officers must also observe the rules on dealings of CVM Instruction nº 358/02.

There are no provisioned bonuses on December 31, 2011 for the Management's key personnel.

Until December 31, 2011, 1,454,277 shares - ETER3 had been acquired by the Executive Board (1,339,706 shares - ETER3 until December 31, 2010).

11. PROPERTY, PLANT AND EQUIPMENT AND INTAGIBLE ASSET

	Rates annual depreciation/ amortization -%	Parent company (BR GAAP)			
		12/31/11		12/31/10	
		Cost	Depreciation/ amortization accumulated	Total	Total
PROPERTY, PLANT AND EQUIPMENT					
Lands	-	701	-	701	701
Buildings and improvements	4	31,805	(17,928)	13,877	14,084
Machines and equipment	8.6	89,797	(42,380)	47,417	49,549
Tools and molds	15	12,772	(7,574)	5,198	4,818
Facilities	10	76,780	(34,815)	41,965	45,341
Vehicles	20	3,498	(2,391)	1,107	1,499
Furniture and utensils	10	3,950	(1,985)	1,965	2,021
IT equipment	20	3,223	(2,306)	917	832
Immobilizations in progress	-	6,726	-	6,726	6,154
		229,252	(109,379)	119,873	124,999
INTANGIBLE					
Software	20	6,770	(3,928)	2,842	1,785
Other	15	11	-	11	26
		6,781	(3,928)	2,853	1,811

Property, plant and equipment

	Parent company (BR GAAP)									
	Lands	Buildings and improvements	Machines and equipment	Tools and molds	Facilities	Vehicles	Furniture and utensils	IT Equipment	Immobilizations in progress	Total
COST										
Balances on December 31, 2010	701	31,320	90,221	11,371	74,127	3,566	3,718	2,910	6,154	224,088
Additions	-	-	-	-	-	-	-	-	11,628	11,628
Write-offs	-	-	(6,096)	(5)	(217)	(67)	(25)	(54)	-	(6,464)
Transfers	-	485	5,672	1,406	2,870	(1)	257	367	(11,056)	-
Balances on December 31, 2011	701	31,805	89,797	12,772	76,780	3,498	3,950	3,223	6,726)	229,252
DEPRECIATION										
BALANCES ON DECEMBER 31, 2010										
	-	(17,236)	(40,672)	(6,553)	(28,786)	(2,067)	(1,697)	(2,078)	-	(99,089)
Additions	-	(682)	(2,359)	(1,008)	(5,922)	(391)	(306)	(280)	-	(10,948)
Write-offs	-	-	468	2	54	66	16	52	-	658
Transfers	-	(10)	183	(15)	(161)	1	2	-	-	-
Balances on December 31, 2011	-	(17,928)	(42,380)	(7,574)	(34,815)	(2,391)	(1,985)	(2,306)	-	(109,379)
NET BOOK VALUE										
On December 31, 2010	701	14,084	49,549	4,818	45,341	1,499	2,021	832	6,154	124,999
On December 31, 2011	701	13,877	47,417	5,198	41,985	1,107	1,965	917	6,726	119,873

Intangible

	Parent company (BR GAAP)		
	Software	Other	Total
COST			
Balances on December 31, 2010	5,298	26	5,324
Additions	1,605	-	1,605
Write-offs	(133)	(15)	(148)
Balances on December 31, 2011	6,770	11	6,781
AMORTIZATION			
Balances on December 31, 2010	(3,513)	-	(3,513)
Additions	(512)	-	(512)
Write-offs	97	-	97
Balances on December 31, 2011	(3,928)	-	(3,928)
NET BOOK VALUE			
On December 31, 2010	1,785	26	1,811
On December 31, 2011	2,842	11	2,853

	Rates annual depreciation/ amortization -%	Consolidated (IFRS and BR GAAP)			
		12/31/11	12/31/10		
		Cost	Depreciation/ amortization accumulated	Total	Total
FIXED ASSETS					
Lands	-	4,084	-	4,084	4,084
Buildings and improvements	4	78,077	(44,466)	33,611	29,881
Machines and equipment	8.6	171,193	(97,460)	73,733	66,532
Extraction machinery	28.4	16,360	(13,276)	3,084	2,883
Tools and molds	15	25,597	(15,120)	10,477	9,091
Facilities	10	203,317	(137,155)	66,162	63,794
Vehicles	20	13,086	(8,809)	4,277	4,173
Off-road vehicles	25	4,105	(3,820)	285	19
Furniture and utensils	10	12,554	(6,343)	6,211	5,021
IT equipment	20	7,045	(5,326)	1,719	1,537
Restoring of the mine	2.9	1,847	(211)	1,636	1,689
Mineral resources	5.3	13,387	(2,183)	11,204	11,900
Immobilizations in progress	-	9,406	-	9,406	9,385
		560,058	(334,169)	225,889	209,989
INTANGIBLE					
Premium on investments	-	19,995	-	19,995	19,995
Software	20	11,722	(7,006)	4,176	3,214
Trade Marks and Patents	-	1,156	-	1,156	1,156
Other	15	90	(1)	89	89
		32,963	(7,007)	25,956	24,454

Property, plant and equipment

	Consolidated (IFRS and BR GAAP)													
	Lands	Buildings and improvements	Machines and equipment	Machines of extraction	Tools and molds	Facilities	Vehicles	Off-road vehicles	Furniture and utensils	IT Equipment	Restoring of the mine	Mineral resources	Immobillizations on in course	Total
COST														
Balances on December 31, 2010	4,084	72,727	160,369	16,023	25,416	191,129	11,987	3,829	10,626	6,366	1,847	13,387	9,384	527,174
Additions	-	3,038	11,604	-	2,476	1,459	1,303	-	1,275	183	-	-	22,602	43,940
Write-offs	-	(22)	(6,333)	-	(3,701)	(217)	(483)	-	(187)	(113)	-	-	-	(11,056)
Transfers	-	2,334	5,553	337	1,406	10,946	279	276	840	609	-	-	(22,580)	-
Balances on December 31, 2011	4,084	78,077	171,193	16,360	25,597	203,317	13,086	4,105	12,554	7,045	1,847	13,387	9,406	560,058
DEPRECIATION														
Balances on December 31, 2010	-	(42,846)	(93,837)	(13,140)	(16,325)	(127,335)	(7,814)	(3,810)	(5,604)	(4,829)	(158)	(1,487)	-	(317,185)
Additions	-	(1,428)	(4,656)	(136)	(2,328)	(9,713)	(1,419)	(10)	(897)	(555)	(53)	(696)	-	(22,031)
Write-offs	-	70	599	-	3,548	54	422	-	156	58	-	-	-	5,047
Transfers	-	(262)	434	-	(15)	(161)	2	-	2	-	-	-	-	-
Balances on December 31, 2011	-	(44,466)	(97,460)	(13,276)	(15,120)	(137,155)	(8,809)	(3,820)	(6,343)	(5,326)	(211)	(2,183)	-	(334,169)
NET BOOK VALUE														
On December 31, 2010	4,084	29,881	66,532	2,883	9,091	63,794	4,173	19	5,022	1,537	1,689	11,900	9,384	209,989
On December 31, 2011	4,084	33,611	73,733	3,084	10,477	66,162	4,277	285	6,211	1,719	1,636	11,204	9,406	225,889

Due to judicial proceedings, the subsidiary Sama offered as guarantee assets of the fixed assets at the residual value of BRL 1,550.

Intangible

	Consolidated (IFRS and BR GAAP)				
	Software	Other	Goodwill	Trade marks and patents	Total
COST					
Balances on December 31, 2010	9,306	90	19,995	1,156	30,547
Additions	2,416	-	-	-	2,416
Balances on December 31, 2011	11,722	90	19,995	1,156	32,963
AMORTIZATION					
Balances on December 31, 2010	(6,092)	(1)	-	-	(6,093)
Additions	(915)	-	-	-	(915)
Write offs	1	-	-	-	1
Balances on December 31, 2011	(7,006)	(1)	-	-	(7,007)
NET BOOK VALUE					
On December 31, 2010	3,214	89	19,995	1,156	24,454
On December 31, 2011	4,176	89	19,995	1,156	25,956

Composition of the goodwill

Acquired Subsidiary	Date	Goodwill	Amortization 12/31/10	Balance on 12/31/10	Balance on 12/31/11
Sama	December/97	45,608	(36,484)	9,124	9,124
Sama (6,903,333 shares in treasure)	January/01	26,026	(18,591)	7,435	7,435
		71,634	(55,075)	16,559	16,559
Tégula	February/10	3,436	-	3,436	3,436
Total		75,070	(55,075)	19,995	19,995

The Goodwill on investments on December 31, 2011 and December 31, 2010 were classified in the corresponding investments, in the parent company (BR GAAP), and in intangible, in the consolidated information (IFRS and BR GAAP).

Annual “impairment” test

The Group evaluated the recovery of the balance of goodwill arising from the acquisition of Sama and verified that there is no need to constitute the reduction of the non-amortized balance (“impairment”). The goodwill was allocated for purposes of the impairment test in the reporting segment “chrysotile ore”, cash generating unit of extraction and trading of chrysotile ore. The recovery based on the generation of cash with the extraction and trading of chrysotile ore was evaluated based on its value in use. The discount rate applied was 10.25% per year in projected cash flow for five years based on budget approved by the Management.

12. SUPPLIERS

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Domestic market	17,590	24,415	36,072	32,997
Adjustment to present value	(148)	(146)	(211)	(198)
Foreign market	2,729	8,254	2,848	8,298
Total	20,171	32,523	38,709	41,097

13. LOANS AND FINANCING

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Current:				
Loans and financing (a)	2,744	441	4,199	1,024
ACE (b)	-	-	36,354	19,419
	2,744	441	40,553	20,443
Non-current-				
Loans and financing (a)	1,671	1,071	7,891	3,491
Total	4,415	1,512	48,444	23,934
Payment flow:				
2012	-	461	-	1,066
2013	1,353	323	2,978	928
2014	282	266	1,936	871
2015	36	21	2,977	626
Total	1,671	1,071	7,891	3,491

(a) Loans and financing

In March and December 2011, Eternit raised funds through the credit line Financing to Importation - Finimp, at the interests rate of 2.68% and 4.4% per year, respectively.

(b) Advance on foreign exchange contracts - ACE

These are funds destined to leverage the working capital of the subsidiary Sama, raised in American Dollars at an average currency exchange rate of BRL 1.8676 and updated by the rate of BRL1.8751 on December 31, 2011. The average financing rate - PRIME of 3.25% per year, being such advances, due to the characteristics of the transaction, due in up to 360 days. The Company is guarantor of part of the ACE transactions of the subsidiary Sama, whose value on December 31, 2011 was BRL 36,354.

14. PROVISIONS AND SOCIAL CHARGES

	Parent company			
	12/31/10	Additions	Payments	12/31/11
13 th salary	-	5,635	(5,635)	-
Vacation	5,816	8,556	(8,141)	6,231
Profit and results sharing (a)	10,804	10,617	(15,417)	6,004
Salaries	-	47,957	(47,957)	-
FGTS [Employees Severance Fund]	453	6,044	(6,048)	449
INSS [National Social Security Institute]	1,656	22,587	(22,940)	1,303
Private pension fund (b)	916	5,617	(5,633)	900
Union dues	(7)	224	(270)	(53)
Total	19,638	107,237	112,041	14,834

	Consolidated			
	12/31/10	Additions	Payments	12/31/11
13 th salary	-	10,391	(10,391)	-
Vacation	9,831	15,802	(14,230)	11,403
Profit and results sharing (a)	19,926	18,046	(26,278)	11,694
FGTS [Employees Severance Fund]	-	75,598	(75,598)	-
INSS [National Social Security Institute]	830	10,519	(10,522)	827
Salary	2,935	39,618	(39,873)	2,680
Private pension fund (b)	1,291	8,696	(8,733)	1,254
Union dues	29	458	(484)	3
Total	34,842	179,128	186,109	27,861

(a) Profit and results sharing

The Group grants profit and results sharing to its collaborators, and the value destined to them is calculated pursuant to the union agreement executed with the Group. Below are the recorded values of expenses with profit and results sharing:

	Profit and results sharing	
	12/31/11	12/31/10
Parent company (BR GAAP)	5,787	10,351
Consolidated (IFRS and BR GAAP)	13,767	20,531

(b) Private pension fund

The Group offers a private pension plan for employees, managed by a financial institution authorized to operate by the Brazilian Central Bank - BACEN, without connection to the Group. The plan is called Free Benefit Generating Plan - PGBL, with characteristic of established contribution

15. TAXES, CHARGES AND CONTRIBUTIONS PAYABLE

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Current:				
Taxes on profits:				
IRPJ	-	628	4,232	11,493
CSLL	-	227	592	2,405
Other taxes:				
ICMS	5,327	4,082	8,792	7,335
IPI [Tax on Industrialized Products]	2,201	2,026	2,457	2,223
COFINS	2,058	1,630	3,755	3,404
PIS [Social Integration Program]	442	351	810	736
IRRF	579	288	1,336	967
CFEM [Financial Contribution for the Exploitation of Mineral Resources]	-	-	1,169	1,097
Other	105	125	311	277
Total	10,712	9,357	23,454	29,937
Non-current				
ICMS (*)	6,698	6,757	6,812	7,017

(*) ICMS originated by the tax incentive programs PRODUIR and DESENVOLVER in the parent company and FOMENTAR in the subsidiary Precon.

16. ACCRUAL FOR EMPLOYEES' FUTURE BENEFITS

The Group, based on actuarial report for the reference date December 31, 2011 prepared by an independent specialized company, recorded a provision to cover the future health benefits (medical care and laboratory tests) to former employees.

a) Main actuarial premises used in order to determine the present value of the benefits

	12/31/11	12/31/10
Annual rate of actual actuarial interest	5.6%	6.2%
Actual annual rate of evolution of medical costs	1.0%	1.5%
Projected annual inflation rate	5.2%	4.5%
General mortality table	GAM83	GAM83

b) Evaluation

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Number of members	325	339	542	559
Present value of the obligations at the beginning of the fiscal year	21,374	21,343	30,800	31,063
Interest on the actuarial obligation	2,328	2,249	3,305	3,181
Expenses in the fiscal year	(2,202)	(2,218)	(3,648)	(3,444)
Present value of the obligations at the end of the fiscal year	21,500	21,374	30,457	30,800

c) Amortization of the actuarial gains

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Actuarial losses not recognized	879	1,375	1,914	4,038
Corridor - 10% of the present value of the obligations	(2,150)	(2,137)	(3,046)	(3,080)
Expected future medical services (in years)	15.42	16.42	15.42	16.42

d) Accounting reconciliation of benefit obligation

	Parent company (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/11	12/31/10	12/31/11	12/31/10
Accounting balance at the beginning of the fiscal year	20,931	20,716	29,405	29,449
Expenses in the fiscal year	(2,202)	(2,218)	(3,648)	(3,444)
Provision supplement and interest in the fiscal year	2,408	2,433	3,516	3,400
Total	21,137	20,931	29,273	29,405
Current	1,645	1,645	2,965	2,835
Non-current	19,492	19,286	26,308	26,570
Total	21,137	20,931	29,273	29,405

17. SHAREHOLDERS' EQUITY

a) Capital Stock

On December 31, 2011, the capital stock of the Company, in the value of BRL 334,251, was represented by 89,500,000 common shares, without par value and with right to vote in the resolutions of the General Meeting, and was distributed as follows:

Shareholding composition	12/31/11		12/31/10	
	Shareholders	Shares	Shareholders	Shares
Individuals	6,302	54,816,669	5,543	50,962,215
Legal entities	126	24,164,645	90	1,961,772
Resident abroad	73	6,399,123	72	6,585,698
Clubs, funds and foundations	132	4,090,197	205	29,960,949
	6,633	89,470,634	5,910	89,470,634
Shares in treasury	-	29,366	-	29,366
Total	6,633	89,500,000	5,910	89,500,000

b) Dividends

The Articles of Incorporation ensure minimum mandatory dividends corresponding to 25% of the net income of each fiscal year, deducted of the constitution of the legal reserve of 5% and reserve provided for in the Articles of Incorporation of 5% of the profit, pursuant to the Stock Corporations Law. Additionally, the remaining profit of the profit reserves shall be entirely distributed to shareholders.

The Articles of Incorporation authorize the distribution of dividends based on annual, semiannual or interim balance sheets.

The dividends paid or suggested for the fiscal year ending on December 31, 2011 were the following:

Event	Beginning of payment	Value total	Value per share - BRL
RCA [Meeting of the Board of Directors] (*) of April 27, 2011	05/20/11	9,305	0.104
RCA (*) of August 3, 2011	08/24//11	11,989	0.134
RCA (*) October 26, 2011	11/18/11	14,673	0.164
RCA (*) March 7, 2012	03/28/12	11,989	0.134
Total		47,956	

(*) RCA - Meeting of the Board of Directors.

c) Interest on own capital

The Board of Directors may also decide on the distribution of results in the form of payment of interests on own capital, pursuant to legislation in force. Interests on own capital suggested for the fiscal year ending on December 31, 2011 were the following:

Event	Beginning of payment	Value total	Value per share - BRL
RCA [Meeting of the Board of Directors] (*) of April 27, 2011	05/20/11	5,905	0.066
RCA (*) of August 3, 2011	08/24//11	5,905	0.066
RCA (*) October 26, 2011	11/18/11	5,905	0.066
RCA (*) of December 14, 2011	03/28/12	5,905	0.066
Total		23,620	

(*) RCA - Meeting of the Board of Directors.

d) Shares in treasury

On December 31, 2011, the market value of the shares in treasury was BRL 261 (BRL 352 in 2010).

e) Comprehensive income statement

There were no transactions in the net equity, in all material aspects, which caused adjustments which could compose the comprehensive income statement.

f) Earnings per share

In compliance with the IAS 33 standard (equivalent to technical pronouncement CPC 41 - Earnings per Share), the reconciliation of the net earnings with the values used to calculate the basic and diluted earnings per share is demonstrated below.

Parent company (BR GAAP) and Consolidated (IFRS and BR GAAP)

	12/31/11	12/31/10
Basic and diluted numerator-		
Net profit of the fiscal year attributable to owners of the Company	97,193	102,085
Basic and diluted denominator-		
Weighted mean of the common shares outstanding, deducting the averages of common shares in treasury	89,470	89,470
Basic and diluted profit per share - BRL	1.09	1.14

There is no antidilutive effect which should be considered in the previous calculation.

g) Retention of profits reserve

In compliance with Normative Instruction nº 480, published by CVM [Securities Commission] on December 7, 2009, the Company presents below a chart of the capital budget expected for the fiscal year 2012.

Market conditions, macroeconomic situations and other operational factors, because they involve risks, uncertainties and assumptions, may affect the business projections and perspectives and, consequently, the values projected in this capital budget.

As one of the sources of funds to finance the investments projected in this capital budget, the Management is suggesting the retention of the remaining net profits of the 2011 fiscal year, in the value of BRL 15,899, adding up on December 31, 2011 to BRL 49,394 under the heading "Retention of profits reserve".

Capital budget - investment of funds

	2012 Projection
Investment in fixed assets	56,000
Projects of new investments	95,900
Total	151,900

h) Legal reserve

In 2011, the Company constituted legal reserve in the value of BRL 4,859 (BRL 5,104 in 2010), as provided in article 193 of the Stock Corporations Law.

i) Bylaws reserve

In 2011, the Company constituted reserve provided for in the Articles of Incorporation in the value of BRL 4,859 (BRL 5,104 in 2010). As provided in the Articles of Incorporation, the reserve will be destined to the maintenance of the working capital of the Company, until reaching 10% of the capital stock.

18. INCOME TAX AND SOCIAL CONTRIBUTION

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

Reconciliation between nominal and effective rates of corporate income tax (IRPJ) and social contribution (CSLL) for the years ended on December 31, 2011 and 2010 as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Profit before income tax and social contribution	105,916	112,630	131,140	133,384
Nominal rate	34%	34%	34%	34%
Income tax and social contribution, nominal rates	(36,011)	(38,294)	(44,588)	(45,351)
Income tax and social contribution (CSLL) effect on the permanent differences:				
Equity method income	22,138	26,082	-	-
Interest on capital	8,031	4,972	8,031	4,972
Donations and gifts	(57)	(805)	(426)	(2,050)
Non-deductible fines and taxes	(166)	(232)	(168)	(232)
Deferred tax asset composition	-	-	-	8,044
Others (additions) exclusions	(2,658)	(2,268)	3,204	3,317
Expense for the year	(8,723)	(10,545)	(33,947)	(31,300)

b) Deferred tax asset composition

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

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Tax losses and negative calculation basis of CSLL	6,662	8,959	15,398	16,893
Future benefits to former employees	5,796	5,130	8,286	8,140
Risk provision	6,829	6,275	15,156	12,801
Profit for unrealized profit in inventories	-	-	2,344	2,405
Provision for losses on credits receiving	-	-	1,898	3,125
Provision for profit sharing and incomes	1,090	2,122	2,537	4,805
Provision for losses in fixed assets	1,962	-	1,962	-
Other provisions	612	1,068	4,789	1,619
Total	22,951	23,554	52,370	49,788

Expectation of realization of tax credits

i) Tax losses and negative calculation basis of CSLL

Based on projections of future taxable income of the Company and its subsidiary Tégula, the estimated recovery of the balance in noncurrent assets of deferred income tax and social contribution on tax loss and negative calculation basis of CSLL is as follows:

	Parent company (BR GAAP)	Consolidated (IFRS and BR GAAP)
	12/31/11	12/31/11
2012	2,362	2,746
2013	1,638	2,223
2014	1,852	2,482
2015 to 2021	810	7,947
Total	6,662	15,398

The deferred tax asset recorded is limited to values which offset is supported by projections of taxable income, discounted to the present value, performed by the Company and by its subsidiary Tégula until the next ten years, considering, also that the offset of tax losses and negative basis of social contribution is limited to 30% of annual profit, determined in accordance with Brazilian tax legislation in force, and is inalienable and offset with future taxable incomes.

On December 31, 2011, the subsidiary company Tégula had accumulated tax loss in the amount of BRL 33,479 and negative basis of the social contribution of BRL 33.775, for which deferred taxes were not constituted, by virtue of not having, until December 31, 2011, estimated future taxable income confirming its realization.

ii) Temporary differences

It is estimated that the balance of the noncurrent asset referring to deferred taxes arising from temporary differences, shall be performed as follows: from temporary differences, will be undertaken as follows:

	Parent company (BR GAAP)	Consolidated (IFRS and BR GAAP)
	12/31/11	12/31/11
2013	1,614	2,297
2014	1,582	2,271
2015 to 2021	8,099	22,933
Total	16,289	36,972

The estimated completion of the balance of deferred taxes arising from temporary differences on December 31, 2010, may present changes, since most of them is subject to court decisions over which the Group has no control nor shall predict when there shall be decision under last instance.

The estimates of future taxable income include various estimates referring to the performance of Brazilian and international economies, exchange rates floating, sales volume, selling prices, tax rates, among others, which may vary in relation to data and actual values.

As a result of income tax and social contribution arises not only from taxable income, but also from the existence of nontaxable income, nondeductible expenses and several other variables, there is not a significant correlation between the net income of the Group and the income tax and social contribution expense.

19. PROVISION FOR RISKS

The Group has several lawsuits of civil, labor and tax nature that are under discussion in different judicial spheres.

The provision for risks has been constituted by processes whose probability of loss was considered probable, based on individual analysis of their procedures made by the legal advisers of the Group.

The Management of the Group believes that the provision for risks is sufficient to cover possible losses on legal cases, as presented below:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Labor lawsuits	13,997	14,366	21,912	22,354
Civil and tax litigations	6,088	4,091	24,933	15,612
Total	20,085	18,457	46,845	37,966

The changes in the risk provisions are shown below:

	Parent company (BR GAAP)			
	12/31/10	Additions	Reversals	12/31/11
Labor lawsuits	14,366	4,846	(5,215)	13,997
Civil and tax litigations	4,091	7,306	(5,309)	6,088
Total	18,457	12,152	(10,524)	20,085

	Consolidated (IFRS and BR GAAP)			
	12/31/10	Additions	Reversals	12/31/11
Labor lawsuits	22,354	11,248	(6,382)	27,220
Civil and tax litigations	15,612	10,406	(6,393)	19,625
Total	37,966	21,654	(12,775)	46,845

The Group performs, when necessary, judicial deposits not bound to the provisions for risks, classified in specific heading of the noncurrent assets.

The provision for labor risks refers to actions for damages, work accidents and employment dispute, considered by the legal consultants as probable loss.

On December 31, 2011, the Group has pending Consumer Public Civil Action on local issues of environmental and health nature filed by the State and Federal Prosecutors Office of the State of Bahia, in the judicial district of Vitória da Conquista, whose evaluations of the legal consultants as to the likelihood of loss were considered as possible.

The Group also had citizen suit in the judicial district of Poções which is related to the public citizen suits mentioned.

The Group had pending Consumer Public Civil Action in the state of Rio de Janeiro and another in the State of Pernambuco, aiming to prohibit the selling in those States of products containing chrysotile ore. The suit filed by the Public prosecution service of Rio de Janeiro was rejected and is pending judgment of the appeal. The suit in the State of Pernambuco has not been adjudicated yet.

On the same date, the Group had pending an action against a dishonest public servant where the issues related to Financial Offset for the Exploration of Mineral Resources Exploiting was discussed - CFEM as well as action for annulment and a tax foreclosure of the same nature.

The Group also had a Public Civil Action and a Citizen Suit, both related to the sale by the state of Goias of land to the subsidiary Sama.

Additionally, on December 31, 2011, there were other labor claims, civil, tax and administrative litigations against the Group, for which the legal advisers of the Group classified the possibility of loss as possible, in the consolidated amount of BRL5,021, thus, no provision was registered for these labor, civil, administrative and tax claims.

20. PENSION PLAN

The Group keeps contracted an opened complementary retirement plan with a financial entity duly authorized. The plan was agreed with the main objective of supplement the retirement and pension benefits of employees and executives. The contribution is destined to all collaborators and officers under a free benefit generator plan (PGBL) in the contribution modality defined. The contributions are made by the Group and the participants, following the predetermined percentages, according to progressive contribution rates.

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Contributions to the plan	2,766	2,286	3,530	3,996

21. OPERATING REVENUE NET

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Sales Gross revenue	631,037	576,137	1,077,296	995,956
(-) Adjustment to current value	(2,077)	(1,527)	(5,516)	(4,654)
Unconditional discounts and deductions	(3,838)	(8,079)	(3,954)	(8,607)
Taxes levied on sales	(160,038)	(142,215)	(247,588)	(223,950)
Operating revenue net	465,084	424,316	820,238	758,745

22. INFORMATION ON THE NATURE OF THE EXPENSES

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

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Sold Products Cost	(337,207)	(298,498)	(497,337)	(433,030)
(-) Adjustment to current value	676	622	882	811
Selling Expenses	(51,940)	(41,932)	(97,294)	(88,403)
General and administrative expenses	(43,174)	(50,816)	(95,846)	(101,311)
Total	(431,645)	(390,624)	(689,595)	(621,933)

Classified as:

Consumed raw Material	(230,384)	(203,487)	(334,236)	(305,712)
Personnel and charges Expenses	(86,908)	(88,438)	(139,252)	(133,463)
Materials, electricity and services	(41,157)	(61,741)	(61,453)	(61,872)
Variable selling expenses	(5,319)	(2,481)	(24,359)	(33,353)
Depreciation and amortization	(12,921)	(9,051)	(24,979)	(18,154)
Third-parties services	(12,033)	(10,749)	(24,962)	(19,792)
Commission on sales	(8,377)	(1,862)	(17,125)	(2,829)
Contribution to professional associations	(1,231)	(1,502)	(3,764)	(10,601)
Advertising and publicity	(7,401)	(3,289)	(7,547)	(9,159)
Taxes and fees	(2,182)	(2,536)	(4,734)	(5,991)
Others	(23,732)	(88,438)	(47,184)	(133,463)
Total	(431,645)	(390,624)	(689,595)	(621,933)

23. OTHER OPERATING EXPENSES, NET

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Other operating revenues:				
Selling of fixed assets properties	132	783	1,060	2,475
Occasional revenues	2,191	888	5,114	4,480
Other sales	-	-	202	200
Dividends interests on the proper capital, prescribed	-	174	-	174
Anticipated revenues accomplishment	-	68	-	115
Rentals	-	-	1,741	1,984
Tax incentives - <i>Desenvolve Bahia</i>	3,346	-	3,346	-
Others	2	15	-	-
	<u>5,671</u>	<u>1,928</u>	<u>11,463</u>	<u>9,428</u>
Other operational expenses:				
Provision for risks	(4,286)	(2,850)	(5,608)	(11,051)
Provision for future benefits to former employees	(2,134)	(2,249)	(3,111)	(3,181)
Environmental rehabilitation	-	-	-	(949)
Provision for diverse losses	-	(1,791)	-	(1,791)
Taxes over other sales	(147)	(579)	(1,015)	(1,296)
Quality Assurance	(590)	(142)	(735)	(276)
Replacement of damaged product	(232)	(521)	(241)	(529)
Spending on labor and civil claims	(918)	(1,116)	(7,242)	(1,487)
Cost of fixed asset low	(5,806)	(434)	(5,885)	(628)
Others	576	526	(968)	(1,392)
	<u>(13,537)</u>	<u>(9,156)</u>	<u>(24,805)</u>	<u>(22,580)</u>
Total	<u>(7,866)</u>	<u>(7,228)</u>	<u>(13,342)</u>	<u>(13,152)</u>

24. FINANCIAL EXPENSES (INCOME)

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Financial expenses:				
Interests on loans and financings	(308)	(97)	(651)	(122)
Interests on loan	(2,834)	(2,216)	-	-
Interest expense	(859)	(670)	(1,981)	(1,655)
Bank charges	(598)	(529)	(874)	(760)
Given discounts	(545)	(329)	(2,933)	(1,507)
IOF	(280)	(235)	(519)	(492)
PIS and COFINS - interests on capital	(846)	(716)	(846)	(827)
Liabilities exchange rate variations	(852)	(174)	(20,285)	(16,986)
Others	(83)	(57)	(1,731)	(327)
	<u>(7,205)</u>	<u>(5,023)</u>	<u>(29,820)</u>	<u>(22,676)</u>
Financial revenues:				
Financial Investments incomes	5,219	7,012	6,917	8,909
Given discounts	3,485	3,390	435	53
Interest revenue	3,564	2,234	6,992	5,668
Asset monetary variations	3,156	978	3,238	1,127
Asset exchange rate variations	1,269	864	20,235	16,547
Gain with lawsuit (PIS/COFINS)	1,687	-	4,053	-
Other financial incomes	4,056	-	1,789	96
	<u>22,436</u>	<u>14,478</u>	<u>43,659</u>	<u>32,400</u>
Financial incomes, net	<u>15,231</u>	<u>9,455</u>	<u>13,839</u>	<u>9,724</u>

25. SEGMENT REPORTING

The segments of the Group to be reported according to IFRS 8 and technical pronouncement CPC 22 is as follows:

Parent company (BR GAAP) and Consolidated (IFRS and BR GAAP)	
Description	Geographic area
Asbestos cement	Southeast, South, Center-West, North and Northeast
Chrysotile Ore	Local and foreign markets
Concrete tiles	Local market
Others	Local market

- Asbestos cement: includes the manufacture and sale of tiles, water tanks and complementary parts.
- Chrysotile Ore: includes exploration and sale of Chrysotile Ore.
- Concrete tiles: includes the manufacture and sale of concrete tiles.
- Others: include the manufacture and sale of components for constructing systems and polyethylene water tanks and resale of sanitary ware, toilet seats, water tubing filters, solar heater and accessory of metallic tiles.

a) Revenue and incomes of segments to be reported

		Consolidated (IFRS and BR GAAP)			
		Net revenue		Gross profit	
		12/31/11	12/31/10	12/31/11	12/31/10
Asbestos cement and synthetic fiber cement					
	Southeast	98,956	95,844	27,452	26,021
	South	113,088	107,614	31,373	32,031
	West Central	171,544	156,699	50,929	50,770
	North and Northeast	71,664	68,896	19,880	20,530
	Export	-	51	-	50
		455,252	429,104	129,634	129,402
Chrysotile mineral	Domestic market	114,162	109,537	100,787	80,633
	Foreign market	100,382	111,268	47,682	81,909
		214,544	220,805	148,469	162,542
Concrete tiles		77,325	57,963	29,184	18,754
Others		73,117	50,873	16,496	15,828
Net revenue		820,238	758,745		
Gross Profit				323,783	326,526

		12/31/11	12/31/10
EXPENSES AND INCOMES			
Asbestos cement and synthetic fiber cement			
Selling Expenses	Southeast	(12,345)	(10,543)
	South	(14,108)	(11,459)
	West Central	(21,401)	(16,502)
	Northeast / North	(8,940)	(7,334)
	Total	(56,795)	(45,838)
Administrative expenses	Southeast	(5,317)	(9,174)
	South	(6,076)	(9,971)
	West Central	(9,217)	(14,359)
	Northeast / North	(3,852)	(6,382)
	Total	(24,461)	(39,886)
Other revenues and expenses	Southeast	(2,473)	(2,138)
	South	(2,825)	(2,324)
	West Central	(4,285)	(3,346)
	Northeast / North	(1,791)	(1,487)
	Total	(11,373)	(9,295)
Chrysotile mineral			
Selling expenses	Domestic market	(15,687)	(16,993)
	Foreign market	(13,794)	(17,262)
	Total	(29,481)	(34,255)
Administrative Expenses	Domestic market	(20,130)	(21,259)
	Foreign market	(17,701)	(21,595)
	Total	(37,831)	(42,584)
Other Expenses	Domestic market	(3,641)	(505)
	Foreign market	(3,201)	(513)
	Total	(6,842)	(1,018)
Tiles	Selling expenses	(11,019)	(8,311)
	Administrative expenses	(16,369)	(8,613)
	Other revenues and expenses	1,528	(3,342)
	Total	(25,860)	(20,266)
Profit before taxes		131,140	133,384

Sales between related parties

The segment of chrysotile mineral sold BRL 80.157 for the segment of asbestos-cement and synthetic fiber cement in 2011 (BRL 79.987 in 2010).

No client of the Parent company represents more than 1.5% of the respective balances of the accounts receivable on December 31, 2011 (1.66% in 2010).

b) Asset and liabilities of the segments to be reported

		Consolidated (IFRS and BR GAAP)			
		Assets		Liabilities	
		12/31/11	12/31/10	12/31/11	12/31/10
Asbestos cement and synthetic fiber cement	Southeast	209,105	38,698	11,255	8,119
	South	53,421	89,720	4,450	4,620
	West Central	62,929	64,828	6,907	8,586
	North and Northeast	26,094	32,450	2,718	1,648
		351,549	225,696	25,330	22,973
Chrysotile Ore		205,630	110,499	49,217	10,123
Concrete tiles		88,851	43,395	35,365	3,949
Other products (*)		14,951	54,115	180	2,776
Other balance accounts (*)		30,954	227,373	143,733	208,768
		691,935	661,078	253,829	248,589

(*) Components for constructing systems, metallic tiles, polyethylene tanks, sanitary wares and filters.

c) Other information of the segments to be reported

		Consolidated (IFRS and BR GAAP)	
		Depreciation	Amortization and exhaustion
		12/31/11	12/31/10
Asbestos cement and synthetic fiber cement	Southeast	2,189	2,017
	South	4,097	3,657
	West Central	1,835	1,689
	North and Northeast	2,198	1,153
		10,319	8,516
Chrysotile mineral		6,428	5,400
Concrete tiles		4,343	2,673
Others		1,716	1,565
Total		22,806	18,154

		Consolidated (IFRS and BR GAAP)	
		Additions to the fixed and intangible asset	
		12/31/11	12/31/10
Asbestos cement and synthetic fiber cement	Southeast	6,880	1,021
	South	2,908	10,767
	West Central	4,226	2,688
	North and Northeast	861	15,116
		14,875	29,592
Chrysotile mineral		9,765	15,544
Concrete tiles		18,919	15,447
Other		2,798	2,438
Total		46,356	63,021

26. INSURANCES COVERAGE

The insurances taken by the Group, on December 31, 2011, against any risks are listed below:

Type	Goods covered	Value of the coverage
Engineering, operational and general civil liability risks and loss of profits	Buildings, facilities, equipment and others	244,400

27. FINANCIAL INSTRUMENTS

a) General considerations

The Group enter into financial transactions involving financial instruments, all recorded in equity accounts, which are designed to meet their operational and financial needs. Financial investments, loans and financing, and exchange contracts are contracted.

The administration and management of these financial instruments are carried out by means of policies, strategies definition and establishment of control systems, properly monitored by the Group's Management, aiming to maximize the profitability of the business to the shareholder, as well as establishing a balance between third-parties capital and the capital.

The financial instruments kept by the group are classified under the following categories:

i) Financial instruments measured at fair value by the income

Mean financial instruments kept for dealings, when purchased for this purpose, especially in short term, and are measured at fair value on the dates of the financial statements, and variations recognized in the income. The assets of this category are classified in the current assets. On December 31, 2011 and 2010, the Group did not have financial assets recorded in the financial statements under this classification.

ii) Financial instruments kept until expiration

Mean the investments in certain financial assets classified at the initial moment of the contract, to be taken until the maturity date, which are measured to the amortized cost by the effective interest rate method.

iii) Financial instruments available for sale

When applicable, the financial assets are included in this classification, the non-derivative financial assets, that are assigned as available for sale or that are not classified as: (a) receivables and loans; (b) investments kept until expiration; or (c) financial assets at fair value by means of the income. On December 31, 2011 and 2010, the Group did not have financial assets recorded in the financial statements under this classification.

iv) Receivables and Loans

The non-derivative financial instruments with fixed or determinable receipts, which are not quoted in an active market are included in this classification.

Those with expiration term exceeding the 12 months after the date of the financial statements, which are classified as non-current asset, are registered in the current assets, except, in the applicable cases.

The financial liabilities kept by the group are classified under the following categories:

i) Financial liabilities measured at fair value by the income

Are classified as to the fair value just by the income when kept for dealings or assigned to fair value just by the income.

ii) Other financial liabilities

Are measured at amortized cost using the effective interests method. On December 31, 2011 and 2010, in the case of the Group, comprise loans and financings (explanatory note n. 13) and balances payable to national and foreign suppliers (explanatory note n. 12).

Financial investments

The policy of financial investments established by the Group's Management elects financial institutions with which the operations can be performed, in addition to set limits on the amounts to be invested in each one of them.

Loans and financing

The transactions are recorded in accordance with the contracts and their usual rates of interest at normal market, according to explanatory note 13.

In its entirety, the loan and financings are denominated in national currency and are adjusted by post-fixed CDI (Interbank Deposit Certificate).

Foreign exchange contracts

i) Exchange Risks

The subsidiary Sama performs operations of advance on foreign exchange contract - ACC aiming to protect its monetary exposure, resulting from the sales of finished products to foreign market. More details, see explanatory note n. 13.(b).

ii) Risks of interests rate

The Group have a policy to keep the indexes of their exposures to the active and passive interest rate connected to post-fixed rates.

The Group did not operate with derivative financial instruments in the year ended on December 31, 2011.

b) Exchange rate exposure

On December 31, 2011, the main groups of accounts linked to foreign currency, mainly indexed to the U.S. dollar, and related to the subsidiary Sama, are listed below:

	Consolidated (IFRS and BR GAAP)		Quotation in 12/31/11 (USD1.00=BRL1.00)
	12/31/11	12/31/10	
Clients in foreign market	44,184	38,074	1.8751
Suppliers in foreign market		(8,299)	1.8751
ACE	(2,522)	(19,419)	1.8751
Foreign commissions	(149)	(111)	1.8751
International freights	(526)	(477)	1.8751
Exchange rate exposure total	4,633	9,768	

c) Exposure to interest rate

The active (passive) exposures of the Group to the interest rate are demonstrated below:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Asset-				
Financial investments (i)	45,929	54,232	63,679	77,294
Liabilities:				
ACE (ii)	-	-	(36,354)	(19,419)
Loans and financings (iii)	(4,415)	(1,512)	(12,091)	(4,515)
Exposure to interest rate total	41,514	52,720	15,234	53,360

(i) Are represented by fixed income funds and CDB (Bank deposit certificate), with average yield of 104% of CDI (see explanatory notes n. 4 and 5).

(ii) The discount applied for the discount of the receivables corresponds to PRIME rate with average variation between 1.12% and 3.03% per year (see explanatory note n. 13).

(iii) Indexed to the Long term Interest Rate - TJLP with average rate of 2.68% and 4.4% per year (see explanatory note n. 13).

d) Fair value

The accounting values of financial instruments of the Group significantly reflect their market values. The market values of these financial instruments, for financial investments, loans and ACE, were obtained by calculating their present value, taking into account fees and interests currently charged on the market to operations of similar risk and term.

e) Sensitivity analysis

Exchange rate exposure

The Balance receivable from exports will be fully liquidated within 90 days. From the exchange rate of December 31, 201 (BRL1,8751 for USD1,00), were estimated which would be the accounts receivables adjustments, ACE, commissions and freights payable for three North-American dollar scenarios in relation to the rate of December 31, 2011.

Considering the behavior of the exchange changes for the dates and scenarios mentioned, the Management estimates that the subsidiary Sama would incur in the following results with its impacts on the consolidated financial statements:

Scenario	Variation - %	Appreciation - BRL	Depreciation - BRL	Gains or losses - BRL
Probable	2	1.9126	1.8376	174
Possible	25	2.3439	1.4063	2,172
Remote	50	2.8127	0.9376	4,344

Exposure to interest rate

The risk of interests rate arises from financial applications and loans. The financial instruments issued at variable rates exposes the Group to risk of cash flows associated to interest rates. The financial instruments issued to the pre-fixed taxes exposes the Group to risk of fair value associated to the interest rate.

The Group's Management has a policy to keep the indexes of their exposures to the active and passive interest rate connected to post-fixed rates. Financial applications are adjusted by CDI and loans and financing are adjusted by the long-term interest rate (TJLP), CDI and pre-fixed rates, according to agreements entered with financial institutions.

The Group's Management understands how low the risk of wide variations in CDI and TJLP in the next 12 months, taking into account the stability promoted by the current monetary policy conducted by the Federal Government, as well as before the history of increases promoted at the base interest rate of the Brazilian economy in recent years. Thus, derivatives are not contracted to protect this risk.

Sensitivity analysis considers the exposure of loans and financings connected to CDI and TJLP, net of financial applications, also indexed to CDI (explanatory note n. 5).

The tables below demonstrate the incremental loss (profit) that would have been recognized in the year ended on December 31, 2011 in accordance with the following scenarios:

Parent company				
Description	Group Risk	Scenario probable	Scenario possible	Scenario remote
Net assets	rate increase	101	1,257	2,514

Consolidated				
Description	Group Risk	Scenario probable	Scenario possible	Scenario remote
Net assets	rate increase	136	1,700	3,399

The probable scene considers the future interests rates in accordance with the quotations obtained in BM&FBOVESPA on the estimated dates of the expirations of the financial instruments with exposure to interests rates. The scenarios possible and remote consider an interest rate increase in 25% (14.13% per year) and 50% (16.96% per year), respectively.

f) Credit risk

The sales of the Group are made to a large number of clients and this risk is managed through a rigorous process of granting credit. The result of this management is reflected in the "Provision for doubtful accounts" as shown in the explanatory note 6.

No client of the Group represents more than 2.96% of the respective balances of accounts receivable on December 31, 2011 (1.66% in 2010).

The Group is also subject to credit risks related to financial instruments contracted in the management of their businesses. The Group Management considers low the risk of non-settlement of transactions that held in financial institutions based in Brazil.

g) Fair value of the financial instruments

The Management considers that the accounting values of other financing assets and liabilities recognized the financial statements approach their fair values:

Parent company (BR GAAP)				
	12/31/11		12/31/10	
	Book Value	Fair value	Book Value	Fair value
Financial assets				
Receivables and Loans				
Accounts Receivable	72,592	72,592	63,889	63,889
Related Parties	22,864	22,864	16,120	16,120
Total	95,956	95,956	32,523	32,523
Financial liabilities:				
Kept at the amortized cost:				
Suppliers	20,171	20,171	32,523	32,523
Loans and financing	2,744	2,744	441	441
Related Parties	33,573	33,573	24,750	24,750
Total	56,488	56,488	57,714	57,714

Consolidated (IFRS and BR GAAP)				
	12/31/11		12/31/10	
	Book Value	Fair value	Book Value	Fair value
Financial assets:				
Receivables and Loans-				
Accounts Receivable	156,273	153,273	135,299	135,299
At fair value by income	1,389	1,389	1,389	1,389
Eletrobrás action				
Total	157,662	157,662	136,688	136,688
Financial liabilities-				
Kept at the amortized cost:				
Suppliers	38,709	38,709	41,097	41,097
Loans and financing	40,553	40,553	20,443	20,443
Total	79,262	79,262	61,540	61,540

28. ENVIRONMENT AND MINERAL RESOURCES

Environment

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

According to Decree n. 97.632/89 mining projects are required, detailing the environmental management program, as well as the impact on the environment. The subsidiary Sama, follows the PRAD - Program of Recovery of Degraded Areas, duly approved and with schedule to "site reassemble" after the mineral resources exhaustion.

According to PRAD, Sama is able to extract and process the chrysotile ore. According to the initial project, extraction and processing of chrysotile ore should cease in the year of 2042, when it shall be put into practice the project for demolition, compensations and rehabilitation of degraded areas.

On each fiscal year, Sama registers the adjustment of the environmental recovery, according to its fair value, on the following criteria:

	12/31/11	12/31/10
Discount rate	9.08% per year	9.08% per year
Long-term inflation rate	4.5% per year	4.5% per year

Current value of expected disbursements

Year	12/31/11	12/31/10
2042	1,002	905
2043	884	803
2044	477	429
2045 to 2049	405	368
Total	2,773	2,505

According to the agreement with PRAD, the environmental recovery of the mine shall occur between 2042 to 2049.

The total expense value recognized with the mine environmental recovery in 2011 was of BRL/268 (BRL/242 in 2010), calculated based upon the current production of the mineral chrysotile.

Mineral resources

The opening of the mineral resources of the Group (chrysotile asbestos), which are exploited and processed by the subsidiary Sama, is as follows:

	12/31/11	12/31/10
Mineral resources	8,767,212 t	9,073,532 t
Annual production	306,320 t	302,257 t
Estimated useful life of the mine (*)	30.3 years	31.5 years

(*) The decrease in the estimated useful life is due to the estimate mine production review based on an appraisal report prepared by an independent company.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The presentation of the financial statements was approved and authorized for publication by the Board of Directors on March 7, 2012.

Board of Directors

Élio Antonio Martins

CEO (*)

(*) Investor Relations Director

Flavio Grisi

Marcelo Ferreira Vinhola

Nelson Pazikas

Rogério Renner dos Santos

Rubens Rela Filho

Saulo Simoni Nacif

Management Board

Sergio Alexandre Melleiro

President of the Management Board

Élio Antonio Martins

Lírio Albino Parisotto

Luiz Barsi Filho

Luis Terepins

Marcelo Munhoz Auricchio

Victor Adler

Advisory Board

Guilherme Affonso Ferreira

Mario Fleck

Accountant

Gilberto Cominato

CRC-TC 1SP188839/0-0

IBASE SOCIO-ENVIRONMENTAL BALANCE ADAPTED TO NBCT 15

Main economic, social and environmental indicators of Eternit in the last three years

1 - Calculation Base		2011 - R\$ thousand				2010 - R\$ thousand				2009 - R\$ thousand			
Net revenue (NR)		820,238				758,745				583,268			
Operational Result (OR)		131,140				133,384				104,635			
Gross Payroll (GPR)		174,051				171,418				122,390			
Total Added Value (TAV)		516,766				430,688				322,778			

2 - Internal Social Indicators		R\$ thousand	% on GPR	% on NR	% on TAV	R\$ thousand	% on GPR	% on NR	% on TAV	R\$ thousand	% on GPR	% on NR	% on TAV
Food		9,094	5.22	1.11	1.76	8,629	5.03	1.14	2.00	6,046	4.94	1.04	1.87
Compulsory social burdens		32,404	18.62	3.95	6.27	28,683	16.73	3.78	6.66	21,200	17.32	3.63	6.57
Private pension fund		4,797	2.76	0.58	0.93	3,996	2.33	0.53	0.93	3,753	3.07	0.64	1.16
Health		10,909	6.27	1.33	2.11	12,429	7.25	1.64	2.89	9,363	7.65	1.61	2.90
Safety and health at work		1,115	0.64	0.14	0.22	1,222	0.71	0.16	0.28	926	0.76	0.16	0.29
Education		294	0.17	0.04	0.06	240	0.14	0.03	0.06	235	0.19	0.04	0.07
Qualification and professional development		1,074	0.62	0.13	0.21	1,590	0.93	0.21	0.37	1,112	0.91	0.19	0.34
Nurseries or nursery support		25	0.01	0.00	0.00	20	0.01	0.00	0.00	20	0.02	0.00	0.01
Participation in the profits or results		14,289	8.21	1.74	2.77	21,984	12.82	2.90	5.10	12,019	9.82	2.06	3.72
Transport		2,787	1.60	0.34	0.54	2,322	1.35	0.31	0.54	1,241	1.01	0.21	0.38
Other		4,108	2.36	0.50	0.79	5,281	3.08	0.70	1.23	2,639	2.16	0.45	0.82
Total - Internal social indicators		80,896	46.48	9.86	15.65	86,396	50.40	11.39	20.06	58,554	47.84	10.04	18.14

3 - External Social Indicators		R\$ thousand	% on GPR	% on NR	% on TAV	R\$ thousand	% on GPR	% on NR	% on TAV	R\$ thousand	% on GPR	% on NR	% on TAV
Education		161	0.09	0.02	0.03	481	0.28	0.06	0.11	252	0.21	0.04	0.08
Culture		634	0.36	0.08	0.12	503	0.29	0.07	0.12	166	0.14	0.03	0.05
Health and sanitation		20	0.01	0.00	0.00	78	0.05	0.01	0.02	32	0.03	0.01	0.01
Sports		782	0.45	0.10	0.15	1,181	0.69	0.16	0.27	587	0.48	0.10	0.18
Fight against hunger and food safety		249	0.14	0.03	0.05	288	0.17	0.04	0.07	279	0.23	0.05	0.09
Sector Indicator		-	-	-	-	-	-	-	-	-	-	-	-
Other		495	0.28	0.06	0.10	323	0.19	0.04	0.07	191	0.16	0.03	0.06
Total of contributions to society		2,341	1.35	0.29	0.45	2,854	1.66	0.38	0.66	1,507	1.23	0.26	0.47
Taxes (excluding social burdens)		258,304	148.41	31.49	49.98	151,060	88.12	19.91	35.07	116,937	95.54	20.05	36.23
Total - External social indicators		260,645	149.75	31.78	50.44	153,914	89.79	20.29	35.74	118,444	96.78	20.31	36.70

4 – Environmental Indicators

4.1 - Investments related to the production/operation of the company

Dispossession of lands	-	-	-	-	-	-	-	-	-	-	-	-
Environmental liabilities and contingencies	-	-	-	-	-	-	-	-	-	-	-	-
Technological and industrial development program	1,201	0.69	0.15	0.23	1,351	0.79	0.18	0.31	1,293	1.06	0.22	0.40
Conservation of energy	-	-	-	-	-	-	-	-	-	-	-	-
Environmental education	140	0.08	0.02	0.03	170	0.10	0.02	0.04	60	0.05	0.01	0.02
Sector indicator	-	-	-	-	-	-	-	-	-	-	-	-
Other	4,184	2.40	0.51	0.81	4,699	2.74	0.62	1.09	2,172	1.77	0.37	0.67
Total of the investments related to the company's production/operation	5,525	3.17	0.67	1.07	6,220	3.63	0.82	1.44	3,525	2.88	0.60	1.09

4.2 - Investments related to the production and/or external projects

Environmental education projects at communities	96	0.06	0.01	0.02	108	0.06	0.01	0.03	128	0.10	0.02	0.04
Preservation and/or recovery of depressed environments	282	0.16	0.03	0.05	317	0.18	0.04	0.07	308	0.25	0.05	0.10
Other	101	0.06	0.01	0.02	98	0.06	0.01	0.02	28	0.02	0.00	0.01

Total of the investments related to production and/or external projects	479	0.28	0.06	0.09	524	0.31	0.07	0.12	464	0.38	0.08	0.14
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Total of investments in the natural environment (4.1 + 4.2)	6,004	3.45	0.73	1.16	6,744	3.93	0.89	1.57	3,989	3.26	0.68	1.24
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Distribution of the investments in the natural environment

	% over the total			% over the total			% over the total		
Total investments in environmental preservation actions (a)	3,961	65.97		3,015	44.71		356	8.94	
Total investments in environmental maintenance actions (b)	2,043	34.03		3,729	55.29		3,632	91.06	
Total investments in environmental compensation actions (c)	-			-			-		
Quantity of environmental, administrative and legal processes brought against the entity	-			-			-		
Value of the fines and indemnifications related to environmental matters, administratively and/or judicially determined	-			-			-		

As regards the establishment of annual goals to minimize residues, consumption in general in production/operation and to increase efficacy in the utilization of natural resources, the company:	() does not have anymore	() fulfills from 0% to 50%	() fulfills from 51% to 75%	(x) fulfills from 76% to 100%	() does not have anymore	() fulfills from 0% to 50%	() fulfills from 51% to 75%	(x) fulfills from 76% to 100%	() does not have anymore	() fulfills from 0% to 50%	() fulfills from 51% to 75%	(x) fulfills from 76% to 100%
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5- Staff Indicators	2011	2010	2009
No. of employees at the end of the period	2,487	2,416	1,672
No. of hirings during the period	838	1,157	238
No. of dismissals during the period	767	413	229
No. of employees outsourced	640	610	604
No. of trainees	66	86	53
No. of employees above 41 years old	665	721	545
No. of employees as per age group:			
up to 25 years old	574	528	280
from 26 to 30 years old	492	493	328
from 31 to 40 years old	740	674	519
from 41 to 50 years old	501	579	425
above 50 years old	180	142	120
No. of employees as per educational background:			
Illiterate	-	-	-
With basic teaching	523	333	227
With high school/technical teaching	1,436	1,573	1,055
With college graduation	440	411	313
Post-graduates	84	97	73
Masters	4	2	4
No. of women who work in the company	268	236	171
% of headship positions held by women	4%	4%	4%
No. of men who work in the company	2,219	2,180	1,501
% of headship positions held by men	96%	96%	96%
No. of black people who work in the company	624	478	291
% of headship positions held by black people	6	6	6
No. of handicapped people or holders of special needs	86	84	59
Gross segregated remuneration (monthly base):			
Employees	4,758	4,248	3,229
Managers	281	254	238

6 – Relevant information as regards the exercise of business citizenship

	2011			2010			2009		
Relation between the highest and the lowest remuneration in the company	99			107			98		
Total number of labor accidents (with dismissal)	40			5			40		
The social and environmental standards developed by the company were defined by:	() board	(X) board and managers	() all employees	() board	(X) board and managers	() all employees	() board	(X) board and managers	() all employees
The safety and salubrity standards at work were defined by:	() board and managers	() all employees	(x) all + CIPA	() board and managers	() all employees	(x) all + CIPA	() board and managers	() all employees	(x) all + CIPA
As regards freedom to form and gather workers' unions, the right of collective negotiation and to internal representation of workers, the company:	() doesn't get involved	() follows ILO'S norms	(x) stimulates and follows ILO	() doesn't get involved	() follows ILO'S norms	(x) stimulates and follows ILO	() doesn't get involved	() follows ILO'S norms	(x) stimulates and follows ILO
The private pension fund contemplates:	() board	() board and managers	(x) all employees	() board	() board and managers	(x) all employees	() board	() board and managers	(x) all employees
The participation in the profits or results contemplates:	() board	() board and managers	(x) all employees	() board	() board and managers	(x) all employees	() board	() board and managers	(x) all employees
When selecting suppliers, the same ethical and social and environmental responsibility standards adopted by the company:	() are not considered	(x) are suggested	() are required	() are not considered	(x) are suggested	() are required	() are not considered	(x) are suggested	() are required
As regards the participation of employees in voluntary work programs, the company:	() doesn't get involved	(x) supports	() organizes and stimulates	() doesn't get involved	(x) supports	() organizes and stimulates	() doesn't get involved	(x) supports	() organizes and stimulates
Total number of complaints and criticisms made by consumers	to the company	to Procon	to Court	to the company	to Procon	to Court	to the company	to Procon	to Court
% of complaints and criticisms answered or solved	in the company	at Procon	in the Court	in the company	at Procon	in the Court	in the company	at Procon	in the Court
Amount of fines and indemnifications to clients, determined by consumer protection and defense entities or by a Court:	-			-			-		
Actions undertaken by the entity to solve or minimize the causes of complaints:	-			-			-		
Number of labor lawsuits:									
brought against the entity	-			-			-		
judged as acceptable	-			-			-		
judged as unfounded	-			-			-		
Total value of indemnifications and fines paid by Court determination:	-			-			-		
Total added value to distribute (in thousand R\$)		516,766			430,688			322,778	

Distribution of the Added Value

	in thousand R\$	% over total	in thousand R\$	% over total	in thousand R\$	% over total
Personnel	127,922	24.75	150,208	34.88	105,644	32.73
Taxes, fees and contributions	258,304	49.98	151,060	35.07	116,937	36.23
Remuneration of capital of third parties	33,346	6.45	27,335	6.35	27,078	8.39
Remuneration of own capital	97,193	18.81	102,085	23.70	73,119	22.65

7 - Other information

The information on "Total number of complaints and criticisms made by consumers," "total % of complaints and criticisms answered or solved," "Amount of fines and indemnifications to clients, determined by consumer protection and defense entities or by a Court," "Actions undertaken by the entity to solve or minimize the causes of complaints" and "Total value of indemnifications and fines paid by Court determination" are not available.

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4.5	Relation between the remuneration paid to the members of the highest governance entity, of the executive Board and remaining businessmen, and the performance of the organization Pages 52 and 56
4.6	Processes under proceedings in the highest governance entity to ensure that conflicts of interest are avoided Page 52
4.7	Process to determine the qualifications and knowledge of the members of the highest governance entity to define the organization's strategy, for issues related to economic, environmental and social matters Pages 53 and 54
4.8	Declarations of mission and values, codes of conduct and internal principles relevant for the economic, environmental and social performance, as well as training for their implementation Pages 17 and 59
4.9	Procedures of the highest governance entity to supervise the identification and management by the organization of the performance, environmental and social economic Page 58
4.10	Processes to self-evaluate the performance of the highest governance entity, especially as regards the economic, environmental and social performance Eternit's Management Board does not go currently through any formal self-evaluation process.
4.11	Explanation of if and how the organization applies the precaution principle Pages 44 to 49
4.12	Letters, principles or other externally developed initiatives of an economic, environmental and social character, which the organization subscribes or endorses Pages 13 and 59
4.13	Significant participation in national/international defense associations and/or organisms in which the organization: has a seat in groups responsible for corporate governance; takes part in projects or committees; contributes with cash funds in addition to the basic fee as an associated organization; deems its operations as an associated member to be strategic Page 69
4.14	List of groups of stakeholders engaged by the organization Pages 3 and 64
4.15	Base to identify and select stakeholders with which to build an engagement Page 64
4.16	Approaches regarding the engagement of stakeholders, including its frequency as per type and group of stakeholders Page 64
4.17	Main issues and concerns raised through the engagement of stakeholders and measures adopted to deal with them Page 64

5. Management Form and Performance Indicators

ECONOMIC

Aspect: Market Presence	
EC1	Direct economic value generated and distributed Page 97
EC3	Coverage of the obligations of the defined benefit pension plan the organization offers SAMA offers a Private Pension Plan, with a basic contribution by the collaborator varying between 2% and 15%. Over the surplus value, the percentage goes from 2% to 5%. Eternit makes a General Monthly Contribution equivalent to 3% of the applicable wage of the active participant, accrued of an Additional Contribution equivalent to 100% of the Basic Contribution made by the participant
EC4	Financial assistance received from the government Page 99

Aspect: Economic Performance	
EC5	Variation of the proportion of the lowest wage if compared to the local minimum wage in important operational units Page 99
EC7	Procedures to hire local workers and proportion of top management members recruited in the local communities in important operational units Page 85

Aspect: Indirect Economic Impacts	
EC8	Development and impact of investments in infrastructure and offered services, especially for public benefit, through commercial engagement, in cash or pro bono activities Pages 110 and 111

EC9	Identification and description of the significant indirect economic impacts, including the extension of the impacts	Page 98
ENVIRONMENTAL		
Aspect: Materials		
EN1	Materials used as per weight or volume	Page 102
EN2	Percentage of used materials derived from recycling	Page 101
Aspect: Energy		
EN3	Direct energy consumption discriminated as per primary energy source	Pages 103 and 104
EN4	Indirect energy consumption discriminated as per primary energy source	Page 103
EN5	Energy saved due to improvements in conservation and efficiency	Pages 103 and 104
EN6	Initiatives to supply products and services with low energy consumption, or that use energy generated by renewable resources, and energy need reduction resulting from those initiatives	Pages 103 and 104
EN7	Initiatives to reduce indirect energy consumption and obtained reductions	Pages 103 and 104
Aspect: Water		
EN8	Total water withdrawn as per source	Pages 105 and 106
EN9	Water sources significantly affected due to water withdrawal	Pages 105 and 106
EN10	Percentage and total volume of recycled and reutilized water	Pages 105 and 106
Aspect: Biodiversity		
EN11	Location and size of the area owned, leased or managed within protected areas, or adjacent to them, and areas with a high rate of biodiversity outside the protected areas	Pages 108 and 109
EN12	Description of the significant impacts on biodiversity of the activities, products and services in protected areas and in areas with a high rate of biodiversity outside the protected areas	Page 108
EN13	Protected or restored habitats	Pages 108 and 109
EN14	Strategy, implemented measures and future plans to manage impacts on biodiversity	Page 107
EN15	Number of species in the Red List of the IUCN and in the national conservation lists with habitats in areas affected by operations, discriminated as per extinction risk level	Page 108
Aspect: Emissions, Effluents and Waste		
EN16	Total direct and indirect emissions of greenhouse effect gases, as per weight	Pages 104 and 105
EN17	Other relevant indirect emissions of greenhouse effect gases, as per weight	Pages 104 and 105
EN18	Initiatives to reduce the emissions of greenhouse effect gases and obtained reductions	Pages 104 and 105
EN19	Emissions of substances that destroy the ozone layer, as per weight	Pages 104 and 105
EN20	NOx, SOx and other significant atmospheric emissions, as per type and weight	Pages 104 and 105
EN21	Total water disposal, as per quality and destination	Page 105
EN22	Total weight of residues, as per type and disposal method	Pages 101 and 102
EN23	Number and total volume of significant spills	Page 103
EN24	Weight of residues transported, imported, exported or treated and deemed hazardous according to terms of the Basel Convention – Annexes I, II, III and VIII, and percentage of waste loads transported abroad	Pages 101 and 103
EN25	Identification, size, status protection and biodiversity index of bodies of water and related habitats significantly affected by water disposals and drainage undertaken by the reporting organization	Page 105
Aspect: Products and Services		
EN26	Initiatives to mitigate the environmental impacts of products and services and the extension of the reduction of these impacts	Page 105
EN27	Percentage of products and their packaging recovered compared to the total of products sold, as per product category	Page 103

Aspect: Conformity

EN28	Monetary value of significant fines and total number of non-monetary sanctions resulting from non-conformity with environmental laws and regulations	Page 100
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Aspect: General

EN30	Total investments and expenses in environmental protection, as per type.	Page 100
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LABOR PRACTICES AND DECENT WORKING CONDITIONS**Aspect: Employment**

LA1	Total workers as per type of job, labor contract and region	Page 84
LA2	Total number of employees and turnover rate as per age group, gender and region	Page 84
LA3	Benefits offered to full-time employees that are not offered to temporary or part-time employees, discriminated as per main operations	Page 87

Aspect: Relations between Workers and Governance

LA4	Percentage of employees included in collective negotiation agreements	Page 84
LA5	Minimum term for advance notification related to operational changes, including if this procedure is specified in the collective negotiation agreements	Page 90

Aspect: Health and Safety at Work

LA6	Percentage of employees represented in formal safety and health committees, composed of managers and workers, which help monitor and advise the occupational safety and health programs	Page 86
LA7	Rates of injuries, occupational diseases, lost days, absenteeism and deaths related to the work, as per region	Page 87
LA8	Educational and training programs, advisory services, risk prevention and control in progress to provide assistance to employees, their family members or members of local communities if compared to severe diseases	Page 87
LA9	Issues related to safety and health covered by formal agreements with workers unions	Pages 46 and 47

Aspect: Training and Education

LA10	Average training hours per year, per employee, discriminated as per functional category	Page 89
LA11	Programs to manage competences and continuous learning that support the continuity of the employability of employees, and to manage the end of their careers	Page 89
LA12	Percentage of employees that regularly receive performance and career development analyses	Page 88

Aspect: Diversity and Equal Opportunities

LA13	Composition of the groups responsible for corporate governance and discrimination of employees as per category, according to gender, age group, minorities and other diversity indicators	Page 85
LA14	Proportion of the basic salary between men and women, as per functional category	Page 85

HUMAN RIGHTS**Aspect: Investment and Purchase Process Practices**

HR2	Percentage of contracted companies and critical suppliers that were submitted to evaluations related to human rights and adopted measures	Page 111
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Aspect: Non-Discrimination

HR4	Total number of cases of discrimination and the adopted measures	Page 59
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Aspect: Freedom of Association and Collective Negotiation

HR5	Operations identified in which the right to exercise freedom of association and collective negotiation may be running a significant risk and the measures adopted to ensure that right	Page 86
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Aspect: Child Labor

HR6	Operations identified as implying a significant risk of child labor and the measures adopted to contribute to abolish child labor	Page 111
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Aspect: Forced Labor or Analogous to Slavery

HR7	Operations identified as implying a significant risk of forced labor or analogous to slavery and the measures adopted to contribute to eradicate forced labor or analogous to slavery	Page 111
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SOCIETY

Aspect: Community

S01	Nature, scope and efficacy of any program and practice to evaluate and manage the impacts of the operations on local communities, including entry, operation and exit	Page 107
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Aspect: Corruption

S02	Percentage and total number of business units submitted to evaluations of risks related to corruption	Page 58
S03	Percentage of employees trained on the organization's anti-corruption policies and procedures	Page 59
S04	Measures taken to answer to cases of corruption	Page 59

Aspect: Public Policies

S05	Positions as regards public policies and participation in the elaboration of public policies and lobbies	Pages 46-49 and 69
S06	Total value of the financial contributions and in kind to political parties or related institutions, discriminated as per country	Neither Eternit, nor any of its controlled companies made financial contributions to political parties or related institutions in 2011.

Aspect: Disloyal Competition

S07	Total number of lawsuits due to disloyal competition, trust and monopoly practices and their results	Page 114
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RESPONSIBILITY FOR THE PRODUCT

Aspect: Clients' Health and Safety

PR1	Phases of the life cycle of products and services in which the impacts on health and safety are evaluated with the purpose of improvement, and the percentage of products and services subject to those procedures	Page 113
PR2	Total number of cases of non-conformity with regulations and voluntary codes related to the impacts caused by products and services on health and safety during their life cycle, discriminated as per type of result	Page 113

Aspect: Labeling of Products and Services

PR3	Type of information on products and services required by the labeling procedures and the percentage of products and services subject to such requirements	Pages 111 and 112
PR4	Total number of cases of non-conformity with regulations and voluntary codes related to information and labeling of products and services, discriminated as per type of result	Pages 111 and 112
PR5	Practices related to clients' satisfaction, including results of surveys that measure satisfaction	Page 114

Aspect: Marketing Communications

PR6	Programs of adhesion to laws, norms and voluntary codes related to marketing communications, including publicity, promotion and sponsorship	Page 41
PR7	Total number of cases of non-conformity with regulations and voluntary codes related to marketing communications, including publicity, promotion and sponsorship, discriminated as per type of result	Page 41

Aspect: Clients' Privacy

PR8	Total number of confirmed complaints related to breach of privacy and to the loss of clients' data	In 2011, the Company did not receive any complaint related to breach of privacy or to the loss of clients' data.
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Aspect: Conformity

PR9	Monetary value of (significant) fines due to non-conformity with laws and regulations related to the supply and use of products and services	None of the Group's companies paid in 2011 any fine due to non-conformities with laws and regulations related to the supply and use of products of services.
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Eternit would like to thank all the parties involved with the elaboration of the current Annual Report

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