Contents

Company information / Capital composition

Quantity of shares (Units)	Current quarter 06/30/2016
Paid-in capital	
Common	44,642,459
Preferred	13,636,110
Total	58,278,569
Treasury	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2016	Prior year 12/31/2015
1	Total assets	858,827	888,338
1.01	Current assets	293,019	244,727
1.01.01	Cash and cash equivalents	1,104	15,822
1.01.01.01	Cash and banks	686	15,822
1.01.01.02	Marketable securities	418	0
1.01.02	Interest earning bank deposits	682	3,495
1.01.03	Accounts receivable	63,757	71,152
1.01.03.01	Trade accounts receivable	63,757	71,152
1.01.04	Inventories	177,596	106,345
1.01.06	Recoverable taxes	21,126	16,031
1.01.06.01	Current taxes recoverable	21,126	16,031
1.01.07	Prepaid expenses	16,118	13,191
1.01.08	Others Current assets	12,636	18,691
1.01.08.03	Other	12,636	18,691
1.01.08.03.01	Financial instruments	0	6,920
1.01.08.03.03	Related parties	5,679	81
1.01.08.03.04	Other accounts receivable	6,957	11,690
1.02	Non-current assets	565,808	643,611
1.02.01	Long term assets	19,812	86,204
1.02.01.01	Interest earning bank deposits measured at fair value	2,898	12,586
1.02.01.01.01	Trading securities	2,898	12,586
1.02.01.06	Deferred taxes	8,404	9,149
1.02.01.06.01	Deferred income and social contribution taxes	8,404	9,149
1.02.01.08	Related party credits	3,760	62,602
1.02.01.08.04	Other related party credits	3,760	62,602
1.02.01.09	Other non-current assets	4,750	1,867
1.02.01.09.03	Recoverable taxes	293	293
1.02.01.09.04	Other	4,457	1,574
1.02.02	Investments	503,957	518,257
1.02.02.01	Equity interest	503,957	518,257
1.02.02.01.02	Interest in subsidiaries	503,767	518,067
1.02.02.01.04	Other equity interest	190	190
1.02.03	Property, plant and equipment	35,571	34,338
1.02.03.01	Fixed assets in operation	28,468	26,753
1.02.03.03	Construction in progress	7,103	7,585
1.02.04	Intangible assets	6,468	4,812
1.02.04.01	Intangible assets	6,468	4,812

Individual financial statements/ Balance sheet – Liabilities
(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2016	Prior year 12/31/2015
2	Total liabilities	858,827	888,338
2.01	Current liabilities	823,444	720,243
2.01.01	Social and labor obligations	13,407	19,532
2.01.01.01	Social charges	3,412	3,844
2.01.01.02	Labor obligations	9,995	15,688
2.01.02	Suppliers	112,213	119,075
2.01.02.01	Domestic suppliers	104,049	112,017
2.01.02.02	Foreign suppliers	8,164	7,058
2.01.03	Tax liabilities	2,741	1,673
2.01.03.01	Federal tax liabilities	1,668	919
2.01.03.01.01	Income and social contribution tax payable	571	728
2.01.03.01.02	Others taxes	1,097	191
2.01.03.02	State tax liabilities	1,050	745
2.01.03.03	Municipal tax liabilities	23	9
2.01.04	Loans and financing	346,832	288,058
2.01.04.01	Loans and financing	216,628	193,168
2.01.04.01.01	In domestic currency	26,909	13,537
2.01.04.01.02	In foreign currency	189,719	179,631
2.01.04.02	Debentures	130,204	94,890
2.01.05	Other liabilities	324,991	271,528
2.01.05.02	Other	324,991	271,528
2.01.05.02.01	Dividends and interest on own capital	3	4
2.01.05.02.04	Related parties	26,326	25,120
2.01.05.02.05	Foreign exchange withdrawals	181,250	191,948
2.01.05.02.06	Derivative financial instruments	7,962	0
2.01.05.02.07	Advance of receivables	2,913	969
2.01.05.02.08	Other liabilities	106,537	53,487
2.01.06	Provisions	23,260	20,377
2.01.06.01	Tax, social security, labor and civil provisions	16,302	13,314
2.01.06.01.02	Social security and labor provisions	15,625	12,589
2.01.06.01.04	Civil provisions	677	725
2.01.06.02	Other provisions	6,958	7,063
2.01.06.02.01	Provisions for guarantees	6,958	7,063
2.02	Non-current liabilities	116,130	228,211
2.02.01	Loans and financing	31,199	125,508
2.02.01.01	Loans and financing	31,199	92,535
2.02.01.01.01	In domestic currency	15,123	21,300
2.02.01.01.02	In foreign currency	16,076	71,235
2.02.01.02	Debentures	0	32,973
2.02.02	Other liabilities	82,159	99,910
2.02.02.01	Liabilities from Related parties	44,572	47,487
2.02.02.01.02	Debits with subsidiaries	6,604	6,290
2.02.02.01.04	Debts with other related parties	37,968	41,197
2.02.02.02	Other	37,587	52,423
2.02.02.02.03	Taxes payable	1,250	1,610
2.02.02.02.04	Provision for unsecured liability	34,630	46,704

Individual financial statements/ Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2016	Prior year 12/31/2015
2.02.02.02.05	Other liabilities	1,707	4,109
2.02.04	Provisions	2,772	2,793
2.02.04.01	Tax, social security, labor and civil provisions	2,772	2,793
2.02.04.01.02	Social security and labor provisions	2,772	2,793
2.03	Shareholders' equity	-80,747	-60,116
2.03.01	Realized capital	393,977	364,735
2.03.02	Capital reserves	-40,996	-29,295
2.03.02.06	Advances for future capital increase	0	11,701
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-553,954	-566,155
2.03.06	Equity evaluation adjustments	30,829	31,739
2.03.07	Accumulated translation adjustments	89,397	138,860

Individual financial statements / Statement of income
(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2016–06/30/2016	Accumulated of the current year - 01/01/2016–06/30/2016	Same quarter of the prior year - 04/01/2015–06/30/2015	Accumulated of the prior year - 01/01/2015–06/30/2015
3.01	Income from sales of goods and/or services	110,490	187,779	95,404	179,823
3.02	Cost of goods and/or services sold	-96,164	-143,544	-75,215	-140,051
3.03	Gross income	14,326	44,235	20,189	39,772
3.04	Operating expenses/income	-26,035	-78,305	-10,600	-113,041
3.04.01	Sales expenses	-8,666	-13,224	-5,926	-13,743
3.04.02	General and administrative expenses	-16,656	-37,448	-13,121	-20,476
3.04.04	Other operating income	21	1,478	463	3,083
3.04.05	Other operating expenses	-2,643	-4,124	-319	-3,971
3.04.06	Equity income (loss)	1,909	-24,987	8,303	-77,934
3.05	Income (loss) before financial income and taxes	-11,709	-34,070	9,589	-73,269
3.06	Financial income (loss)	27,012	46,106	-7,257	-67,154
3.06.01	Financial income	52,605	94,442	48,653	84,217
3.06.02	Financial expenses	-25,593	-48,336	-55,910	-151,371
3.07	Income (loss) before income tax	15,303	12,036	2,332	-140,423
3.08	Income and social contribution taxes	-745	-745	2,388	-4,750
3.08.01	Current	-745	-745	0	0
3.08.02	Deferred assets	0	0	2,388	-4,750
3.09	Net income (loss) of continued operations	14,558	11,291	4,720	-145,173
3.11	Income/loss for the period	14,558	11,291	4,720	-145,173
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	0.24980	0.19374	0.29237	-8.99236
3.99.01.02	PN	0.24980	0.19374	0.29237	-8.99236
3.99.02	Diluted earnings per share				
3.99.02.01	ON	0.24980	0.19374	0.29237	-8.99236
3.99.02.02	PN	0.24980	0.19374	0.29237	-8.99236

Individual financial statements / Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2016–06/30/2016	Accumulated of the current year - 01/01/2016–06/30/2016	Same quarter of the prior year - 04/01/2015–06/30/2015	Accumulated of the prior year - 01/01/2015–06/30/2015
4.01	Income for the period	14,559	11,292	4,720	-145,173
4.02	Other comprehensive income	-26,126	-49,464	-5,414	35,981
4.02.01	Period conversion adjustments	-26,126	-49,464	-5,414	35,981
4.03	Comprehensive income for the period	-11,567	-38,172	-694	-109,192

Individual financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2016–06/30/2016	Accumulated of the prior year - 01/01/2015–06/30/2015
6.01	Net cash from operational activities	13,238	48,409
6.01.01	Cash generated in operations	43,574	6,500
6.01.01.01	Net income (loss) for the year before income and social contribution taxes	12,036	-140,423
6.01.01.02	Depreciation and amortization	3,367	5,181
6.01.01.03	Cost of permanent assets written-off	1,521	2,578
6.01.01.04	Allowance for doubtful accounts	1,093	-3,039
6.01.01.05	Equity income (loss)	24,987	77,934
6.01.01.07	Provision for derivative financial instruments	8,139	-7,401
6.01.01.08	Provision for interest on loans and financing	29,807	25,753
6.01.01.09	Change in interest in subsidiaries	0	44
6.01.01.11	Provision for contingencies	2,967	2,372
6.01.01.12	Provision for guarantees	-105	781
6.01.01.13	Foreign exchange variation o/ loans and financing	-42,453	42,720
6.01.01.14	Write-off of goodwill on investment	2,215	0
6.01.02	Changes in assets and liabilities	-30,336	41,909
6.01.02.01	Decrease in trade accounts receivable	9,756	10,110
6.01.02.02	(Increase) in inventories	-71,251	-21,007
6.01.02.03	Decrease in other accounts receivable	1,798	-23,848
6.01.02.04	(Decrease) increase in suppliers	-8,054	48,973
6.01.02.05	Increase in accounts payable and provisions	37,415	27,681
6.02	Net cash used in investment activities	-10,625	-28,207
6.02.01	Receivables with related companies	-15,349	-8,072
6.02.02	Other long-term credits	0	24
6.02.03	In investments	0	-32,356
6.02.04	In property, plant and equipment	-5,918	-1,768
6.02.05	In intangible assets	-1,859	-19
6.02.06	Interest earnings bank deposits	12,501	13,984
6.03	Net cash from financing activities	-17,331	-36,298
6.03.01	Payment of interest on own capital and dividends	0	1
6.03.02	Loans obtained	191,034	189,779
6.03.03	Payments of loans	-207,107	-206,710
6.03.05	Capital increase	17,541	0
6.03.06	Payment of interest on loans	-15,570	-21,479
6.03.09	Debts with related companies	-3,229	0
6.03.10	Other	0	2,111
6.05	Increase (decrease) in cash and cash equivalents	-14,718	-16,096
6.05.01	Opening balance of cash and cash equivalents	15,822	25,161
6.05.02	Closing balance of cash and cash equivalents	1,104	9,065

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2016–06/30/2016

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	364,735	-29,295	0	-566,155	170,599	-60,116
5.03	Adjusted opening balances	364,735	-29,295	0	-566,155	170,599	-60,116
5.04	Capital transactions with partners	29,242	-11,701	0	0	0	17,541
5.04.01	Capital increases	29,242	-11,701	0	0	0	17,541
5.05	Total comprehensive income	0	0	0	12,201	-50,373	-38,172
5.05.01	Income for the period	0	0	0	11,292	0	11,292
5.05.02	Other comprehensive income	0	0	0	909	-50,373	-49,464
5.05.02.04	Translation adjustments in the period	0	0	0	0	-49,464	-49,464
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	909	-909	0
5.07	Closing balances	393,977	-40,996	0	-553,954	120,226	-80,747

Individual financial statements / Statement of changes in shareholders’ equity / DMPL – 01/01/2015–06/30/2015

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	324,876	-40,996	0	-317,290	85,525	52,115
5.03	Adjusted opening balances	324,876	-40,996	0	-317,290	85,525	52,115
5.05	Total comprehensive income	0	0	0	-140,834	31,642	-109,192
5.05.01	Income for the period	0	0	0	-145,173	0	-145,173
5.05.02	Other comprehensive income	0	0	0	4,339	31,642	35,981
5.05.02.04	Translation adjustments in the period	0	0	0	0	35,981	35,981
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	4,339	-4,339	0
5.07	Closing balances	324,876	-40,996	0	-458,124	117,167	-57,077

Individual financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2016–06/30/2016	Accumulated of the prior year - 01/01/2015–06/30/2015
7.01	Income	200,231	219,652
7.01.01	Sale of merchandise, products and services	199,846	215,960
7.01.02	Other income	1,478	653
7.01.04	Formation/reversal of allowance for doubtful accounts	-1,093	3,039
7.02	Inputs acquired from third parties	-144,276	-155,296
7.02.01	Cost of products, merchandise and services sold	-96,167	-86,034
7.02.02	Materials, Energy, Third-party services and other	-48,109	-69,262
7.03	Gross added value	55,955	64,356
7.04	Retentions	-3,482	-5,181
7.04.01	Depreciation, amortization and depletion	-3,482	-5,181
7.05	Net added value produced	52,473	59,175
7.06	Added value received as transfer	69,455	6,283
7.06.01	Equity income (loss)	-24,987	-77,934
7.06.02	Financial income	94,442	84,217
7.07	Total added value payable	121,928	65,458
7.08	Distribution of added value	121,928	65,458
7.08.01	Personnel	32,420	42,916
7.08.01.01	Direct remuneration	27,823	35,662
7.08.01.02	Benefits	2,781	4,590
7.08.01.03	Severance Pay Fund (FGTS)	1,816	2,664
7.08.02	Taxes, duties and contributions	28,612	13,218
7.08.02.01	Federal	19,622	10,815
7.08.02.02	State	8,918	2,367
7.08.02.03	Municipal	72	36
7.08.03	Third-party capital remuneration	49,605	154,497
7.08.03.01	Interest	48,336	151,371
7.08.03.02	Rents	1,269	3,126
7.08.04	Remuneration of own capital	11,291	-145,173
7.08.04.03	Retained earnings / Loss for the period	11,291	-145,173

Consolidated financial statements or Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2016	Prior year 12/31/2015
1	Total assets	954,990	1,022,340
1.01	Current assets	564,400	591,905
1.01.01	Cash and cash equivalents	22,596	60,312
1.01.01.01	Cash and banks	22,094	60,312
1.01.01.02	Marketable securities	502	0
1.01.02	Interest earning bank deposits	3,436	22,040
1.01.03	Accounts receivable	160,883	192,076
1.01.03.01	Trade accounts receivable	160,883	192,076
1.01.04	Inventories	275,701	221,861
1.01.06	Recoverable taxes	51,577	36,546
1.01.06.01	Current taxes recoverable	51,577	36,546
1.01.07	Prepaid expenses	31,655	19,239
1.01.08	Others Current assets	18,552	39,831
1.01.08.01	Non-current assets held for sale	4,286	4,286
1.01.08.03	Other	14,266	35,545
1.01.08.03.01	Derivative financial instruments	0	6,920
1.01.08.03.02	Other accounts receivable	14,266	28,625
1.02	Non-current assets	390,590	430,435
1.02.01	Long term assets	55,649	63,796
1.02.01.01	Interest earning bank deposits measured at fair value	3,079	12,586
1.02.01.01.01	Trading securities	3,079	12,586
1.02.01.06	Deferred taxes	43,354	45,830
1.02.01.06.01	Deferred income and social contribution taxes	43,354	45,830
1.02.01.09	Other non-current assets	9,216	5,380
1.02.01.09.03	Recoverable taxes	870	870
1.02.01.09.04	Other	8,346	4,510
1.02.02	Investments	349	12,004
1.02.02.01	Equity interest	349	12,004
1.02.02.01.01	Interest in associated companies	0	11,655
1.02.02.01.04	Other equity interest	349	349
1.02.03	Property, plant and equipment	257,218	273,189
1.02.03.01	Fixed assets in operation	242,615	251,655
1.02.03.03	Construction in progress	14,603	21,534
1.02.04	Intangible assets	77,374	81,446
1.02.04.01	Intangible assets	77,374	81,446

Consolidated financial statements or Balance sheet – Liabilities (In thousand of reais)

Code of account	Account description	Current quarter 06/30/2016	Prior year 12/31/2015
2	Total liabilities	954,990	1,022,340
2.01	Current liabilities	898,186	802,939
2.01.01	Social and labor obligations	32,984	33,075
2.01.01.01	Social charges	9,336	10,266
2.01.01.02	Labor obligations	23,648	22,809
2.01.02	Suppliers	136,109	81,224
2.01.02.01	Domestic suppliers	119,688	65,571
2.01.02.02	Foreign suppliers	16,421	15,653
2.01.03	Tax liabilities	18,719	26,562
2.01.03.01	Federal tax liabilities	16,036	22,564
2.01.03.01.01	Income and social contribution tax payable	14,433	19,763
2.01.03.01.02	Others taxes	1,603	2,801
2.01.03.02	State tax liabilities	2,609	3,947
2.01.03.03	Municipal tax liabilities	74	51
2.01.04	Loans and financing	365,022	307,546
2.01.04.01	Loans and financing	234,818	212,656
2.01.04.01.01	In domestic currency	40,532	27,118
2.01.04.01.02	In foreign currency	194,286	185,538
2.01.04.02	Debentures	130,204	94,890
2.01.05	Other liabilities	277,097	311,103
2.01.05.02	Other	277,097	311,103
2.01.05.02.01	Dividends and interest on own capital	3	4
2.01.05.02.04	Derivative financial instruments	8,995	956
2.01.05.02.05	Foreign exchange withdrawals	181,250	191,948
2.01.05.02.08	Advance of receivables	6,506	54,589
2.01.05.02.09	Other liabilities	80,343	63,606
2.01.06	Provisions	68,255	43,429
2.01.06.01	Tax, social security, labor and civil provisions	56,227	30,516
2.01.06.01.01	Tax provisions	318	318
2.01.06.01.02	Social security and labor provisions	33,954	29,262
2.01.06.01.04	Civil provisions	21,955	936
2.01.06.02	Other provisions	12,028	12,913
2.01.06.02.01	Provisions for guarantees	12,028	12,913
2.02	Non-current liabilities	137,551	279,517
2.02.01	Loans and financing	95,564	232,159
2.02.01.01	Loans and financing	95,564	199,186
2.02.01.01.01	In domestic currency	26,807	39,065
2.02.01.01.02	In foreign currency	68,757	160,121
2.02.01.02	Debentures	0	32,973
2.02.02	Other liabilities	5,597	5,719
2.02.02.02	Other	5,597	5,719
2.02.02.02.04	Taxes payable	2,760	1,610
2.02.02.02.05	Other liabilities	2,837	4,109
2.02.03	Deferred taxes	291	717
2.02.03.01	Deferred income and social contribution taxes	291	717
2.02.04	Provisions	36,099	40,922

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2016	Prior year 12/31/2015
2.02.04.01	Tax, social security, labor and civil provisions	31,808	35,702
2.02.04.01.01	Tax provisions	6,430	6,133
2.02.04.01.02	Social security and labor provisions	3,224	3,245
2.02.04.01.04	Civil provisions	22,154	26,324
2.02.04.02	Other provisions	4,291	5,220
2.02.04.02.01	Provisions for guarantees	4,291	5,220
2.03	Consolidated shareholders' equity	-80,747	-60,116
2.03.01	Realized capital	393,977	364,735
2.03.02	Capital reserves	-40,996	-29,295
2.03.02.06	Advances for future capital increase	0	11,701
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-553,954	-566,155
2.03.06	Equity evaluation adjustments	30,829	31,739
2.03.07	Accumulated translation adjustments	89,397	138,860

Consolidated financial statements / Statement of income
(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2016–06/30/2016	Accumulated of the current year - 01/01/2016–06/30/2016	Same quarter of the prior year - 04/01/2015–06/30/2015	Accumulated of the prior year - 01/01/2015–06/30/2015
3.01	Income from sales of goods and/or services	198,296	383,834	175,477	349,015
3.02	Cost of goods and/or services sold	-134,051	-273,286	-120,467	-258,845
3.03	Gross income	64,245	110,548	55,010	90,170
3.04	Operating expenses/income	-81,175	-152,004	-51,294	-161,552
3.04.01	Sales expenses	-29,430	-53,875	-22,825	-45,070
3.04.02	General and administrative expenses	-33,093	-74,034	-25,721	-44,377
3.04.04	Other operating income	133	1,823	422	4,264
3.04.05	Other operating expenses	-18,150	-24,417	-3,050	-76,075
3.04.06	Equity income (loss)	-635	-1,501	-120	-294
3.05	Income (loss) before financial income and taxes	-16,930	-41,456	3,716	-71,382
3.06	Financial income (loss)	29,899	49,734	-3,505	-71,831
3.06.01	Financial income	56,588	101,725	58,043	96,327
3.06.02	Financial expenses	-26,689	-51,991	-61,548	-168,158
3.07	Income (loss) before income tax	12,969	8,278	211	-143,213
3.08	Income and social contribution taxes	1,589	3,013	4,509	-1,960
3.08.01	Current	3,756	5,143	-529	-912
3.08.02	Deferred assets	-2,167	-2,130	5,038	-1,048
3.09	Net income (loss) of continued operations	14,558	11,291	4,720	-145,173
3.11	Income/loss - Consolidated	14,558	11,291	4,720	-145,173
3.11.01	Attributed to the Parent company's partners	14,558	11,291	4,720	-145,173
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	0.24980	0.19374	0.29237	-8.99236
3.99.01.02	PN	0.24980	0.19374	0.29237	-8.99236
3.99.02	Diluted earnings per share				
3.99.02.01	ON	0.24980	0.19374	0.29237	-8.99236
3.99.02.02	PN	0.24980	0.19374	0.29237	-8.99236

Consolidated financial statements or Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2016–06/30/2016	Accumulated of the current year - 01/01/2016–06/30/2016	Same quarter of the prior year - 04/01/2015–06/30/2015	Accumulated of the prior year - 01/01/2015–06/30/2015
4.01	Consolidated income for the period	14,559	11,292	4,720	-145,173
4.02	Other comprehensive income	-26,126	-49,464	-5,414	35,981
4.02.01	Translation adjustments for the period	-26,126	-49,464	-5,414	35,981
4.03	Consolidated comprehensive income for the period	-11,567	-38,172	-694	-109,192
4.03.01	Attributed to the Parent company's partners	-11,567	-38,172	-694	-109,192

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2016–06/30/2016	Accumulated of the prior year - 01/01/2015–06/30/2015
6.01	Net cash from operational activities	53,196	1,435
6.01.01	Cash generated in operations	35,694	21,649
6.01.01.01	Net income (loss) before income and social contribution taxes	8,278	-143,213
6.01.01.02	Depreciation and amortization	16,996	16,904
6.01.01.03	Cost of written-off permanent assets	7,268	1,357
6.01.01.05	Equity income (loss)	1,501	294
6.01.01.06	Provision for derivative financial instruments	8,400	-6,957
6.01.01.07	Allowance for doubtful accounts	1,444	-4,330
6.01.01.10	Provision for interest on loans and financing	33,810	28,577
6.01.01.12	Sale of investments	2,636	0
6.01.01.13	Write-off of goodwill on investment	2,215	0
6.01.01.15	Write-off of assets held for sale	0	103
6.01.01.17	Provision for guarantees	-1,814	3,371
6.01.01.19	Provision for contingencies	10,376	71,904
6.01.01.20	Foreign exchange variation o/ loans and financing	-55,416	53,639
6.01.02	Changes in assets and liabilities	18,463	-15,866
6.01.02.01	Decrease in trade accounts receivable	33,569	205
6.01.02.02	(Increase) in inventories	-53,840	-11,361
6.01.02.03	(Increase) in other accounts receivable	-24,824	-38,288
6.01.02.04	Increase in Suppliers	53,537	18,739
6.01.02.05	Increase in accounts payable and provisions	10,021	14,839
6.01.03	Other	-961	-4,348
6.01.03.02	Income and social contribution taxes paid	-961	-4,348
6.02	Net cash used in investment activities	7,841	4,418
6.02.02	Other receivables	0	-293
6.02.03	Sale of investments	5,000	0
6.02.04	In property, plant and equipment	-18,772	-7,336
6.02.05	In intangible assets	-6,498	-678
6.02.06	Interest earning bank deposits	28,111	12,725
6.03	Net cash from financing activities	-98,753	-22,859
6.03.01	Payment of interest on own capital and dividends	0	1
6.03.02	Loans obtained	219,770	248,415
6.03.03	Payment of loans	-316,958	-246,081
6.03.05	Capital increase	17,541	0
6.03.07	Interest paid for real estate credit	0	-382
6.03.10	Payment of interest on loans	-19,106	-24,812
6.05	Increase (decrease) in cash and cash equivalents	-37,716	-17,006
6.05.01	Opening balance of cash and cash equivalents	60,312	104,536
6.05.02	Closing balance of cash and cash equivalents	22,596	87,530

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2016–06/30/2016

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	364,735	-29,295	0	-566,155	170,599	-60,116	0	-60,116
5.03	Adjusted opening balances	364,735	-29,295	0	-566,155	170,599	-60,116	0	-60,116
5.04	Capital transactions with partners	29,242	-11,701	0	0	0	17,541	0	17,541
5.04.01	Capital increases	29,242	-11,701	0	0	0	17,541	0	17,541
5.05	Total comprehensive income	0	0	0	12,201	-50,373	-38,172	0	-38,172
5.05.01	Income for the period	0	0	0	11,292	0	11,292	0	11,292
5.05.02	Other comprehensive income	0	0	0	909	-50,373	-49,464	0	-49,464
5.05.02.04	Translation adjustments in the period	0	0	0	0	-49,464	-49,464	0	-49,464
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	909	-909	0	0	0
5.07	Closing balances	393,977	-40,996	0	-553,954	120,226	-80,747	0	-80,747

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2015–06/30/2015

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	324,876	-40,996	0	-317,290	85,525	52,115	0	52,115
5.03	Adjusted opening balances	324,876	-40,996	0	-317,290	85,525	52,115	0	52,115
5.05	Total comprehensive income	0	0	0	-140,834	31,642	-109,192	0	-109,192
5.05.01	Income for the period	0	0	0	-145,173	0	-145,173	0	-145,173
5.05.02	Other comprehensive income	0	0	0	4,339	31,642	35,981	0	35,981
5.05.02.04	Translation adjustments in the period	0	0	0	0	35,981	35,981	0	35,981
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	4,339	-4,339	0	0	0
5.07	Closing balances	324,876	-40,996	0	-458,124	117,167	-57,077	0	-57,077

Consolidated financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2016–06/30/2016	Accumulated of the prior year - 01/01/2015–06/30/2015
7.01	Income	434,862	427,375
7.01.01	Sale of merchandise, products and services	434,483	421,749
7.01.02	Other income	1,823	1,296
7.01.04	Formation/reversal of allowance for doubtful accounts	-1,444	4,330
7.02	Inputs acquired from third parties	-264,109	-333,373
7.02.01	Cost of products, merchandise and services sold	-132,454	-203,560
7.02.02	Materials, Energy, Third-party services and other	-131,655	-129,813
7.03	Gross added value	170,753	94,002
7.04	Retentions	-15,675	-16,904
7.04.01	Depreciation, amortization and depletion	-15,675	-16,904
7.05	Net added value produced	155,078	77,098
7.06	Added value received as transfer	99,872	96,033
7.06.01	Equity income (loss)	-1,501	-294
7.06.02	Financial income	101,373	96,327
7.07	Total added value payable	254,950	173,131
7.08	Distribution of added value	254,950	173,131
7.08.01	Personnel	106,248	92,578
7.08.01.01	Direct remuneration	90,878	78,965
7.08.01.02	Benefits	10,522	9,126
7.08.01.03	Severance Pay Fund (FGTS)	4,848	4,487
7.08.02	Taxes, duties and contributions	84,160	55,279
7.08.02.01	Federal	64,557	43,825
7.08.02.02	State	19,461	11,372
7.08.02.03	Municipal	142	82
7.08.03	Third-party capital remuneration	53,251	170,447
7.08.03.01	Interest	51,639	168,158
7.08.03.02	Rents	1,612	2,289
7.08.04	Remuneration of own capital	11,291	-145,173
7.08.04.03	Retained earnings / Loss for the period	11,291	-145,173

Performance comment

FORJAS TAURUS S.A.

2Q16

PRESS RELEASE

Performance comment

Porto Alegre, August 12th, 2016 - Forjas Taurus S.A. listed on Level 2 of BM&FBOVESPA Corporate Governance (Symbols: **FJTA3, FJTA4)** one of the world's largest manufacturers of small firearms and national leader in the motorcycle helmet market, in addition to acting in the segments of Containers, Plastics and Metal Injection Molding (M.I.M.), discloses its results for the **2nd quarter 2016 (2Q16)**.

1. Highlights for the 2nd quarter of 2016 (2Q16)

Conference Call*

Tuesday, August 16, 2016

Time: 9h (Brazil)

8 am (US-EST)

Accesses in Portuguese:

+55 113193-1001

+55 11 2820-4001

Access in English:

+1 786 924-6977 (USA)

+44 20 3514 0445 (GBR)

Password: Taurus

*The Conference will be held only in Portuguese, with simultaneous interpretation into English.

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- ✓ **Consolidated net revenue recorded R$198.3 million in 2Q16,** a 6.9% increase compared to 1Q16, and such expansion was limited by the 10.1% average US Dollar depreciation in 2Q16 compared to 1Q16;
- ✓ **Consolidated gross margin reached 32.4% in 2Q16,** 7,4p.p. higher when compared to 1Q16 due to higher production of firearms in the quarter, which has increased by over 40% in the period, also due to a better market mix;
- ✓ **Negative EBITDA of R$11.9 million in 2Q16,** impacted by the sale of the investment in Famastil, generating an accounting loss of R$4.9 million, and by the attorneys' fees related to the case Carter, causing an increase in provisions amounting to R$10.3 million;
- ✓ **Quarterly results recorded a R$14.6 million profit in 2Q16,** against a loss of R$3.3 million in 1Q16, which reflected the US Dollar depreciation effect on the debt of the Company;
- ✓ **Capital Increase of R$17.5 million,** arising from the exercising bonds with warrants;
- ✓ **The execution of agreements for about USD$150 million debt reprofiling,** aimed at extending the maturities for the period of 5 years, with a 2-year grace period for payment of principal. Such transaction also demands the compliance with certain previous operations, which are usual for this type of operation.

Performance comment

2. Consolidated Economic and Financial Performance

In table below, consolidated economic-financial performance of the Company in the 2Q16, compared to performance in the 1Q16 and 2Q15.

Consolidated Economic and Financial Performance

In millions of reais

Indicators	2Q16	1Q16	2Q15	1H16	1H15	Variation		
						2Q16/1Q16	2Q16/2Q15	1H16/1H15
Net revenue	**198.3**	**185.5**	**175.5**	**383.8**	**349.0**	**6.9%**	**13.0%**	**10.0%**
Domestic market	48.3	46.0	49.3	94.3	109.8	5.0%	-2.0%	-14.1%
Foreign market	150.0	139.5	126.2	289.5	239.2	7.5%	18.8%	21.0%
COGS	134.1	139.2	120.5	273.3	258.8	-3.7%	11.3%	5.6%
Gross profit	64.2	46.3	55.0	110.5	90.2	38.7%	16.7%	22.5%
Gross margin -%	**32.4%**	**25.0%**	**31.3%**	**28.8%**	**25.8%**	**7.4 p.p.**	**1.1 p.p.**	**3.0 p.p.**
Operating expenses - SG&A	-81.2	-70.8	-51.3	-152.0	-161.6	14.7%	58.3%	-5.9%
Operating profit (EBIT)	-17.0	-24.5	3.7	-41.5	-71.4	-30.6%	-	-41.9%
EBIT Margin - %	**-8.6%**	**-13.2%**	**2.1%**	**-10.8%**	**-20.5%**	**4.6 p.p.**	**-10.7 p.p.**	**9.6 p.p.**
Net financial income (loss)	29.9	19.8	-3.5	49.7	-71.8	51.0%	-	-
Depreciation and amortization	5.0	12.0	8.4	17.0	16.9	-58.3%	-40.5%	0.6%
Income/loss - Consolidated	14.6	-3.3	4.7	11.3	-145.2	-	208.4%	-
Net Consolidated Margin - %	**7.3%**	**-1.8%**	**2.7%**	**2.9%**	**-41.6%**	**9.1 p.p.**	**4.6 p.p.**	**44.5 p.p.**
EBITDA	-11.9	-12.5	12.1	-24.4	-54.5	-4.8%	-	-55.2%
EBITDA Margin – %	**-6.0%**	**-6.7%**	**6.9%**	**-6.4%**	**-15.6%**	**0.7 p.p.**	**-12.9 p.p.**	**9.3 p.p.**
Total assets	954.9	924.2	981.4	954.9	981.4	3.3%	-2.7%	-2.7%
Provision for unsecured liability	-80.7	-86.5	-57.1	-80.7	-57.1	-6.7%	41.4%	41.4%

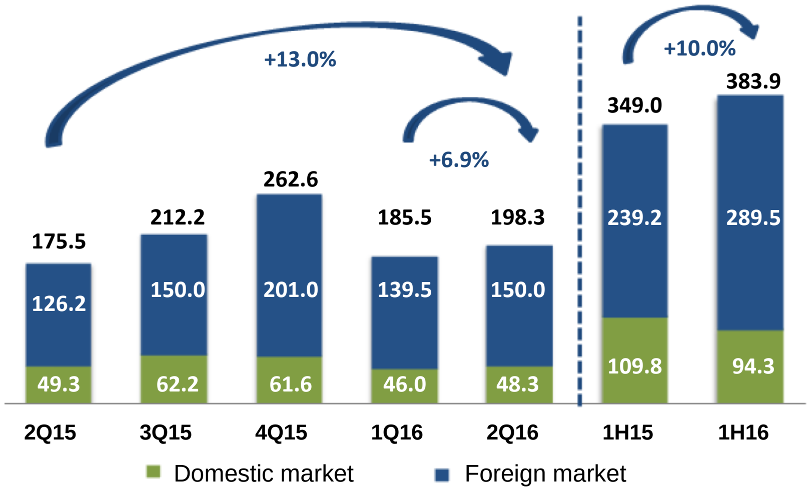
Net revenue

US Dollar depreciation had a significant impact on the Company's net revenue in 2Q16, given the fact that about 75% of export sales, especially to the USA. Average price of US Dollar depreciated by 10.1% in the period, compared to 1Q16 average rate, limiting the growth of the Company's net revenue, which increased by 6.9% in 2Q16 compared to 1Q16. It is worth remembering that the second quarter is seasonally weaker in the USA compared to the first quarter, yet the Company kept on expanding its sales in that country. In the first half, net revenue grew by 10.0% over the same period last year.

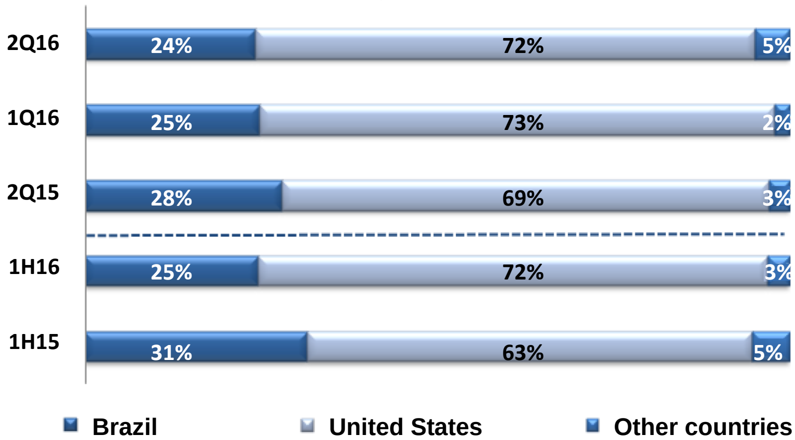
Performance comment

Net revenue - by Market

In millions of reais



Net Revenue by Geography



In 2Q16, exports grew by 7.5% compared to 1Q16, reaching R$150.0 million. Sales to the USA, the Company's main market, increased by 4.8% in the quarter compared to the previous one, totaling R$142.0 million. The 10.1% average US Dollar American depreciation was the main limiting factor for the expansion of the Company's Revenue. It is worth mentioning that, with the increased firearms production in the 2Q16, the Company began to resume its market mix by serving again the domestic market and other countries, although in early stages, in order to capture higher margins.

Sales to other countries totaled R$8.0 million in 2Q16, double the amount recorded in 1Q16. In the Brazilian market, firearms sales grew by 61.8% in 2Q16 compared to 1Q16, reaching R$14.4 million. Helmets sales were the negative highlight, falling 1.7% in the second quarter compared to the first. Therefore, domestic sales recorded R$48.3 million in 2Q16, 5.0% higher than 1Q16.

Performance comment

NET REVENUE In millions of reais	2Q16	1Q16	2Q15	1H16	1H15	Variation 2Q16/1Q16	Variation 2Q16/2Q15	Variation 1H16/1H15
TOTAL	198.3	185.5	175.5	383.8	349.0	6.9%	13.0%	10.0%
Brazil	48.3	46.0	49.3	94.3	109.8	5,0%	-2.0%	-14.1%
United States	142.0	135.5	121.8	277.6	220.7	4.8%	16.6%	25.8%
Other countries	8.0	4.0	4.4	12.0	18.5	100.0%	81.8%	-35.1%
Exports	150.0	139.5	126.2	289.6	239.2	7,554	18.9%	21.1%

Net Revenue by Segment

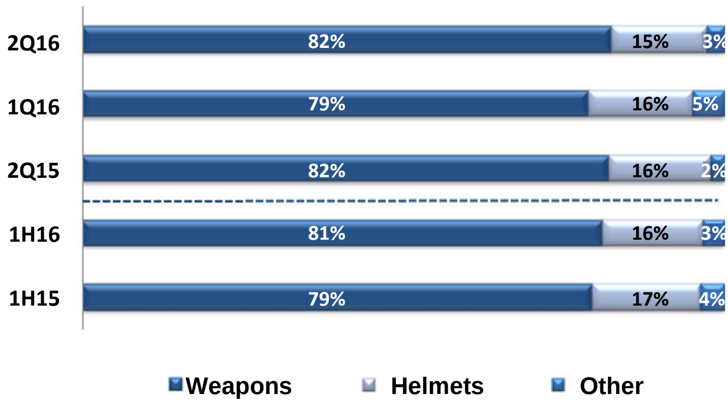


Chart above presents distribution of the Company's consolidated net revenue per business segment. Resuming the firearms production in this quarter caused this segment to recover the share in the Company's net revenue, from 79% in 1Q16 to 82% in 2Q16. However, the helmets segment reduced its share from 16% to 15% in the same period, and the "other" segment has decreased its share from 5% in 1Q16 to 3% in 2Q16.

Segment information

The table below sets out consolidated financial highlights by segment:

Comparative Quarter - Current Quarter x Previous Quarter

In millions of reais

	Net revenue 2Q16	Net revenue Part.%	Net revenue 1Q16	Net revenue Part.%	Net revenue Var.	Gross margin 2Q16	Gross margin 1Q16	Gross margin Var.
Firearms	163.2	82%	147.4	79%	10.7%	31.3%	19.9%	11.4 p.p.
Helmets	29.8	15%	30.3	16%	-1.7%	31.9%	41.3%	-3.4 p.p.
Other	5.3	3%	7.8	5%	-32.1%	67.9%	57.7%	10.2 p.p.
Total	198.3	100%	185.5	100%	6.9%	32.4%	25.0%	7.4 p.p.

Performance comment

Comparative Quarter - Year over Year

	Net revenue					Gross margin		
	2Q16	**Part.%**	**2Q15**	**Part.%**	Var.	**2Q16**	**2Q15**	Var.
Firearms	163.2	82%	144.0	82%	13.3%	31.3%	32.4%	-1.1 p.p.
Helmets	29.8	15%	27.8	16%	7.3%	31.9%	35.3%	-3.4 p.p.
Other	5.3	3%	3.7	*2%*	43.2%	67.9%	-39.9%	107.9 p.p.
Total	**193.3**	100.0%	**175.5**	100.0%	13.0%	**32.4%**	**31.3%**	1.1 p.p.

Half-Annual Comparison

	Net revenue					Gross margin		
	1H16	**Part.%**	**1H15**	**Part.%**	Var.	**1H16**	**1H15**	Var.
Firearms	310.6	81%	276.9	79%	12.2%	25.9%	24.7%	1.2 p.p.
Helmets	60.1	16%	58.8	17%	2.2%	36.6%	34.2%	2.4 p.p.
Other	13.1	3%	13.3	4%	-1.5%	61.8%	12.1%	49.8 p.p.
Total	**383.3**	100.0%	**349.0**	100.0%	10.0%	**28.8%**	**25.8%**	3.0 p.p.

I. Firearms

This segment includes handguns (revolvers and pistols for public and private security, and for military and civil restricted use), long guns (rifles and carbines) and submachine guns. Operations in this segment are conducted by Forjas Taurus S.A. in São Leopoldo/RS, and Taurus Holdings, Inc. in the USA.

						Variation		
NET REVENUE In millions of reais	**2Q16**	**1Q16**	**2Q15**	**1H16**	**1H15**	**2Q16/1Q16**	**2Q16/2Q15**	**1Q16/1Q15**
Firearms	**163.2**	**147.4**	**144.0**	**310.6**	**276.9**	**10.7%**	**13.3%**	**12.2%**
Brazil	**14.4**	**8.9**	**19.4**	**23.3**	**40.2**	**51.8%**	**-25.8%**	**-42.0%**
Southeast region	**5.8**	**4.7**	**9.9**	**10.5**	**19.6**	**23.4%**	**-41.4%**	**-46.4%**
South	**0.6**	**1.3**	**3.5**	**2.0**	**7.4**	**-53.8%**	**-82.9%**	**-73.0%**
Northeast	**0.7**	**0.3**	**3.4**	**1.1**	**6.5**	**133.3%**	**-79.4%**	**-83.1%**
North region	**71**	**2.5**	**0.4**	**5.5**	**1.3**	**184.0%**	**1575.0%**	**630.8%**
Midwest	***0.1***	**0.1**	**2.2**	**0.2**	**5.4**	**100.0%**	**-90.9%**	**-96.3%**
United States	**140.8**	**134.5**	**120.5**	**275.3**	**218.5**	**4.7%**	**16.8%**	**25.0%**
Other countries	**8.0**	**4.0**	**4.1**	**12.0**	**18.2**	**100.0%**	**95.1%**	**-34.1%**
Exports	**148.8**	**138.5**	**124.6**	**287.3**	**236.7**	**7.4%**	**19.4%**	**21.4%**

In the 2Q16, the net sales of weapons amounted to R$ 163.2 million, 10.7% above the R$ 147.4 million in the same period of prior year and 13.3% above the same quarter of 2015. In this quarter, the firearms production grew by over 40% compared to 1Q16. It is worth remembering that firearms production was decreased in January and February due to the transfer of the plant from Porto Alegre to São Leopoldo, causing the Company to focus at that time on serving the US market due to lower terms of payment, preferring cash generation over the gross margin. The increased production this quarter led to the resumption of service of the domestic market and other markets, although in early stages, contributing to the gross margin recovery. Thus, the increased

Performance comment

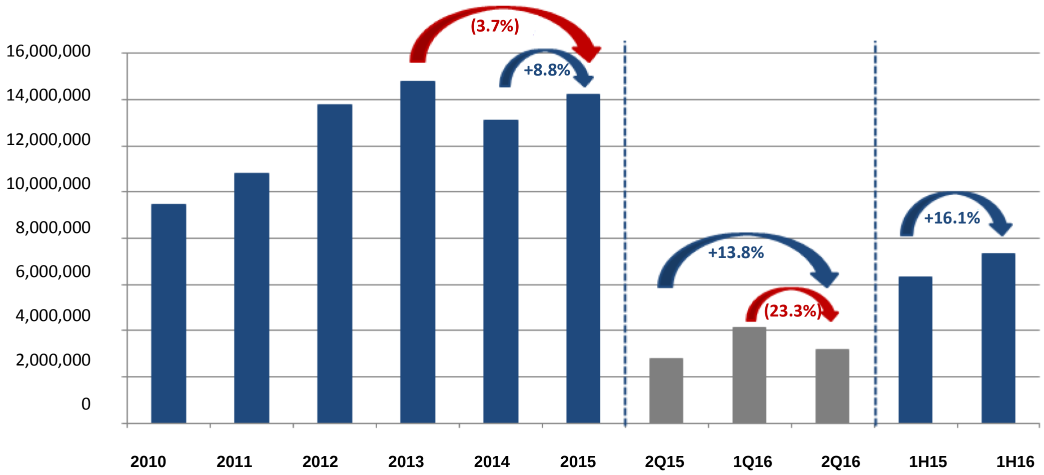
production and better markets mix have generated an expansion of 11,4 p.p. in firearms gross margin in 2Q16 compared to 1Q16, reaching 31.3%. In 1H16, firearms gross margin increased by 1.2% compared to the same period of 2015, reaching 29.5%.

In Brazil, meeting the specific government demands was primarily responsible for the growth of 61.8% in sales in 2Q16 compared to 1Q16, recording R$14.4 million. In the first half, the domestic sales amounted to R$23.3 million, a 42% decrease compared to 1H15.

In the foreign market, firearms sales in the US grew by 4.7% in 2Q16 against 1Q16, reaching R$140.8 million. The expansion of US sales was limited by a matter of foreign exchange. However, it is important highlighting that, although the second quarter is seasonally weaker than the first in that country, in the light of the 23.3% decrease in the National Instant Background Check System (NICS), an index that allows to ascertain intentions of firearms purchases in the US in 2Q16, when compared to 1Q16, the Company keeps increasing its sales in that country and recovering its market share. In the first half, sales growth in the US market was 16.8% compared to the first quarter 2015.

NICS - *National Instant Background Check System*

Quantity of inquiries



Firearms sales to other countries recorded a growth, expanding 100% in 2Q16 compared to 1Q16, even under a low base. Asia remains the main region served in sales to other countries. In the first six months of 2016, net revenue from firearms sales to other countries recorded R$12.0 million, 34.1% lower than recorded in the same period of 2015.

Performance comment

II. Helmets

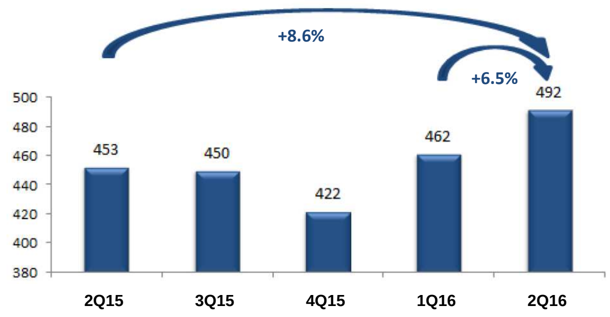
Helmet segment is the Company's second largest, with production in units Taurus Blindagens Ltda., in Mandirituba, Paraná State (PR), and Taurus Blindagens Nordeste Ltda., in Simões Filho, Bahia State (BA) and the major part of production is for the domestic market.

NET REVENUE In millions of reais	2Q16	1Q16	2Q15	1H16	1H15	Variation 2Q15/1Q16	Variation 2Q16/2Q15	Variation 1H16/1H15
Helmets	**29.8**	**30.3**	**27.8**	**60.1**	**58.8**	**-1.7%**	**7.3%**	***2.2%***
Brazil	**29.8**	**30.3**	**27.5**	**60.1**	**58.5**	**-1,7%**	**8,4%**	**2,7%**
Southeast region	7.7	8.1	7.6	15.8	16.6	-4.9%	1,3%	-6,0%
South	2.0	1.7	1.2	3.6	2.6	17,6%	66,7%	35,7%
Northeast	9.4	10.8	9.9	20.1	19.9	-13,0%	-5,1%	1,0%
North region	5.5	4.2	4.6	9.7	9.9	31,0%	19,6%	-2,0%
Midwest	5.2	5.5	4.2	10.7	9.1	-5.5%	23,3%	17,6%
Export	**-**	**-**	**0.3**	**-**	**0.3**	**-**	**-**	**-**

In 2Q16, net revenue from helmets reported R$29.8 million, 1.7% below the R$30.3 million recorded in the previous quarter. This result reflects the strategy in the quarter to operate with a higher level of discounts on certain products in order to increase inventory turnover and keep on recovering market share in a challenging domestic economic environment. When comparing the evolution of physical sales of helmets to physical sales of motorcycle in Brazil in 2Q16 against 1Q16, a 6.5% growth in helmets sales and an 8.8% drop in motorcycles sales have been noted, demonstrating the improvement in market share of the Company. In the half year, net revenue from helmets had a slight increase of 2.2% against the first six months of 2015, accounting for R$60.1 million.

Changes in physical sales for motorcycle Helmets - Taurus

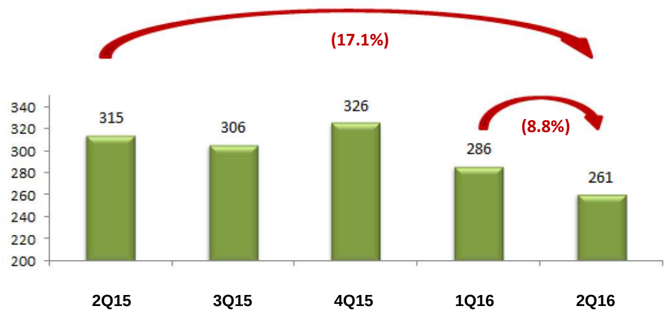
(Quantity in thousands)



Source: Company data

Changes in motorcycle physical sales in Brazil

(Quantity in thousands)



Source: Fenabrave

Performance comment

Gross margin in this segment, in turn, was 31.9% in 2Q16, which is 9,4p.p. lower than in 1Q16, due to a strategy of greater discounts and expansion of market share in the quarter. In 1H16, gross margin recorded a gain of 2,4p.p. compared to the 1H15 reaching 36.6%.

III. Other

In addition to firearms and helmets, Taurus also has other segments such as manufacture of plastic containers, motorcycle cases, forged and molded parts M.I.M. (Metal Injection Molding) pieces. Polimetal Metalurgia e Plásticos Ltda. em São Leopoldo/RS is exclusively dedicated to metal injecting molding (M.I.M.). All the other products are manufactured in the Paraná unit - Taurus Blindagens.

						Variation		
NET REVENUE In millions of reais	**2Q15**	**1Q16**	**2Q15**	**1H16**	**1H15**	**2Q16/1Q16**	**2Q16/2Q15**	**1H16/1H15**
Other	5.3	7.8	3.7	13.1	13.3	-32.1%	43.2%	-1.5%
Brazil	4.1	6.8	2.4	10.9	11.1	-39.7%	70.8%	-1.8%
Export	1.2	1.0	1.3	1.1	2.2	20.0%	-7.7%	0.0%

This segment posted net sales of R$5.3 million in 2Q16, which represents a decrease of 32.1% over the previous quarter. The adverse domestic scenario also affects the performance of this segment, since the government budgets in deficit reduce bids for products in this segment.

Operating expenses

Operating expenses totaled R$81.2 million in the 2Q16, an increase of 14.7% in relation to the prior quarter. In this quarter, expenses were impacted by (i) sale of Famastil quotes that generated an accounting loss of R$4.9 million related to the investment sale and goodwill on investment; and (ii) and increase in provisions amounting to R$10.3 million related to the confirmation of all attorneys' fees related to case Carter already disclosed. In 1Q15, the Company recognized an expense of R$69.4 million related to the case Carter, amount already included the attorneys' fees. In 4Q15, a reduction of these fees was mentioned, which caused the partial reversal of the provision for these fees in that quarter. In June, in the decision-making of lawsuit approval, the original fees amount was confirmed, thus requiring an additional provision in 2Q16 of US$ 3 million. Eliminating these adjusted items, operating expenses have recorded R$66.0 million, a 6.8% decrease when compared to 1Q16.

Performance comment

In the first half, operating expenses totaled R$152.0 million, 5.9% lower than recorded in 1H15.

OPERATING EXPENSES (SG&A)

In millions of reais

	2Q16	1Q16	2Q15	1H16	1H15	2Q16x1Q16	2Q16x2Q15	1H16x1H15
Operating expenses	81.2	70.8	51.3	152.0	161.6	14.7%	58.3%	-5.9%
Net revenue	198.3	185.5	175.5	383.9	349.0	6.9%	13.0%	10.0%
Operating expenses %	40.9%	38.2%	29.2%	39.6%	46.3%	2.7 p.p.	11.7 p.p.	-6.7 p.p.

EBITDA

EBITDA in 2Q16, was a negative in R$11.9 million impacted by the loss of R$15.2 million due to (i) the write-off of investment and goodwill on investment related to the sale of Famastil quotes, with an effect of R$4.9 million; and (ii) the additional provision for attorneys' fees referring to the case Carter, with an effect of R$10.3 million in the quarter, as previously mentioned. Eliminating these items, EBITDA would have been positive by R$3.3 million, compared to the negative balance of R$12.5 million in 1Q16.

In half year, the indicator was negative at R$24.4 million, while in the same period of 2015, it had recorded a negative balance of R$54.5 million.

CONSOLIDATED EBITDA

In millions of reais

	2Q16	1Q16	2Q15	1H16	1H15
= Income (loss) for the Quarter	14.6	(3.3)	4.7	11.3	(145.2)
(+) IR/CSLL	(1.6)	(1.4)	(4.5)	(3.0)	2.0
(+) Financial income, Net	(29.9)	(19.8)	3.5	(49.7)	71.8
(+) Depreciation/amortization	5.0	12.0	8.4	17.0	16.9
= EBITDA CVM Inst. 527/12	**(11.9)**	**(12.5)**	**12.1**	**(24.4)**	**(54.5)**

Financial income (loss)

In 2Q16, financial result was positive at R$29.9 million, 51.0% higher than in the 1Q16. This increase is due to the effect of the depreciation of the US Dollar at the closing of 2Q16 when compared to the closing of the 1Q16, recording a 9.8% depreciation of the Company's debt, causing to the exchange variations to report a growth of 29.1 %, reaching R$55.5 million in 2Q16. In 1H16, the financial result was positive at R$49.7 million, compared to a negative balance of 72.5 million in 1H15.

Performance comment

The Company's financial results is broken down as follows:

FINANCIAL INCOME (LOSS)

In millions of reais

	2Q16	1Q16	2Q15	1H16	1H15	2Q16x1Q16	2Q16x2Q15	1H16x1H15
Interest	(19.6)	(17.6)	(16.0)	(37.2)	(30.3)	11.4%	22.5%	22.8%
Foreign exchange	55.5	43.0	12.0	98.5	(49.8)	29.1%	362.5%	-
Swap on financial operations	(4.4)	(4.6)	(2.6)	(9.1)	5.0	-4.3%	69.2%	-
Other income (expenses)	(1.6)	(1.0)	3.2	(2.5)	2.7	60.0%	-	-
Net financial income (loss)	**29.9**	**19.8**	**(3.4)**	**49.7**	**(72.4)**	**51.0%**	-	-

Income (loss) Consolidated

In 2Q16, the Company recorded a R$14.6 million profit, reversing a loss of R$3.3 million in 1Q16. This profit reflects mainly the exchange rate variation in this 2Q16 compared to 1Q16, taking into consideration the exposure to debts linked to US Dollar. In the first half, Taurus registered R$11.3 million profit, compared to a loss of R$145.2 million in the same period 2015.

3. Financial position

In the second quarter, there was a major breakthrough in the debt reprofiling process. On June 30, 2016, the process of execution of the debt agreement extension. The terms of the Transaction include the maturity extension of debts in the amount of about USD$150.0 million. The period of the Transaction is five (5) years, including a two-(2)-year grace period to start paying the principal. The conclusion of the process, with the relevant financial settlement of the transactions, is subject to compliance with certain previous conditions that are usual for this type of transaction, which will be duly communicated by the Company later. Further details are presented in item 7. Subsequent events.

Taurus' Debt position, as of June 30, 2016, on current and pro-forma simulated basis, which would be the reprofiling debt if the transaction had been completed on this date.

Performance comment

INDEBTEDNESS

In millions of reais

INDEBTEDNESS		Current 06/30/2016	Proforma 06/30/2016	(R$) Current X Proforma	(%) Current X Proforma	03/31/2016	Current June 2016 X Mar 2016
Short term	Loans and financing	234.8	106.3	-128.5	-54.7%	223.7	5.0%
	Debentures	130.2	3.9	-126.3	-97.0%	95.3	35.9%
	Advance of receivables	5.5	6.5	0.0	0.0%	20.1	-67.7%
	Foreign exchange withdrawals	181.3	0.0	-181.3	-	198.4	-8.6%
	Financial instruments	9.0	1.0	-8.0	-88.9%	4.9	83.7%
	TOTAL SHORT-TERM	561.3	117.7	-444.1	-79.0%	542.9	3.5%
Long term	Loans and financing	95.5	477.4	381.9	399.9%	124.3	-23.2%
	Debentures	0.0	65.1	65.1	-	33.1	-100.0%
	TOTAL LONG-TERM	95.5	542.5	447.0	468.1%	157.4	-39.3%
TOTAL DEBT		657.3	660.2	660.2	2.9	0.4%	-6.1%
Cash and bank deposits		29.1	32.0				-31.7%
Net indebtedness		628.2	628.2	32.0	2.9	10.0%	-4.5%

The Company's gross debt of R$657.3 million, 6.1% below the 700.3 million recorded in March 2016. This reduction reflects the foreign exchange rates on debts denominated in US Dollars, which accounted for 69% of total indebtedness of the Company, given the fact that the depreciation of the US Dollar in the end of the quarter was 9.8% over the closing of 1Q16. Cash and bank deposits summed up R$ 29.1 million in June 2016, 31.7% below the R$ 42.6 million in March 2016. Therefore, the Company’s net debt fell by 4.5% in June 2016 compared to March 2016, recording R$628.2 million.

When the reprofiling debt simulation is analyzed, it is important highlighting that this process involves 3 important points:

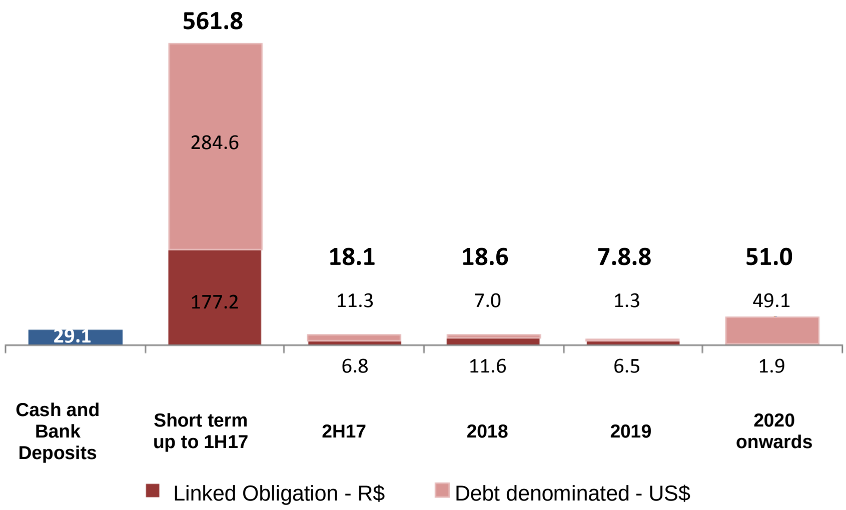
- Part of loans and financing denominated in Brazilian Reais in will be denominated in US Dollar;
- The 3rd issuance of debentures was included in the debt reprofiling, and 50% of its breaking down is now part of Long-Term Loans and financing, and the remaining 50% were kept as debentures. It is worth remembering that in the short term a small part of the 2nd issuance of debentures remained not included in the reprofiling.
- The conclusion of the renegotiation process expects an additional credit facility of USD$900,000, equivalent to R$2.9 million under the same parameters negotiated in the debt reprofiling. Thus, this amount is included in Loans and Borrowings denominated in US$ and in the cash and cash equivalents.

Performance comment

Debt maturities schedule at the end of June 2016 (current) and simulation of the reprofiled schedule on the same date:

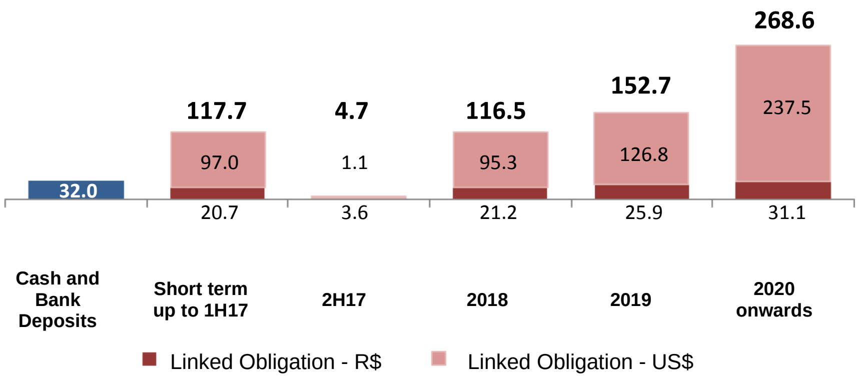
Debt schedule on June 30, 2016 - Current

Amounts in R$



Debt schedule on June 30, 2016 – Pro-forma

Amounts in R$



If satisfactorily completed, the Company's short-term debt reprofiling would increase from R$561.8 million to R$117.7 million. This difference will be distributed in the payment flow in the years 2018, 2019, 2020 and 2021. The conclusion of this Transaction represents an important step in the Company's debt restructuring process, creating new conditions for its development and operational and financial strengthening.

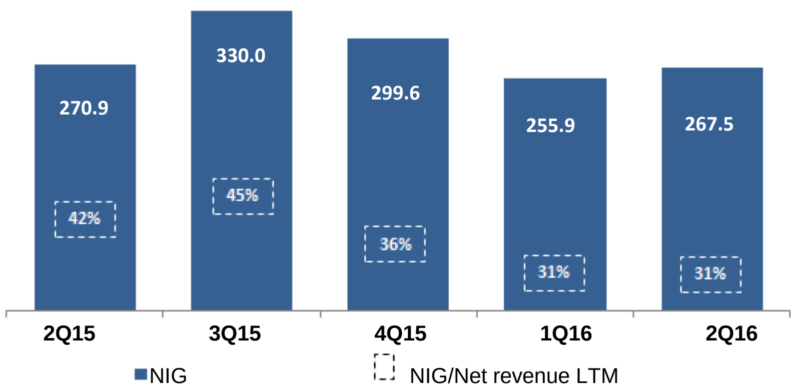
Performance comment

4. Working Capital

In 2Q16, the Need for Investment in Working Capital (NIWC) was R$267.5 million, 4.5% higher than the R$255.9 million in the previous quarter. When related to annualized net revenues, NIWC for the 2Q16, remained stable at 31% in the first three months of the year.

Working capital need

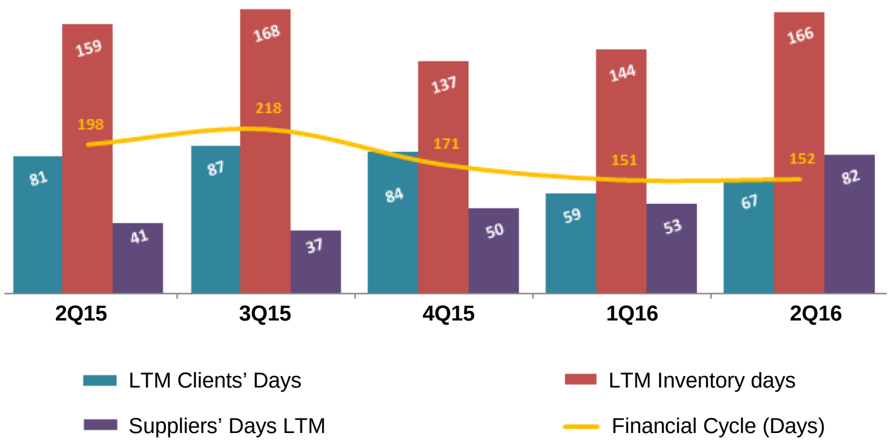
In millions of reais



NIWC = Inventories + Accounts Receivable - Trade Payables - Social and Labor Charges

The Company's financial cycle, as shown below, also was close to stability in 2Q16 compared to 1Q16, registering 152 days. This result was due to the increase in suppliers' term, which offset the increase in clients' days that was increased due to the higher share of the domestic market and other countries in the breaking down of sales in the quarter, and an increase in inventory days. It is worth remembering that the current situation of the Company's cash, still quite restricted, caused part of payments to suppliers to be postponed, as occurred in 1Q16, generating an increase in average maturity thereof, but not necessarily representing an increase in average normal operational time. Normalization of payments will generate a reduction of this benefit in working capital in the following quarters.

Clients, Inventories and Suppliers' Days



Performance comment

5. Cash flow

In 2Q16, the Company had a negative operating cash generation of R$1.3 million, primarily related to the decrease in assets and liabilities change, which was negative by R$21.4 million due to the increase in clients and inventories. Investing activities totaled R$7.3 million in 2Q16, especially because of the sale of Famastil interest, which generated R$5.0 million in cash. Finally, financing activities consumed R$ 16.3 million in the quarter.

Accordingly, the Company's cash position decreased by R$10.3 million in 2Q16, against a reduction of R$27.4 million in 1Q16. Thus, cash balance went from R$33.0 million in 1Q16 to R$22.7 million in 2Q16, a decrease of 31.2%.

The Company’s cash flow in the 2Q16 is shown in the table below.

CASH FLOW – CONSOLIDATED

In millions of reais

	2Q16	1Q16	2Q15 x 1Q15
Cash at the beginning of the period	**33.0**	**60.4**	**-45.4%**
Cash flow from operating activities	**(1.3)**	**54.6**	**-**
Loss before income and social contribution taxes	13.0	(4.7)	-
Depreciation and amortization	5.0	12.0	-58.3%
Cost of written-off permanent assets	(1.8)	9.1	-
Equity income (loss)	0.6	0.9	-33.3%
Provision for financial charges	17.7	24.5	-27.8%
Provision for contingencies	7.5	2.9	153.6%
Allowance for doubtful accounts	1.4	-	-
Provisions for guarantees	(1.0)	(0.9)	11.1%
Foreign exchange variation over financial charges	(26.6)	(28.8)	-7.6%
Changes in assets and liabilities	(21.4)	39.9	-
Income and social contribution taxes paid	(0.6)	(0.3)	100.0%
Write-off of Investment (Famastil)	4.9	-	-
Investment activities	**7.3**	**0.5**	**1360.0%**
In property, plant and equipment	(0.8)	(13.0)	-95.6%
In intangible assets	-	(6.5)	-
Sale of investment (Famastil)	5.0	-	-
Interest earning bank deposits	3.2	24.9	-87.1%
Other receivables	(0.1)	0.1	-

Performance comment

CASH FLOW – CONSOLIDATED - Continued

In millions of reais

	2Q16	1Q16	2Q16 x 2Q16
Financing activities	**(16.3)**	**(82.5)**	**-80.2%**
Loans obtained	54.1	165.7	-67.4%
Payments of loans	(76.4)	(240.6)	-68.2%
Payment of interest on loans	(11.5)	(7.6)	51.3%
Capital increase	17.5	-	-
Increase (decrease) in cash	**(10.3)**	**(27.4)**	**-62.4%**
Cash at end of the period	**22.7**	**33.0**	**-31.2%**

6. Capital market and corporate governance

Forjas Taurus S.A. is Brazilian publicly-traded company that has been listed on BM&FBOVESPA for more than 30 years and since July 2011 has been listed at Corporate Governance Level 2. At the Board of Directors' Meetings of June 2, 2016 and June 27, 2016, the capital increases have been approved, respectively amounting to (i) R$17,540,321.52, through the issuance of 10,695,318 new shares, of which 10,060,829 are common shares, and 634,489 are preferred shares, at an issue price of R$1.64 per share, as a result of the exercise of 10,060,829 class 1 bonds with warrants by the shareholder *Companhia Brasileira de Cartuchos*, and 634,489 class 2 bonds with warrants by the shareholder Marcos Bodin de Saint Ange Comnene; and (ii) R$4.92, through the issuance of three (3) new common shares, as a result of the exercise of three (3) class 1 bonds with warrants by shareholder Sérgio Feijão Filho, as per terms and conditions approved upon the Company's capital increase approved at the Annual Shareholders Meeting held on September 29, 2015. The new common and preferred shares are entitled to receiving full dividends that may be declared and all other rights and benefits granted to other holders of the Company's common shares, on equal terms.

After these exercises of bonds, 1,811,473 class 1 subscription bonus remain outstanding, allocated to subscribers of common shares and also 4,662,416 class 2 subscription bonus allocated to bondholders of preferred shares in the capital increase approved on September 29, 2015. These subscription bonus mature on January 30, 2017.

The Company's new capital increased to three hundred ninety-three million, nine hundred seventy-seven thousand, twenty-six Brazilian Reais and nine cents (R$393,977,026.09) represented by 44,642,459 shares, of which forty-four million six hundred and forty-two thousand, four hundred fifty-nine) common shares and 13,636,110 (thirteen million, six hundred and thirty-six thousand, one hundred and ten) preferred shares, all nominative and book-entry shares, without par value.

Performance comment

Evolution of Taurus share value and market value is shown below. In 2Q16, the Company's preferred shares had a 11.9% depreciation in relation to March 2016. In the same period, common shares depreciated 10.7%. The Company's market value, on the other hand, grew by 9.1% compared to March 2016. This increase in the Company's market value in the period is the result of capital increases discussed above.

PERFORMANCE OF SHARES AND MARKET VALUE

Stock Price Closure	2Q16		1Q16		2Q15		Variation 2Q16 x 1Q16	Variation 2Q16 x 2Q15
ON - FJTA3	R$	1.59	R$	1.78	R$	2.01	-10.7%	-20.9%
PN - FJTA4	R$	1.56	R$	1.77	R$	1.66	-11.9%	-6.0%
IBOVESPA	R$	51,527	R$	50,055	R$	53,081	2.9%	-2.9%

Market value In millions of reais	2Q16		1Q16		2Q15		2Q16 x 1Q16	2Q16 x 2Q15
ON - FJTA3	R$	71.0	R$	61.6	R$	17.0	15.3%	318.4%
PN - FJTA4	R$	21.3	R$	23.0	R$	12.8	-7.6%	66.3%
TOTAL	R$	92.3	R$	84.6	R$	29.8	9.1%	210.1%

7. Subsequent Events - Debt reprofiling

The Company started in 2015 a negotiation process with certain bank creditors, aiming at reprofiling part of the Company's and its subsidiaries' debts. On June 30, 2016, the process of formalization and execution of the agreements for such reprofiling has been completed. The terms of the transaction have included the extension of debt maturity with the Creditors, amounting to approximately USD$150.0 million. The total period of the Transaction is now five (5) years, including a two-(2)-year grace period to start paying the principal. The principal will be amortized in quarterly payments, which will start at the end of the 24th month (inclusive). The nominees will bear interest equal to LIBOR (3 months) + 8.14% per annum and will be paid semi-annually during the grace period and quarterly after that period.

The Transaction will be created with the following collateral: (i) pledge of all the shares of Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda. ("Pledged Shares"); (ii) 1st level mortgage of 3 properties located in the city of Mandirituba (state of Paraná), and 2 properties located in the city of Porto Alegre (state of Rio Grande do Sul ("Mortgage"); and (iii) fiduciary assignment of credit rights arising from all funds object of the possible sale of quotas subject to Pledged Shares and Mortgage as well as rights related to the ownership of the Company's escrow account to be opened for the purpose of receiving the funds. The conclusion of the process, with the relevant financial settlement of transactions is subject to compliance with certain previous conditions that are usual for this type of transaction, among which is the creation of the records for the guarantees offered to the responsible agencies, which will be later duly communicated by the Company.

The conclusion of this Transaction represents an important step in the Company's debt restructuring process, creating new conditions for its development and operational and financial strengthening.

The pro-forma table containing the Company's Statement of Financial Position, currently and after the debt reprofiling, considering the impacts of the transaction completion, is as follows. The conclusion of the

Performance comment

renegotiation process expects an additional credit facility of USD$900,000, equivalent to R$2.9 million under the same parameters negotiated in the debt reprofiling. Thus, this amount is included in Loans and FInancing in the non-current liabilities and in Cash and Cash Equivalents in the current assets after the reprofiling.

	Current June 2016	Proforma June 2016
Total assets	**955.0**	**957.9**
Current assets	**564.4**	**567.3**
Cash and cash equivalents	*22.6*	*25.5*
Interest earning bank deposits	3.4	3.4
Accounts receivable	160.9	160.9
Inventories	275.7	275.7
Recoverable taxes	51.6	51.6
Prepaid expenses	31.7	31.7
Other current assets	18.5	18.5
Non-current assets	**390.6**	**390.6**
Long term assets	52.6	52.5
Trading securities	3.1	3.1
Investments	0.3	0.3
Property, plant and equipment	257.2	257.2
Intangible assets	77.4	77.4

	Current June 2016	Proforma June 2016
Total liabilities	**955.0**	**957.9**
Current liabilities	**898.1**	**454.0**
Social and labor obligations	33.0	33.0
Suppliers	136.1	136.1
Tax liabilities	18.7	18.7
Loans and financing	*234.8*	*106.3*
Debentures	*130.2*	*3.9*
Advance of receivables	6.5	6.5
Foreign exchange withdrawals	*181.3*	-
Financial instruments	9.0	1.0
Other liabilities	80.3	80.3
Provisions	63.2	63.2
Non-current liabilities	**137.6**	**584.6**
Loans and financing	95.5	*477.4*
Debentures	**-**	*65.1*
Other obligations	5.7	5.7
Deferred taxes	0.3	0.3
Provisions	36.1	36.1
Consolidated shareholders' equity	**-80.7**	**-80.7**
Realized capital	394.0	394.0
Capital reserves	-41.0	-41.0
Retained earnings/losses	-554.0	-554.0
Equity evaluation adjustments	30.8	30.8
Accumulated translation adjustments	89.4	89.4

Notes to the financial statements

Notes to the financial statements
June 30, 2016
(In thousands of Reais, unless otherwise indicated)

1. Operations

Forjas Taurus S.A. ("Company") is one of the world's largest manufacturers of light firearms. It is headquartered in the city of São Leopoldo, state of Rio Grande do Sul, and has been a Brazilian publicly-held company for over 30 years, and since 2011, has been listed on Level 2 of Corporate Governance of BM&FBOVESPA (ticker symbols are FJTA3, FJTA4).

The Company operates in Firearms and Accessories, Helmets and Accessories, Containers and Plastics and M.I.M. (Metal Injection Molding) segments, having 4 manufacturing plants, 3 of them in Brazil and one in Miami, United States. Brazilian units are located in the states of Rio Grande do Sul, Paraná and Bahia.

In Brazil, sales are directed to state, civil and military police, in addition to the civilian market. Taurus is accredited as EED - Strategic Defense Company – accordingly, it is entitled to supply products for the Brazilian Armed Forces.

Overseas, in addition to distributing products from TAURUS and ROSSI brands made in Brazil, the Miami unit manufactures models of TAURUS pistols and HERITAGE revolvers. Exports serve mainly the US civilian market and government agencies in other regions.

Since January 2016, all production of firearms is located in the new plant in the city of São Leopoldo, same month when it began to operate with the ERP SAP system.

The second quarter of 2016 was a period of stabilization of changes resulting from the process of the Company's operational restructuring, ongoing since 2015. In this quarter, it was possible to raise the level of firearms production, enabling to resume the service to the domestic market and other countries. It is worth remembering that in the first quarter 2016 production was reduced due to the transfer process of the plant from Porto Alegre to São Leopoldo.

On the financial side, the company took a major step in the restructuring of its debt. On June 28, 2016, the process of execution of the debt extension agreements was completed (as described in Note No. 28). The terms of the transaction include the extension of the debt maturity amounting to about one hundred and fifty million US Dollars (USD$150.0 million). The total term of the transaction shall be five (5) years with a two-(2)-year grace period to start paying the principal. This progress creates new conditions for the development and operational and financial strengthening of the Company.

Regarding sales, in the first six months of 2016, net revenue grew by 10.0% over the same period last year, totaling R$383.8 million. In the second quarter of 2016, sales growth was 6.9% compared to the first quarter of 2016, reaching R$198.3 million, being limited by the 10.1% average US Dollar American depreciation in the period.

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2. Presentation of financial statements

2.1. Preparation basis

The individual and consolidated financial statements were prepared based on the historical cost, except for derivative financial instruments measured at fair value through profit or loss.

a) Compliance statement

Individual and consolidated interim financial information prepared in accordance with CPC 21 (R1) issued by the Accounting Pronouncement Committee (CPC) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board -IASB, as well as, considering the standards issues by the Securities Commission applicable to the preparation of Quarterly Information (ITR).

b) Statement of the Board of Directors

The Company's Management claims that all and only relevant information pertaining its financial statements are being highlighted and correspond to those used in its management.

The issue of individual and consolidated financial statements was authorized by the Board of Directors on August 11, 2016.

2.2. Basis of consolidation

		Equity interest	
	Country	**06/30/2016**	**12/31/2015**
Taurus Blindagens Ltda.*	Brazil	**100.00%**	**100.00%**
Taurus Blindagens Nordeste Ltda.*	Brazil	**100.00%**	**100.00%**
Taurus Holdings, Inc.	United States	**100.00%**	**100.00%**
Taurus Security Ltda.	Brazil	**-**	**100.00%**
Taurus Máquinas-Ferramenta Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Investimentos Imobiliários Ltda.	Brazil	**100.00%**	**100.00%**
Famastil Taurus Ferramentas S.A.	Brazil	**-**	**35.00%**
Polimetal Metalurgia e Plásticos Ltda. *	Brazil	**100.00%**	**100.00%**
T. Investments Co. Inc.***	Panama	**100.00%**	**100.00%**
Taurus Plásticos Ltda.****	Brazil	**100.00%**	**-**

(*) The investments reported represent the percentage interest held by the Company, either directly or indirectly in the capital of the subsidiaries.

(**) Non-consolidated. On June 2, 2016, Famastil Taurus Ferramentas S.A. was sold.

(***) On April 24, 2015, T Investment Co. Inc., headquartered in Panama is mainly engaged in managing international investments of Forjas Taurus S.A. Forjas Taurus S.A. holds an 100% interest in T. Investments Co. Inc..

(****) On January 5, 2016, the partial spin-off of Taurus Blindagens Ltda. has occurred, resulting in Taurus Plásticos Ltda.

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In processing the consolidation of balance sheet and profit or loss accounts, the following items were eliminated:

- Parent company’s interest in capital, reserves and retained earnings (accumulated losses) of consolidated companies;
- Balances of asset and liability accounts held among consolidated companies;
- Balances of income and expenses arising of transactions carried out among the consolidated companies; and
- Unrealized gains originating from transactions with investee companies recorded using the equity method, in the proportion of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to asset impairment.

2.3. Functional and presentation currency

The individual and consolidated financial statements are presented in Brazilian Reais, which is the functional currency of the Company and its subsidiaries located in Brazil. The functional currency of subsidiary Taurus Holdings, Inc., located in the United Statesand of the subsidiary T. Investments Co. Inc., headquartered in Panama, is the US dollar, its assets and liabilities are translated into reais at the exchange rate effective at balance sheet date and the related statements of income are translated at the monthly average exchange rate. Exchange differences arising from the translation process of foreign subsidiary are recognized in other comprehensive income and presented in equity.

Transactions in foreign currency are translated to Company functional currency at the exchange rate of transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. All currency translation differences are recognized in P&L.

3. Significant accounting judgments and sources of uncertainties in estimates

When applying accounting practices, management must make judgments and prepare estimates related to carrying amounts of assets and liabilities not easily obtained from other sources. Estimates and respective assumptions are based on historic experience and on other factors that are considered relevant. Actual results of these book values may differ from these estimates.

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Information on key judgments referring to accounting policies adopted that affect the amounts recognized in the individual and consolidated financial statements and information about uncertainties, assumptions and estimates is included in the following notes: 12 – Income and social contribution taxes, 15 – Intangible Assets, 18 – Provision for civil, labor and tax contingencies and 19 – Financial instruments.

4. Significant accounting policies

Significant accounting practices adopted by the Company are described in specific notes, relating to the items presented; those generally applicable, in different aspects of the financial statements, are presented in this section.

Accounting practices considered not significant were not included in the financial statements. The accounting practices are consistently applied by Company investees.

a) Financial instruments

(i) *Non-derivative financial assets*

The Company has the following non-derivative financial assets: cash, cash equivalents, interest earning bank deposits, trade accounts receivable and other accounts receivable.

These assets are classified under loans and receivables.

Such loans and receivables are initially recognized at fair value increased by any attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost through the effective interest method, adjusted by any impairment loss.

(ii) *Non-derivative financial liabilities*

The Company has the following non-derivative financial liabilities: loans, financing, non-convertible debentures, bank overdraft facility, trade accounts payable and other accounts payable. These liabilities are initially recognized at fair value increased by any attributable transaction costs. After initial recognition, they are measured at amortized cost using the effective interest method.

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(iii) *Derivative financial instruments*

The Company keeps financial hedge derivatives to hedge its exposures to foreign currency and interest rate changes.

Derivatives are initially recognized at their fair value, and the attributable transaction costs are recognized in profit or loss when incurred. After initial recognition, derivatives are measured at fair value at balance sheet date and changes in fair value are recorded in P&L.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iv) *Impairment*

The Company and its subsidiaries evaluate at balance sheet date if there is any objective evidence indicating that the financial asset or group of financial assets is not recoverable. A financial asset or group of financial assets is considered not recoverable if and only if there is objective evidence of impairment as a result of one or more events that have happened after the initial recognition of assets (a "loss event" incurred) and this loss event has an impact on estimated future cash flows of the financial asset or group of financial assets that can be reasonably estimated.

b) Statements of added value

Statement of value added is not required by IFRS and is presented as a complement in compliance with Brazilian corporate law. Its purpose is to evidence wealth created by the Company-during the year, as well as to demonstrate its distribution among several agents.

c) New standards, interpretations and revisions of non-effective standards

The early adoption of standards, although encouraged by the IASB, is not issued in Brazil by the Accounting Pronouncement Committee (CPC).

The following new standards and interpretations of standards were issued by the IASB but are not in force for the year 2016.

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IFRS 9 Financial Instruments (Effective as from 01/01/2018)	IFRS 9 introduces new requirements for classifying and measuring financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. It also brings a new model of credit losses expected to replace the current model of incurred losses. IFRS 9 provides greater flexibility regarding the demands of effectiveness of hedge, as well as it requires an economic relationship between the hedged item and the instrument of hedge and that the hedged index is the same as that which management uses for risk management purposes. The standard is applicable as of January 11, 2018. The Company is evaluating the impacts of applying this standard.
IFRS 15 Revenue from Contracts with Clients (in effect as from 01/01/2017)	This standard aims to establish the principles that a Company must apply to report information regarding the nature, quantity, time and estimates of revenue and cash flows arising from an agreement with a client. The standard is applicable as of January 11, 2017. The Company is assessing the impact of applying this standard.
IFRS 16 - Lease (Effective as from 01/01/2019).	This standard aims to unify the model of accounting the lease, requiring leaseholders to recognize all lease agreements as an asset or liability, unless the agreement has a term of twelve months or an intangible value. The standard is applicable as of January 11, 2019. The Company is assessing the impact of applying this standard.

The CPC has not yet issued the respective pronouncements and amendments related to new and revised IFRS previously presented. Due to the commitment of the CPC and the Brazilian Securities Commission (CVM) to keep the set of standards issued updated based on the updates made by the IASB, it is expected that these pronouncements and amendments be edited by CPC and approved by CVM up to the date they become effective.

The Company also understands that there are no other standards and interpretations issued but not yet adopted that may, in the opinion of management, significantly impact Company disclosed net income or equity. Management intends to adopt such standards when they become applicable to the Company.

5. Financial risk management

The Company's risk management policies are established to identify and analyzed the risks that it faces, to define appropriate limits and controls of risks, and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed frequently to reflect changes in the market conditions and in the Company's activities.

The Company is exposed to the following risks from the use of financial instruments:

5.1 Credit risk

This is the risk of financial losses for the Company in the event a client or counterparty to a financial instrument fails to comply with its contractual obligations, and refers mainly to trade accounts receivable and investment securities. The Company and its subsidiaries only carry out operations with financial institutions considered by management as involving low risk.

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Trade accounts receivable and other credits

The Company and its subsidiaries adopt the practice to analyze the financial situation of counterparties, and also define credit limits and permanently accompany outstanding balances. The Company’s sales revenue is not concentrated on a single client and there is no credit risk concentration.

Credit worthiness of every new client is analyzed individually before the Company’s standard payment and delivery terms and conditions are offered. This analysis includes external evaluations and, in some cases, references from banking institutions. Purchase limits are established for each client, which represent the maximum amount available without prior approval being required, with these limits revised quarterly. Clients that fail to comply with the credit limit established by the Company can only operate again upon bond settlement. For public bodies, Company management individually evaluates the ability to pay and the bid requirements for making the sales. The consolidated statement excludes the related-party transactions, the Company does not have clients that individually represent more than 5% of sales.

In monitoring client credit risk, they will be grouped according to their credit characteristics, including whether they are individuals or legal entities, retailers or public bodies, geographic location, industry type and existence of previous financial difficulties.

Credit risk exposure

The maximum credit risk exposure on balance sheet date was:

	Consolidated		Parent company	
	Book value		Book value	
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Financial assets held to maturity				
Trade accounts receivable	**160,883**	192,076	**63,757**	71,152
Cash and cash equivalents	**22,094**	60,312	**686**	15,822
Interest earnings bank deposits	**7,017**	34,626	**3,998**	16,081
Foreign exchange forward and interest rate swap contracts used for asset hedging	**-**	6,920	**-**	6,920
Total	**189,994**	323,356	**68,441**	122,061

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Maximum exposure to credit risk for trade accounts receivable at the reporting date by geographic region was as follows:

		Consolidated		Parent company
		Book value		Book value
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Domestic - trade accounts receivable	**96,702**	74,218	**66,388**	68,341
United States – trade accounts receivable	**80,497**	129,969	**-**	-
Other	**13,018**	17,311	**9,926**	14,897
Total	**190,217**	221,498	**76,314**	83,238

The Company's maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty was as follows:

		Consolidated		Parent company
		Book value		Book value
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Customers – public bodies	**20,483**	20,019	**20,028**	17,667
Customers - distributors	**166,223**	184,199	**53,235**	50,872
End customers	**3,511**	17,280	**3051**	14,699
Total	**190,217**	221,498	**76,314**	83,238

Impairment losses

Company and subsidiaries set up a provision for impairment losses which represents its estimate of losses incurred from trade accounts receivable, other receivables and investments. Loans and receivables granted at the balance sheet date mature as follows:

				Consolidated
	Gross	Gross	*Impairment*	*Impairment*
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Falling due	**147,068**	132,061	-	-
Overdue - in days:				
0–30	**11,882**	55,021	**(1,619)**	(485)
31–360(1)	**23,003**	18,213	**(15,495)**	(10,372)
>360	**8,264**	16,203	**(12,220)**	(18,565)
Total	**190,217**	221,498	**(29,334)**	(29,422)

(1) *A significant portion of overdue amounts refers to sales to public bodies with average payment delay of up to 90 days, considered usual by Company management for public sector clients.*

				Parent company
	Gross	Gross	*Impairment*	*Impairment*
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Falling due	**37,827**	55,215	-	-
Overdue - in days:				
0–30	**9,539**	10,693	**693**	(353)
31–360(1)	**21,753**	12,070	**6,633**	(6,473)
>360	**7,195**	5,260	**5,231**	(5,260)
Total	**76,314**	83,238	**12,557**	(12,086)

(1) *A significant portion of overdue amounts refers to sales to public bodies with average payment delay of up to 90 days, considered usual by Company management for public sector clients.*

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5.2 Liquidity risk

This is the risk that the Company will face difficulties in fulfilling its obligations associated with its financial liabilities which are settled with cash payments or with other financial assets.

Company and subsidiaries monitor their operating cash flow requirements, excluding the potential impact from extreme circumstances that cannot be reasonably forecast, such as natural disasters.

Presented below are the contractual maturities of financial liabilities, including payments of estimated interest, excluding the impact of currency negotiation agreements at the net position.

						Consolidated
						06/30/2016
	Book value	Contractual cash flow	Years:			
			Up to 1	1–2	2–5	>5
Non-derivative financial liabilities						
Suppliers	**136,109**	**136,109**	**136,109**	**-**	**-**	**-**
Loans and financing	**330,382**	**370,789**	**257,246**	**20,503**	**74,617**	**18,423**
Debentures	**130,204**	**152,815**	**152,815**	**-**		
Advance on real estate credits	**-**	**-**	**-**	**-**	**-**	**-**
Advances on foreign exchange contracts	**181,250**	**197,072**	**197,072**	**-**	**-**	**-**
Advance of receivables	**6,506**	**6,506**	**6,506**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**-**	**-**	**-**	**-**	**-**	**-**
Derivative instruments (liabilities)	**8,995**	**8,995**	**8,995**	**-**	**-**	**-**
	793,446	**872,286**	**758,743**	**20,503**	**74,617**	**18,423**

						Consolidated
						12/31/2015
	Book value	Contractual cash flow	Years:			
			Up to 1	1–2	2–5	>5
Non-derivative financial liabilities						
Suppliers	81,224	81,224	81,224	-	-	-
Loans and financing	411,842	463,387	232,419	168,051	39,518	23,399
Debentures	127,863	156,777	111,339	45,438		
Advance on real estate credits	-	-	-	-	-	-
Advances on foreign exchange contracts	191,948	206,686	206,686	-	-	-
Advance of receivables	54,589	54,589	54,589	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(6,920)	(6,920)	(6,920)	-	-	-
Derivative instruments (liabilities)	956	956	956	-	-	-
	861,502	956,699	680,293	213,489	39,518	23,399

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						Parent company
						06/30/2016
	Book value	Contractual cash flow	In years:			
			Up to 1	1–2	2–5	>5
Non-derivative financial liabilities						
Suppliers	**112,213**	**112,213**	**112,213**	**-**	**-**	**-**
Loans and financing	**247,827**	**276,130**	**238,073**	**15,883**	**22,163**	**10**
Debentures	**130,204**	**152,815**	**152,815**	**-**	**-**	**-**
Advances on foreign exchange contracts	**181,250**	**197,072**	**197,072**	**-**	**-**	**-**
Advance of receivables	**2,913**	**2,913**	**2,913**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**-**	**-**	**-**	**-**	**-**	**-**
Derivative instruments (liabilities)	**7,962**	**7,962**	**7,962**	**-**	**-**	**-**
	682,369	**749,105**	**711,048**	**15,883**	**22,163**	**10**

						Parent company
						12/31/2015
	Book value	Contractual cash flow	In years:			
			Up to 1	1–2	2–5	>5
Non-derivative financial liabilities						
Suppliers	119,075	119,075	119,075	-	-	-
Loans and financing	285,703	323,892	211,891	88,395	23,596	10
Debentures	127,863	156,777	111,339	45,438	-	-
Advances on foreign exchange contracts	191,948	206,686	206,686	-	-	-
Advance of receivables	969	969	969	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(6,920)	(6,920)	(6,920)	-	-	-
Derivative instruments (liabilities)	-	-	-	-	-	-
	718,638	800,479	643,040	133,833	23,596	10

5.3 Market risk

This is the risk that variation in market prices, such as foreign exchange rates and interest rates, will affect the results of Company and subsidiaries or the amount of their investment in financial instruments. The objective of market risk management is to manage and control exposures to market risks, within acceptable parameters and, at the same time, optimize return.

Company and subsidiaries use derivative financial instruments and also fulfill their financial obligations to manage market risks. All of these transactions take place under guidance specified by Management.

(i) Currency risk

Company and subsidiaries are subject to currency risk from sales, purchases and loans denominated in a currency other than the respective functional currencies of Company entities.

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In general, the Company aims to protect its expected exposure to foreign currencies in relation to sales forecast for the next months. The Company uses future market contracts, mostly maturing in less than one year of balance sheet dates, to hedge against currency risks.

When necessary, future market contracts are renewed on maturity.

In relation to other monetary assets and liabilities denominated in foreign currency, the Company aims to ensure that its net exposure is maintained at an acceptable level, buying and selling foreign currency at spot interest rates, when necessary, to deal with short term instabilities.

The probable base scenario for 2016 was defined through assumptions available in the market (source: Brazilian Central Bank Focus), and sensitivity calculation considered the variation between rates of the probable scenario for 2016 and those prevailing as of June 30, 2016.

The sensitivity analysis also considered variations of 25% and 50% on foreign exchange variations considered in the probable scenario.

Currencies and ratios		**Rate 06/30/2016**	**Probable scenario**	**Possible scenario △25%**	**Remote scenario △ 50%**
US dollar	Write-off	**3.21**	3.60	2.70	1.80
US dollar	High	**3.21**	3.60	4, 50	5.40

Sensitivity of the foreign currency change:

		Consolidated			
		Balance at 2016	**Probable scenario**	**Possible scenario (25%)**	**Remote scenario (50%)**
Assets – Dollar depreciation					
Accounts receivable	Dollar - US$	**29,134**	3,542	(7,294)	(17,568)
Liabilities - Dollar appreciation					
Loans and financing	Dollar - US$	**(81,950)**	(9,962)	(32,940)	(55,918)
Suppliers	Dollar - US$	**(5,116)**	(622)	(2,056)	(3,491)
Advances on foreign exchange contracts	Dollar - US$	**(56,468)**	(6,865)	(22,698)	(38,531)
Advances from clients	Dollar - US$	**(179)**	(22)	(72)	(122)
Other	Dollar - US$	**(2,051)**	(249)	(824)	(1,399)

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				Parent company	
		Balance at 2016	**Probable scenario**	**Possible scenario**	**Remote scenario**
Assets – Dollar depreciation					
Accounts receivable	Dollar - US$	**3,092**	376	(491)	(1,358)
Liabilities - Dollar appreciation					
Loans and financing	Dollar - US$	**(63,818)**	(5,021)	(25,652)	(43,546)
Suppliers	Dollar - US$	**(2,543)**	(141)	(1,022)	(1,736)
Advances on foreign exchange contracts	Dollar - US$	**(56,468)**	(3,842)	(22,698)	(38,531)
Advances from clients	Dollar - US$	**(6,806)**	(532)	(2,736)	(4,644)
Other	Dollar - US$	**(2,028)**	(159)	(815)	(1,384)

(ii) Interest rate risk

The balances of instruments exposed to interest rate variation are as follows:

In the quarter Income from short-term investments and financial expenses arising from the Company's loans and financing are impacted by changes in interest rates.

On June 30, 2016, the Management considered CDI rate at 14.13% and TJLP of 7.50% as the probable scenario in 2016. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

The scenarios below were estimated for the period of 1 year:

Currency	**06/30/2016**	**Probable scenario**	**Scenario △ 25%**	**Scenario △ 50%**
CDI - Low	14.13%	12.13%	9.10%	6.07%
CDI - high	14.13%	12.13%	15.16%	18.20%
TJLP	7.50%	7.50%	9.38%	11.25%
Selic	14.15%	12.25%	15.31%	18.38%
Libor 30 dyas	0.46%	0.46%	0.58%	0.69%
Libor 3 months	0.63%	0.63%	0.79%	0.95%
Libor 6 months	0.90%	0.90%	1.12%	1.35%

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	Gain (loss)				
	Index	Balance 2016	Probable scenario	Scenario 25%	Scenario 50%
Interest earnings bank deposits	CDI - Low	**7,017**	(140)	(353)	(566)
Loans	CDI - high	**(221,982)**	4,440	(2,292)	(9,024)
Loans	TJLP	**(3,145)**	-	(59)	(118)
Libor 30 dyas	*Libor* 30 dyas	**(34,083)**	-	(39)	(78)
Libor 3 months	Libor 3 months	**(93,662)**	-	(148)	(296)
Libor 6 months	Libor 6 months	**(22,262)**	-	(50)	(100)
Taxes in installments	Selic	**(945)**	18	(11)	(40)

	Parent company				
	Gain (loss)				
	Index	Balance 2016	Probable scenario	Scenario 25%	Scenario 50%
Interest earnings bank deposits	CDI - Low	**3,998**	(80)	(201)	(322)
Financial loans	CDI - Low	**(34,497)**	690	1,736	2,782
Loans	CDI - high	**(221,982)**	4,440	(2,292)	(9,024)
Loans	TJLP	**(10,662)**	-	(200)	(400)
Libor 3 months	Libor 3 months	**(93,662)**	-	(148)	(296)
Libor 6 months	Libor 6 months	**(22,262)**	-	(50)	(100)
Taxes in installments	Selic	**(416)**	8	(5)	(18)

5.4 Capital management

The policy adopted by management is to maintain a solid capital base for future business development, adding value to shareholders, creditors and the market in general, by monitoring return on capital. However, the results obtained in the past few years have deteriorated this parameter, as follows:

	Consolidated	
	06/30/2016	12/31/2015
Total liabilities	**1,035,737**	1,082,456
Less: Cash and cash equivalents and interest earning bank deposits	**(29,111)**	(94,938)
Net debt (A)	**1006.626**	987,518
Total quotaholders' equity (B)	**(80,747)**	(60,116)
Net debt to equity ratio as of June 30, 2016 and December 31, 2015 (A/B)	**(12.47)**	(16.43)

The actions taken in order to reestablish this ration are described in Note 1.

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6. Operating segments

The Company has four reportable segments represented by strategic business units which are administered separately and differ from one another based on the offer of products and services, technologies and marketing strategies. The following summary describes the operations of each one of Company reportable segments:

Firearms– the weapons production process, since it refers mainly to a metallurgical industry, is based on the following basic stages: machining (based on flat steel sheets and milling, drilling, lathes, broaching machines, etc.), MIM – Metal Injection Molding, assembly (manual), finishing (basically polishing), surface thermal treatment and final assembly (necessary adjustments); these operations are undertaken by Polimetal Metalurgia e Plásticos Ltda., Forjas Taurus S.A., and Taurus Holdings, Inc. and its subsidiaries.

Helmets – the helmet production process is based on the following stages: injection (based on ABS – Acrylonitrile Butadigne Styrene), painting and finishing (based on injected parts, using manual and automated painting processes), sewing (based on cloth, sponge and polycarbonate sheets, using cutting and sewing machines) and final assembly; these operations are undertaken by Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda.

Machinery – this refers to developing, manufacturing and selling operating machinery and related components; these operations used to be undertaken by Taurus Máquinas-Ferramenta Ltda. and its subsidiary SM Metalurgia Ltda. These operations were disposed of in June 2012 through sale of SM Metalurgia Ltda. Taurus Máquinas still presents results due to technical assistance expenses and financial expenses.

Other - segment of plastic products (Taurus Plásticos Ltda.). This also includes other operations such as the manufacture and sale of glasses and rendering of services. These segments were added, since they do not fall into the quantitative limits for separated disclosure as a reportable segment.

The performance of each segment is evaluated quarterly based on segment profit before income tax and social contribution, as included in the internal reports, since management understands that this information is more significant for evaluating the results of certain segments in relation to other entities that operate in these industries.

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Reconciliation of income, profits and losses, assets, liabilities and other material items for reportable segments is presented below:

	Firearms		Helmets		Machinery (discontinued)		Other		Total	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
External income	310,684	276,860	60,060	58,840		_	13,090	13,315	383,834	349,015
Inter-segment income	66,772	45,265	438	-	-	-	3,679	6,018	70,889	51,283
Cost of sales	(230,373)	(208,388)	(38,069)	(38,746)	-	-	(4,844)	(11,711)	(273,286)	(258,845)
Gross income (loss)	147,083	113,737	22,429	20,094	-	-	11,925	7,622	181,437	141,453
Sales expenses	(44,080)	(35,213)	(9,116)	(8,777)	_	(29)	(661)	(1,010)	(53,857)	(45,029)
General and administrative expenses	(57,807)	(37,267)	(6,083)	(2,187)	(3,267)	(651)	(1,862)	(513)	(69,019)	(40,619)
Depreciation and amortization	(4,715)	(4,251)	(313)	(85)	-	-	(5)	(778)	(5,033)	(5,114)
Other operating income (expenses), net	(21,761)	(68,227)	(409)	(19)	_	(2,236)	(424)	(13)	(22,594)	(70,495)
Equity income (loss)	_		841		_		(2,342)	(294)	(1,501)	(294)
	(128,363)	(144,959)	(15,080)	(11,068)	(3,267)	(2,916)	(5,294)	(2,609)	(152,004)	(161,552)
Operating income (loss)	18,720	(31,222)	7,349	9,026	(3,267)	(2,916)	6,631	5,013	29,433	(20,099)
Financial income	90,620	85,086	3,941	3,829	7,120	6,717	44	695	101,725	96,326
Financial expenses	(47,766)	(156,768)	(2,225)	(1,856)	(1,778)	(8,610)	(222)	(925)	(51,991)	(168,158)
Net financial income (loss)	42,854	(71,682)	1,716	1,973	5,342	(1,893)	(178)	(230)	49,734	(71,832)
Profit (loss) per reportable segment before income and social contribution taxes	61,574	(102,904)	9,065	10,999	2,075	(4,809)	6,453	4,784	79,167	(91,930)
Elimination of inter-segment income	(66,773)	(45,265)	(438)				(3,679)	(6,018)	(70,889)	(51,283)
Income before income and social contribution taxes	(5,198)	(148,169)	8,627	10,999	2,075	(4,809)	2,774	(1,234)	8,278	(143,213)
Income and social contribution taxes	4,466	(416)	(974)	(1,620)			(479)	(756)	3,013	(1,960)
Net income for the year	(732)	(147,752)	7,653	9,379	2,075	(4,809)	2,295	(1,990)	11,291	(145,173)
Assets of reportable segments	583,802	577,926	172,958	150,612	2,161	1,780	196,068	251,054	954,989	981,372
Liabilities of reportable segments	905,386	913,964	43,985	36,330	20,397	(38,915)	65,968	127,070	1,035,736	1,038,449

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Geographical information

Information on revenue presented below is based on the client's geographic location.

	Firearms		Helmets	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Domestic market				
Southeast region	**10,491**	19,595	**15,790**	16,813
South	**1,964**	7,378	**3,692**	2,725
Northeast	**1,112**	6,540	**20,137**	19,914
Midwest	**9,541**	1,243	**9,736**	9,949
North region	**255**	5,442	**10,705**	9,113
	23,363	40,198	**60,060**	58,514
Foreign market				
United States	**275,343**	218,496		
South Africa	**1,482**	909	**-**	-
Germany	**201**	152	**-**	-
Argentina	**1,916**	1,141	**-**	-
Bangladesh	**3,005**	-	**-**	-
Belgium	**114**	-	**-**	-
Bolivia	**-**	-	**-**	42
Costa Rica	**3**	-	**-**	-
Djibuti	**-**	930	**-**	-
El Salvador	**192**	-	**-**	-
Philippines	**-**	223	**-**	-
France	**1,035**	1,367	**-**	-
Haiti	**136**	-	**-**	-
Israel	**147**	-	**-**	-
Italy	**94**	119	**-**	-
Jordan	**1,402**	3,192	**-**	-
Nicaragua	**979**	895	**-**	-
New Zeland	**-**	219	**-**	-
Pakistan	**278**	1,988	**-**	-
Paraguay	**-**	3,060	**-**	284
Peru	**535**	-	**-**	-
Kenya	**58**	-	**-**	-
Czech Republic	**148**	-	**-**	-
Russia	**-**	1,116	**-**	-
Switzerland	**127**	-	**-**	-
Thailand	**100**	459	**-**	-
Ukraine	**-**	1,626	**-**	-
Zambia	**26**	-	**-**	-
Other countries	**-**	770	**-**	-
	287,321	236,662	**-**	326
	310,684	276,860	**60,060**	58,840

The sales made by the Group's other segments are concentrated on the domestic market and are spread throughout Brazil.

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Sales made by the Company and its subsidiaries are not subject to restrictions and there is no significant concentration that implies significant dependence on government bodies or any other single client.

7. Assets and liabilities held for sale and discontinued operations

Noncurrent assets held for sale and result from discontinued operations

The Company classifies noncurrent assets as held for sale if their book value will be recovered through a sale transaction considered probable.

For the sale to be highly probable, management must be committed to the asset sale plan and must have started a firm program to find a buyer and conclude the plan. In addition, the asset held for sale should be effectively put for sale for a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to be concluded within up to one year as from the date of its classification.

The group of assets held for sale is measured at the lower of book value and fair value less expenses to sell. If book value is lower than fair value, an impairment loss is recognized in P&L. Any reversal or gain will only be recorded until the limit of the recognized loss.

Depreciation of assets held for trading ends when a group of assets is designated as held for sale.

a) Project for Production Line Decommissioning and of Rendering of Forging Services to Third Parties

At the end of 2013, Company management, aligned with the structural changes in the strategies of focusing on higher value added segments, decided to decommission the production line and forging services to third parties of subsidiary Polimetal. The machines and equipment were made available for sale and recorded as “assets held for sale”. At June 30, 2016, this balance amounts to R$ 4,286 (R$ 4,286 at December 31, 2015). Income from forging services to third parties, when in operation, represented less than 5% of Company sales. The other industrial activities of Polimetal continue being normally carried out.

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8. Cash and cash equivalents and interest earning bank deposits

Cash and cash equivalents

Cash and cash equivalents include cash balances and highly liquid short-term investments, i.e. which may be redeemed within three months as from investment date, without penalties for the Company and with low risk of change in their market value.

	Consolidated		Parent company	
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Cash balance	**38**	2,987	**13**	2,213
Demand deposits	**22,056**	57,325	**673**	13,609
Interest earnings bank deposits	**502**	-	**418**	-
Cash and cash equivalents	**22,596**	60,312	**1,104**	15,822

Short-term investments classified as cash and cash equivalents are remunerated at rates that vary between 82.52% and 100.04% of CDI on June 30, 2016 (82.52% to 101% of CDI on December 31, 2015), having as counterparties financial institutions considered top-tier by Management.

Financial investments and restricted account

	Consolidated		Parent company	
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Short-term investments - CDB	**6,515**	24,162	**3,580**	16,081
Linked account	**-**	10,464	**-**	-
Total	**6,515**	34,626	**3,580**	16,081
Current	**3,436**	22,040	**682**	3,495
Non-current	**3,079**	12,586	**2,898**	12,586

Interest earning bank deposits are remunerated at rates of 100.04% of CDI on June 30, 2016, and are held in guarantee for short-term financing. Redemption thereof is programmed to occur in conjunction with financing amortization and such investments are presented in current and non-current assets based on their planned redemption dates.

9. Trade accounts receivable

Trade accounts receivable are recorded for the billed amount, including direct taxes, the burden of which is attributed to the Company.

Allowance for doubtful accounts is set up in amount considered sufficient by Management to cover any losses upon realization of accounts receivable.

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	Consolidated		Parent company	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Clients - domestic	**96,476**	74,218	**41,537**	38,886
Clients – domestic related parties	**226**	-	**24,851**	29,455
Clients - foreign	**93,515**	147,280	**9,926**	14,897
Clients – foreign related parties	**-**	-	**-**	-
	190,217	221,498	**76,314**	83,238
Allowance for doubtful accounts - domestic	**(19,481)**	(20,592)	**(7,153)**	(8,591)
Allowance for doubtful accounts - foreign	**(9,853)**	(8,830)	**(5,404)**	(3,495)
	(29,334)	(29,422)	**(12,557)**	(12,086)
Total	**160,883**	192,076	**63,757**	71,152

The Company's exposure to credit and currency risk as well as to impairment of trade accounts and other accounts receivable, including accounts receivable aging, are disclosed in Note 5. Changes in the allowance for doubtful accounts are as follows:

	Consolidated	Parent company
Balance at December 31, 2015	(29,422)	(12,086)
Additions	**(1,444)**	**(1,666)**
Reversal of allowance for doubtful accounts	**-**	**-**
Realization of allowance for doubtful accounts	**-**	**-**
Foreign exchange variation	**1,532**	**1,195**
Balance at June 30, 2016	**(29,334)**	**(12,557)**

10. Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted moving average (WMA) principle and includes expenses incurred in the acquisition of inventories, production and processing costs (based on normal operating capacity) and other costs incurred to place them in their current site and conditions. Provision for inventory loss is recorded for slow moving products and for items with sales price lower than build-up cost.

	Consolidated		Parent company	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Finished goods	**72,058**	86,953	**28,335**	**25,926**
Work in process	**-**	342	**-**	**-**
Raw material	**203,643**	134,566	**149,261**	**80,419**
	275,701	**221,861**	**177,596**	**106,345**

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11. Recoverable taxes

	Consolidated		Parent company	
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
ICMS	**15,113**	9,617	**5,259**	1,175
IPI	**1,118**	2,804	**5**	2,044
PIS	**1,599**	652	**1,406**	581
COFINS	**4,854**	3,024	**3,925**	2,661
Income and social contribution taxes	**29,586**	21,237	**10,824**	9,863
INSS	**177**	82	**-**	-
Total	**52,447**	37,416	**21,419**	16,324
Current	**51,577**	36,546	**21,126**	16,031
Non-current	**870**	870	**293**	293
Total	**52,447**	37,416	**21,419**	16,324

12. Income and social contribution taxes

Current and deferred income and social contribution taxes for the year are calculated at the rate of 15% and surtax of 10% on taxable income in excess of R$120 for income tax and 9% on taxable income for social contribution tax, and consider offset of income and social contribution tax losses, limited to 30% of annual taxable profit. Companies which compute income and social contribution taxes as a percentage of their deemed profit use aforementioned rates, however on billing percentages of 32%. The income tax rate for the subsidiary located in the USA is 35%.

Current and deferred taxes are recognized in P&L unless they refer to business combinations or items recognized directly in equity or in other comprehensive income (loss).

Deferred taxes are recognized in relation to the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the related amounts used for taxation purposes. A deferred income tax and social contribution asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets and liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred income and social contribution tax assets are reviewed at each reporting date and reduced when their realization is no longer probable.

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a) Breakdown of deferred tax assets and liabilities

	Consolidated		Parent company	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
On temporary asset differences and income and social contribution tax losses				
Provision for sales commissions	**1,616**	1,045	**993**	993
Adjustment to present value	-	-	-	-
Provision of labor lawsuits	**2,672**	4,934	**1,826**	2,229
Provision for losses on insurance claims	-	782	-	782
Allowance for doubtful accounts	**809**	4,242	-	1,494
Provision for product warranty	**6,224**	7,246	**2,189**	2,401
Provision for judicial claims	**12,696**	10,571	-	205
Provision for inventory loss	**5,420**	3,343	-	-
Derivative financial instruments	**282**	344	**2,474**	-
Income and social contribution tax losses (i)	**33,601**	34,730	**7,000**	7,000
Inventories – unrealized profits	**2,001**	3,958	-	-
Other items	**1,433**	1,555	-	124
	66,754	72,750	**14,482**	15,228
On temporary liability differences				
Equity evaluation adjustments	**(1,084)**	(1,011)	**(623)**	(551)
Depreciation base difference	**(9,178)**	(10,864)	**(1,732)**	(1,805)
Goodwill allocation	**(9,577)**	(11,910)	-	-
Financial charges	**(1,499)**	(1,499)	**(1,370)**	(1,370)
Derivative financial instruments	**(2,353)**	(2,353)	**(2,353)**	(2,353)
	(23,691)	(27,637)	**(6,078)**	(6,079)
Total asset (liability) balance, net	**43,063**	45,113	**8,404**	9,149
Classified as non-current assets	**43,354**	45,830	**8,404**	9,149
Classified in the non-current liabilities	**(291)**	(717)	-	-

Changes in deferred taxes:

	Consolidated	Parent company
Opening balance of deferred taxes, net	45,115	8,404
Posted to P&L (Note 12.b)	**(2,130)**	-
Effect of exchange variation	**78**	-
Closing balance of deferred taxes, net	**43,063**	**8,404**

(i) Company management considered the existence of accumulated income and social contribution tax losses recorded on net income in the Company and in subsidiaries Polimetal Metalurgia e Plásticos Ltda., Taurus Blindagens Ltda. and Taurus Holdings Inc. Assessment of the existence of future taxable income, which supports the recording of deferred tax assets, was based on the operating activities of Company segments.

The projections of future taxable income indicate that deferred taxes accounted in the Company and Consolidated financial statements will be realized as follows:

	Consolidated		Parent company	
Year	Total	Interest %	Total	Interest %
2016	8,136	18.77%	8,136	96.81%
2017	5,149	11.88%	268	3.19%
2018	995	2.29%	-	-
2019	2,320	5.35%	-	-
2020	3,635	8.39%	-	-
2021	4,202	9.69%	-	-
2022	4,583	10.57%	-	-
2023	4,998	11.53%	-	-
2024	5,473	12.62%		
2025	3,862	8.91%	-	-
>2025	-	0.00%	-	-
Total	43,354	100.00%	8,404	100.00%

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As shown previously, the Company recorded its deferred taxes only at the amount considered capable of realization through future taxable income.

If the expectation of future taxable income was greater, the amount to be recorded regarding deferred taxes would also be higher. The breakdown of all calculation basis and corresponding deferred taxes that would be subject to the recording is as follows:

	Consolidated				Parent company			
	06/30/2016				06/30/2016			
	BASE	25%	9%	**TOTAL**	BASE	25%	9%	**TOTAL**
Provision for tax contingencies	318	80	29	**108**	-	-	-	**-**
Provision for labor contingencies	37,176	9,294	3,346	**12,640**	18,396	4,599	1,656	**6,255**
Provision for civil contingencies	46,350	11,588	4,172	**15,759**	677	169	61	**230**
Allowance for doubtful accounts	29,455	7,364	2,651	**10,015**	12,557	3,139	1,130	**4,269**
Provisions for commissions	4,936	1,234	444	**1,678**	2,868	717	258	**975**
Provisions for guarantees	20,292	5,073	1,826	**6,899**	6,957	1,739	626	**2,365**
Other provisions	4,760	1,190	428	**1,618**	3,805	951	342	**1,294**
Tax loss and negative basis of CSLL	492,810	123,203	44,353	**167,555**	153,487	38,372	13,814	**52,186**
Provision for inventory losses	9,797	2,449	882	**3,331**	-	-	-	**-**
Equity evaluation adjustments	(1,619)	(405)	(146)	**(550)**	(1,619)	(405)	(146)	**(550)**
Difference between accounting and tax depreciation	(27,209)	(6,802)	(2,449)	**(9,251)**	(5,309)	(1,327)	(478)	**(1,805)**
Capitalization of financial charges on Property, Plant and Equipment	(4,409)	(1,102)	(397)	**(1,499)**	(4,029)	(1,007)	(363)	**(1,370)**
Provisions for derivative financial instruments	(6,090)	(1,523)	(548)	**(2,070)**	(6,919)	(1,730)	(623)	**(2,352)**
	606,567	**151,642**	**54,591**	**206,233**	**180,871**	**45,218**	**16,278**	**61,496**

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The reconciliation of effective rate of income and social contribution taxes is as follows:

	Consolidated		Parent company	
	06/30/2016	**06/30/2015**	**06/30/2016**	**06/30/2015**
Accounting loss before income and social contribution taxes	**8,278**	(143,213)	**12,036**	(140,423)
Combined statutory rate	**34%**	34%	**34%**	34%
Income and social contribution taxes:				
Calculated at combined statutory rate	**(2,815)**	48,692	**(4,093)**	47,744
Permanent additions:				
Non-deductible expenses	**(205)**	(57)	**(100)**	(56)
Permanent exclusions:				
Tax exempt income – equity pickup	**(510)**	(100)	**(8,496)**	(26,498)
Other - Law no. 11,196/05		-		-
Unrecognized tax loss	**(34,924)**	(29,569)	**(18,503)**	(25,734)
Non-deductible provisions		(22,615)		-
Effects from different rates of subsidiaries taxed based on profit computed as a percentage of gross revenue ("lucro presumido")	**223**	581		-
Unrecognized deferred assets		-		-
Foreign exchange variation	**33,499**		**30,952**	
Other items	**7,745**	1,108	**(505)**	(206)
Income tax and social contribution in income for the year	**3,013**	(1,960)	**(745)**	(4,750)
Breakdown of Income and social contribution taxes in P&L for the year:				
Current	**5,143**	(912)	**-**	-
Deferred assets	**(2,130)**	(1,048)	**(745)**	(4,750)
	3,013	(1,960)	**(745)**	(4,750)
Effective rate	**-36.4%**	1.37%	**-6.19%**	3.38%

In June 2016, the amount of R$5,143 related to income tax and social contribution is presented positive due to the North American tax benefit in the Company Taurus Holdings. The US Federal Law allows current losses to be offset by taxes paid over two last years.

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13. Investments

	Taurus Blindagens Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Plástico s Ltda.	Taurus Holdings, Inc.	T. Investments Co. Inc.	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-F erramenta Ltda.(1)	Famastil Taurus Ferramentas S.A. (2)	Parent company 06/30/2016	12/31/2015
Current assets	41,111	37,115	7,590	241,605	32,968	5,527	75,141	364	-		
Non-current assets	114,766	31,518	2,066	103,193	-	65,438	273,227	1,797	-		
Current liabilities	15,527	16,297	2,601	67,013	-	1,603	91,901	52,638	-		
Non-current liabilities	11,425	4,569	619	76,495	-	9,359	33,897	4,487	-		
Capital	73,855	9,400	6,355	978	35,308	53,292	304,780	293,639	-		
Shareholders' equity	128,925	47,767	6,436	201,290	32,968	60,003	222,570	(4,964)	-		
Net revenue	24,051	36,447	4,002	275,624	-	3,679	72,824	-	-		
Income (loss) for the year	7,645	8,363	(308)	(13,162)	-	2,578	(18,474)	2,075	-		
Number of shares/quotas	14	9,400	636	302,505	11,000,000	43,623,159	304,779,837	**185,007,117**	_		
Direct ownership interest (%)	0.01%	0.10%	0.01%	100%	100%	81.86%	100%	63.00%	-		
Opening balances	1	38	-	252,283	40,105	42,381	181,044	-	2,215	**518,067**	396,024
Spin-off	-	-	**1**	-	-	-	-	-	-	**1**	-
Capital payment (4)	-	-	-	-	-	-	**54,190**	**20,000**	-	**74,190**	122,012
Equity income (loss) (3)	-	**10**	-	**(10,191)**	-	**2,523**	**(18,682)**	**1,354**	-	**(24,986)**	(84,771)
Loss on investments	-	-	-	-	-	-	-	-	-	-	(66)
Exchange variation over investments	-	-	-	**(42,026)**	**(7,138)**	-	-	-	-	**(49,164)**	90,019
Dividends received	-	-	-	-	-	-	-	-	-	-	(3)
Capital transactions	-	-	-	-	-	**3,591**	**5,637**	**(9,529)**	-	**(301)**	-
Equity evaluation adjustments	-	-	-	-	-	-	-	-	-	-	(1)
Write-off of goodwill Famastil	-	-	-	-	-	-	-	-	(2,215)	(2,215)	
Reclassified to provision for capital deficiency (1)	-	-	-	-	-	-	-	**(11,825)**	-	**(11,825)**	(5,149)
Closing balances (3)	**1**	**48**	**1**	**200,066**	**32,967**	**48,495**	**222,189**	-	-	**503,767**	518,067

(1) The unsecured liability of the subsidiary Taurus Máquinas-Ferramenta Ltda. in the amount of R$ 11,825 is recorded in "Other accounts payable" in non-current liabilities.

(2) On December 20, 2011, the investment in subsidiary Famastil Taurus Ferramentas S.A. was transferred to subsidiary Polimetal Metalurgia e Plásticos Ltda. as part of the corporate restructuring occurred in 2011. The amount of R$2,215 related to the goodwill on investment in Famastil Taurus Ferramentas S.A. recorded in Forjas Taurus S.A., was written off on June 2, 2016 due to the sale of this investment on that same date.

(3) For purposes of determining the investment amounts, equity and net income of each investee are adjusted by unrealized profits in transactions among the companies.

(4) Capital paid-in in subsidiary Taurus Máquinas-Ferramenta Ltda. amounting to R$ 20,000 and in Polimetal metalurgia e Plásticos Ltda in the amount of R$ 54,190 were made in cash with the capitalization of the loan.

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Foreign operations

Taurus Holdings, Inc., located in the United States, is the parent company of Taurus International Manufacturing Inc., Braztech International L.C. and other subsidiaries also located in the USA, operating mainly in the resale of weapons imported from Forjas Taurus S.A., aimed at the wholesale market. Major book balances of the subsidiary are as follow:

		Taurus Holdings, Inc.
		Consolidated
	06/30/2016	**12/31/2015**
Assets	**344,798**	441,772
Liabilities **	**143,508**	185,294
Net revenue	**275,624**	546,949
Loss for the year*	**(13,162)**	(32,977)

*Carter case in 2015: Updated agreement value is USD 21,438, referring to expenses with insurance, fees, and disclosure. In June 2016, the balance payable is USD$ 9,000, 33% are accounted for in the short term and 66% in the long term (note 18).

Associate

Through its subsidiary Polimetal Metalurgia e Plásticos LTDA, the Company sold its 35% minority interest in the company Famastil Taurus Ferramentas S.A., for five million Brazilian Reais (R$5,000), on June 02,
2016.

This transaction was approved by the Board of Directors and had his payment settled on the same date. Accordingly, the Company continues its process of operational and financial restructuring, intensifying the focus on its "core business".

Investment in associated company that was valued through the equity method and was recorded at updated cost in the amount of R$9,851, on May 31, 2016.

The equity income recognized as of January 1, 2016 until the conclusion of the divestment was (R$1,501). The write-off of R$303 referring to the equity valuation adjustment was recorded.

The loss on the sale recorded for accounting purposes was R$4,851.

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14. Property, plant and equipment

Property, plant and equipment items are measured at historical cost of acquisition or construction, less accumulated depreciation and accumulated impairment losses.

The Company opted for reevaluating property, plant and equipment items at deemed cost for the opening date of 2009. The effects from deemed cost increased property, plant and equipment balance, the balancing entry being to equity, net of tax effects.

Cost includes expenses that are directly attributable to acquisition of an asset. The cost of assets build by the entity itself includes the cost of materials, labor and any other costs to place the asset in the site and in the conditions necessary for the operation thereof in the form intended by management, dismantling costs, costs to recover the site in which such assets are located and costs of loans in connection with qualifying assets for which the date for beginning of capitalization is January 1, 2009 or a later date.

Gains and losses on the disposal of a property, plant and equipment item are determined comparing the amounts resulting from the disposal of property, plant and equipment and are recognized in “other income” account in income (loss).

Depreciation is recognized in P&L based on the straight line method in relation to the estimated useful life of each asset. The estimated useful lives for current and comparative periods are approximately the following:

Group	Useful life - in years:
Buildings	27
Machinery and equipment	15–20
Casts and tooling	5
Furniture	15
Other components	5–6

The depreciation methods, useful lives and residual values are reviewed every year end and any adjustments are recognized as change in accounting estimates.

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Consolidated

	Land, buildings and facilities	Machinery and equipment	Furniture and computers	Vehicles	Property, plant and equipment in progress	Advances to suppliers	Total
Cost or deemed cost							
Balance at December 31, 2015	148,515	279,782	24,564	2,612	21,209	226	476,908
Additions	-	-	-	-	17,956	816	18,772
Disposals	-	(25,667)	(2,386)	(76)	-	(807)	(28,936)
Effect of exchange variation	(8,424)	(5,511)	-	-	-	-	(13,935)
Transfers to other groups	(4,282)	27,490	1,162	192	(24,562)	-	-
Balance at June 30, 2016	135,809	276,094	23,340	2,728	14,603	235	452,809
Depreciation							
Balance at December 31, 2015	21,360	158,082	21,766	2,511	-	-	203,719
Depreciation for the year	1,574	13,943	238	36	-	-	15,791
Disposals	-	(22,473)	(1,408)	(38)	-	-	(23,919)
Balance at June 30, 2016	22,934	149,552	20,596	2,509	-	-	195,591
Book value							
December 31, 2015	127,155	121,700	2,798	101	21,209	226	273,189
June 30, 2016	112,875	126,542	2,744	219	14,603	235	257,218

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							Parent company
	Land, buildings and facilities	Machinery and equipment	Furniture and computers	Vehicles	Property, plant and equipment in progress	Advances to suppliers	Total
Cost							
Balance at December 31, 2015	3,177	64,003	8,903	1,464	7,585	-	85,132
Additions	6152	18	230	-	-	-	5,918
Disposals	-	(6,913)	(3,230)	(86)	(482)	-	(10,229)
Balance at June 30, 2016	9,329	57,108	5,903	1,378	7,103	-	80,821
Depreciation							
Balance at December 31, 2015	1,357	42,168	5,946	1,323	-	-	50,794
Depreciation for the year	160	2,894	115	16	-	-	3,185
Depreciation for the year	-	(6,264)	(2,417)	(48)	-	-	(8,729)
Balance at June 30, 2016	1,517	38,798	3,644	1,291	-	-	45,250
Book value							
December 31, 2015	1,820	21,835	2,957	141	7,585	-	34,338
June 30, 2016	7,812	18,310	2,259	87	7,103	-	35,571

Property, plant and equipment in progress

The balance of construction in progress of R$ 7,103 – Company and R$ 14,603 – Consolidated in June 2016 (R$ 7,585 and R$ 21,209 in 2015, respectively) refers to machinery and equipment still in the phase of being implemented and construction in progress. These assets are expected to become operational in 2016.

Guarantee

Loans raised by the Company from financial institutions are guaranteed by its assets. Although a significant portion of fixed assets is used to guarantee loans and financings, historically the Company has settled its liabilities within the established contractual terms thus it was never necessary to enforce such guarantees. In 2016, guarantees provided by the Company amounted to R$50,888 (R$55,912 in 2015).

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15. Intangible assets

Goodwill

Goodwill on the acquisition of investments, after applicable allocations, is included in intangible assets. Goodwill is presented in the investment group in the financial statements of the Company.

Goodwill from business combinations is classified in intangible assets and was determined in accordance with accounting practices in force at the time of each combination, adjusted for the reclassification of certain intangible assets. Goodwill is measured at cost, less accumulated impairment losses.

Other intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition, whereas the cost of intangible assets acquired in a business combination is their fair value at acquisition date. Balances are presented less accumulated amortization and impairment losses.

Development expenses which involve a plan or project aimed at producing new or substantially improved products are capitalized only if these development costs may be reliably measured, if the product or process is technically and commercially feasible, if the future economic benefits are likely to arise and if the Company has the intention and sufficient resources to conclude the development and use or sell the asset.

Amortization of intangible assets other than goodwill is based on their estimated useful lives and is recognized in P&L using the straight-line method. The estimated useful lives for current and comparative periods are of approximately 5 years for systems implementation and development costs.

We also clarify that impairment of Company goodwill and indefinite-lived intangible assets is determined on an annual basis using the “value in use” concept, through discounted cash flow models of cash-generating units.

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	Goodwill	Trademarks and patents	Development of products	Systems implementation	Other intangible assets	Total
Cost						
Balance at December 31, 2015	**44,675**	**14,387**	**14,316**	**6,763**	**17,328**	**97,469**
Acquisitions	**-**	**-**	**-**	**5,276**	**1,222**	**6,498**
Write-offs	**(2,215)**	**-**	**-**	**(1,366)**	**-**	**(3,581)**
Transfers from other groups	**2,535**	**5,767**	**2,923**	**(5,196)**	**(6,029)**	**-**
Effect of exchange variation	**(2,212)**	**(2,195)**	**(1,863)**	**-**	**(1,568)**	**(7,838)**
Balance at June 30, 2016	**42,783**	**17,959**	**15,376**	**5,477**	**10,953**	**92,548**
Balance at December 31, 2015	**-**	**366**	**6,951**	**2,252**	**6,454**	**16,023**
Amortization in the year	**131**	**46**	**710**	**205**	**113**	**1,205**
Write-offs	**-**	**-**	**-**	**(1,330)**	**-**	**(1,330)**
Transfers from other groups	**-**	**-**	**-**	**-**	**(724)**	**(724)**
Balance at June 30, 2016	**131**	**412**	**7,661**	**1,127**	**5,843**	**15,174**
Book value						
June 31, 2016	**42,652**	**17,547**	**7,715**	**4,350**	**5,110**	**77,374**
December 30, 2015	**44,675**	**14,021**	**7,365**	**4,511**	**10,874**	**81,446**

Impairment test for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill was allocated to the Group's operating divisions, which represent the lowest level within the Group, in which goodwill is monitored for internal management purposes, never above the Group's operating segments

Cash-generating unit	**06/30/2016**	**12/31/2015**
Forjas Taurus S.A.	**21,194**	21,194
Taurus Holdings, Inc.	**14,941**	14,941
Taurus Blindagens Ltda.	**7,868**	7,868
Famastil Taurus Ferramentas S.A.	**545**	545
Polimetal Metalurgia e Plásticos Ltda.	**127**	127
Total	**44,675**	44,675

The impairment testing of the aforementioned CGUs is performed annually based on fair value less selling expenses, estimated based on discounted cash flows. On June 30, 2016, tests did not indicate the need for provision for impairment losses on goodwill and intangible assets with indefinite useful lives.

Main assumptions used for forecasting the discounted cash flows

The main assumptions used in the calculation of the recoverable value are the cash flow discount rate and growth rates. Assumptions adopted are as follows:

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	Discount Rate WACC	Average growth rate
Cash-generating unit	**06/30/2016**	**06/30/2016**
Weapons	18.2%	9.7%
Shields	16.5%	5.9%

Discount rate

The discount rate for all CGUs are represented by a pre-tax rate based on fixed income securities issued of the American Treasury (T-Bond) of 20 years, adjusted by a risk premium that reflects risks of investments in membership certificates and the systematic risk of the Unit under discussion. Based on the Management's experience with the assets of this CGU, the industry's weighted average capital cost in which this CGU operates was estimated, and it was calculated based on a possible 25.5% debt/net equity ratio for Firearms GCU and 36% for Shields CGU, at a market interest rate of 14%.

Growth rate in perpetuity

The projections are in line with the Business Plan prepared by the Company's Management. It is expected that the sales projected growth is in line with the curve observed in the previous years and in line with the economic growth of the country. The growth and the constant percentage of economic growth (growth in perpetuity) have been considered after the projection period.

To calculate the perpetuity, a nominal growth rate of 4.5% was adopted in line with the expected long-term inflation projected by the Brazilian Central Bank and macroeconomic indicators published on the Brazilian Central Bank's Focus report and on the Country Forecast of the Economist Intelligence Unit(EIU).

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16. Loans and financing

The terms and conditions of outstanding loans were as follows:

							Consolidated
					06/30/2016		12/31/2015
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital		CDI + 2.42 to 3.00% p.a.	2018	35,000	**32,011**	35,000	23,532
FINAME	R$	2.50–8.70% p.a.	2021	8,515	**3,145**	8,515	4,272
FINEP	R$	4.00–5.25% p.a.	2020	64,240	**18,591**	64,240	23,059
BNDES	R$	3.50% p.a.	2020	9,995	**8,676**	9,995	9,678
BNDES Progeren	R$	TJLP + 4.40 to 4.50% p.a.	2016	-	**-**	-	-
FNE	R$	9.50% p.a.	2019	9,806	**4,935**	9,806	5,641
Advance of receivables	R$	20.16% p.a.	2016	-	**6,506**	54,589	54,589
Advances on foreign exchange contracts	US$	7.68% p.a.	2016	-	**181,250**	191,948	191,948
Working capital	US$	*Libor* + 1.55% to 5.60% p.a.	2017	106,400	**150,007**	106,400	154,932
Working capital	US$	3.05–5.20% p.a.	2016	25,037	**24,010**	25,037	47,923
Working capital	US$	80–100% of CDI	2016	31,390	**59,767**	31,390	106,183
Investments	US$	5.33% p.a.	2017	6,035	**15,815**	6,035	19,712
Investments	US$	*Libor* + 2.25% p.a.	2017	1,731	**3,826**	1,731	4,796
FINIMP	US$	Libor + 2.53–6.0905% p.a.	2016	4,178	**9,520**	4,178	11,889
Dell financing	US$	Cost 0%	2016	201	**79**	201	225
Total					**518,138**		658,379
Current liabilities					**422,574**		459,193
Non-current liabilities					**95,564**		199,186

							Parent company
					06/30/2016		12/31/2015
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	35,000	**32,011**	35,000	**23,532**
FINAME	R$	2.50–5.50% p.a.	2021	2,304	**1,364**	2,304	**1,626**
BNDES	R$	3.50% p.a.	2020	9,995	**8,676**	9,995	**9,678**
Advance of receivables	R$	20.16% p.a.	2016	969	**2,913**	969	**969**
Advances on foreign exchange contracts	US$	7.68% p.a.	2016	191,948	**181,250**	191,948	**191,948**
Working capital	US$	*Libor* + 3.41% to 5.60% p.a.	2017	31,400	**115,924**	31,400	**89,313**
Working capital	US$	3.05–3.91% p.a.	2016	21,891	**23,867**	21,891	**47,492**
Working capital	US$	85–100% of CDI	2016	31,390	**59,767**	31,390	**106,183**
FINIMP	US$	*Libor* + 2.23% to 4.41% p.a.	2016	3,170	**6,218**	3,170	**7,879**
Total					**431,990**		478,620
Current liabilities					**400,791**		386,085
Non-current liabilities					**31,199**		92,535

Maturity dates of non-current liabilities are as follows:

	Consolidated		Parent company	
Year of maturity	06/30/2016	12/31/2015	06/30/2016	12/31/2015
2016	**-**	-	**-**	-
2017	**18,071**	149,957	**13,912**	73,976
2018	**18,638**	20,171	**13,161**	14,433
2019	**7,788**	8,069	**2,272**	2,272
2019 onwards	**51,067**	20,989	**1,854**	1,854
	95,564	199,186	**31,199**	92,535

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Loans and financing are guaranteed by promissory notes, short-term investments, chattel mortgages for machinery and equipment and real estate mortgages. The sureties granted by the parent company and the sureties granted by the Company to its subsidiaries are reported in Note 21 – Related parties.

Loan and financing contracts agreed between the Company and its subsidiaries include covenants that limit certain corporate alterations, as under: change in direct or indirect controlling interest in the Company, reduction of capital of the Company and/or its subsidiary, distribution of dividends, payment of interest on equity or any other payments to shareholders of the Company and/or its controlling company in case of delay to fulfill any obligation and reduction of Company capital. In addition to these points, the maintenance of certain financial ratios is determined. If such restrictions are not met, creditors may decree accelerated maturity of such debts. All the above ratios are calculated quarterly, based on the last twelve months. On June 30, 2016, the main loan with broken covenants are debentures of the 2^{nd} issuance, for which the Company did not obtain any waiver, however, such debt has been reported in the short term. On that date no additional items with covenants break has been reported.

17. Debentures

Company-issued debentures, in a single series, are not convertible into shares distributed on the secondary market through the National Debenture system, with restrictions on the placing allocated to the 2nd issue, exclusively to qualified investors and the 3rd issue allocated to banks.

Debentures	Principal R$	Issuing Date	Outstanding debentures	Financial charges	06/30/2016	12/31/2015
2nd issuance (a)	50,000	09/06/2011	200	DI rate + 2.8%	**3,913**	11,738
3rd issue (b)	100,000	06/13/2014	10,000	DI rate + 3.25%	**126,291**	116,125
				Total - Principal	**130,204**	127,863
				Current liabilities	**130,204**	94,890
				Non-current liabilities	**-**	32,973
				Transaction costs incurred	**2,620**	2,620
				Transaction costs appropriated	**1,902**	1,593
				Transaction costs to appropriate	**718**	1,027

(a) Unit nominal value will be paid in 13 quarterly installments, with grace period of 2 years, the first installment on August 23, 2013. These debentures are guaranteed by personal security of Company subsidiaries in Brazil.

(b) Unit nominal value will be paid in 3 quarterly installments, with grace period of 2 years, the first installment on June 30, 2016. No guarantees have been given.

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Covenants

The instrument provides for accelerated maturity in case of noncompliance with respective covenants, which include, among other obligations: maintenance of certain financial ratios, such as: (net debt/EBITDA) equal to or lower 3.25 times (3rd issue) and 3 times (2nd issue) and EBITDA/net financial expenses equal to or higher 2.75 times (3rd issue), in which: net debt is equal to total debts (including sureties and guarantees) less cash and cash equivalents, EBITDA is equal to pre-tax income, interest, taxes, depreciation and amortization for the past 12 months and net financial expenses, which correspond to total financial income less financial expenses for the past 12 months, adjusted for nonrecurring items.

These ratios are duly monitored by management. The contract for the second issue requires that the indices are met quarterly, and these ratios were not met in half as well, has not obtained a waiver of financial institutions on June 30, 2016. The contract for the 3nd issue establishes that the ratios must be met yearly. These ratios were not met in the current year; however, a waiver was obtained from the financial institutions in year ended December 31, 2015 and formalized at the General Debenture-holders Meeting held on December 28, 2015.

Since the amounts are recognized in the short term, there was no accounting effect resulting from this adjustment.

18. Provision for civil, labor and tax contingencies

Provisions are formed for all contingencies referring to lawsuits in which an outflow of funds will probably be required to settle the contingency or obligation and a reasonable estimate can be made.

The Company, based on the opinion of its legal advisors and the analysis of judicial proceedings pending judgment, set up a provision for contingencies at an amount considered sufficient to cover estimated losses, as follows:

				Consolidated
			06/30/2016	12/31/2015
	Provision	Judicial deposit (1)	Net	Net
Labor	**37,178**	**7,285**	**29,893**	29,056
Civil	**44,109**	**-**	**44,109**	27,260
Tax	**6,748**	**1,061**	**5,687**	5,403
	88,035	**8,346**	**79,689**	61,719
Classified in current liabilities	**56,227**			
Classified in non-current liabilities	**31,808**			

(1) Recorded in other accounts receivable under noncurrent assets.

Changes in provisions:

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			Consolidated
	Civil and labor	Tax	Total
Balance at December 31, 2015	59,767	6,451	66,218
Reclassification of other accounts payable	11,441	-	11,441
Provisions formed during the year	16,957	641	17,598
Provisions used during the year	(2,488)	(343)	(2,832)
Write-off of provision	(220)	-	(220)
Foreign exchange variation	(4,170)		(4,170)
Balance at June 30, 2016	**81,287**	**6,748**	**88,035**

		Parent company	
	Civil and claims	Tax	Total
Balance at December 31, 2015	16,107	-	16,107
Provisions formed during the year	**4,491**	**-**	**4,491**
Provisions used during the year	**(1,524)**	**-**	**(1,524)**
Balance at June 30, 2016	**19,074**	**-**	**19,074**

Company and subsidiaries are party to other proceedings assessed by their legal advisors as involving a possible or remote unfavorable outcome, for which no provision has been recorded, given that accounting practices adopted in Brazil do not require this procedure to be performed, as follows:

	Consolidated				Parent company			
	06/30/2016		12/31/2015		06/30/2016		12/31/2015	
	Possible	Remote	Possible	Remote	Possible	Remote	Possible	Remote
Tax	**23,277**	**418**	7,653	418	**651**			
Civil	**16,549**	**4,152**	43,928	4,856	**11,764**	**248**	25,257	554
Labor	**54,540**	**4,457**	42,302	3,437	**38,413**	**1,594**	26,774	558
Other	**8,006**	**692**			**6,891**	**2,010**		
	102,372	**9,719**	93,883	8,711	**57,719**	**3,852**	52,031	1,112

18.1 Hunter Douglas

On June 30, 2016, the major proceeding for which a provision was accrued by the Company refers to the claim filed by Hunter Douglas N.V. (company organized under the laws of Curacao, with main office in Rotterdam, Holland) against Wotan Máquinas Ltda. in connection with the collection originating from the loan agreement for export financing purposes executed by these parties in 2001. Subsidiary Taurus Máquinas-Ferramenta Ltda. figured as defendant due to the rent of industrial facilities to Wotan Máquinas Ltda. in 2004.

As of June 26, 2015, upon the execution of a Final Commitment Agreement referring to the Credit Assignment Sale and Purchase Agreement by means of which the T Investments Co Inc, entity belonging to the Taurus Group will acquire credits from Hunter Douglas N.V. in face of Wotan Máquinas Ltda. and other rights for USD 10,250 thousand. Materialization of this commitment, resulted in the acquisition by the Company: i) the credits owned by Hunter Douglas N.V. in face of Wotan Máquinas Ltda.; ii) all rights linked or accessory to these

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credits, especially referring to mortgages; and iii) all rights deriving from the proceeding, whether or not directly linked to the credits.

On April 29, 2016, the parties entered into an agreement to end the dispute, which was approved on June 30, 2016. Under the agreement, Wotan Máquinas Ltda. agreed to hand over the properties registered under enrollments 63714 and 11400 at the real estate registry of the city of Gravataí (state of Rio Grande do Sul), as obligation settlement.

The properties were valued at R$14,000 (property 11400) and R$15,800 (property 63714), totaling R$29,800. Currently, the properties are under mortgage in favor of T. Investments Co. Inc. and pledges arising from labor claims.

Taurus seeks to obtain the ownership and possession of the properties object of the agreement to settle the transaction.

Until the buildings are cleared and transferred to the Company, no accounting effect is recognized.

18.2 Carter case

In financial statements as of June 30, 2016, the main lawsuit for which the Company recorded a provision relates to execution of a preliminary agreement to end lawsuit filed with the U.S. District Court for the Southern District of Florida against Taurus and its subsidiaries in the USA, Taurus Holdings. Inc. and Taurus International Manufacturing, Inc. (together, the "Companies"). Said agreements result from individual lawsuit by Chris Carter v. Forjas Taurus, S.A. et. al., related to alleged faults presented by some pistol models manufactured by the Companies, and classified as possible risk of loss by its legal advisors. However, possible developments of this lawsuit led to the decision, in April 2015, of entering such an agreement for the purpose of minimizing possible future risks related to change in lawsuit level and considering specific characteristics of the US legal environment, even though the history of faults reported by the Company’s clients is not very long.

Approved agreement is the result of intense negotiations and, based on the opinion of its North-American legal advisors, Taurus’ management understands that this agreement was the most effective measure to end possible developments of said lawsuit, as well as that lawsuit involving a lower financial impact to the Company, avoiding risks and possible additional adverse effects to which it would be exposed in case dispute continues.

On July 18, 2016, final approval has been granted by the US District Court for the Southern District of Florida, in which the American Court recognizes all components provided in the agreement as being met. Based on that decision, the period of thirty (30) days for any appeals is open, and after this period, there being no counter-appeals, the decision becomes final.

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It is important to mention this lawsuit had total cost of USD$ 21.4 million, as previously disclosed, of which USD$ 12.4 million has been paid, leaving the amount of USD$ 9 million referring to attorneys' fees that are due in 3 (three) equal annual installments of USD$3 million, the first maturing on January 15, 2017, the second on January 15, 2018 and the third on January 15, 2019.

The Company's liabilities already include this amount, classified between short (USD$3 million) and long term (USD$6 million), as per payment schedule defined. Such debt must be secured by a bank guarantee in the obtaining process.

18.3 Sanction Administrative Proceedings – PMESP

The Company was cited to file a defense in two (2) administrative proceedings filed by the Military Police of São Paulo State (Sanction Proceeding No. CSMAM-002/30/16 and Sanction Proceeding No. 003/30/2016 in addition to the Proceeding No. CSMAM 01.30.14) where the potential existence of failure to comply with, fully or partially, the sale agreements of (i) ninety-eight thousand, four hundred and sixty-five (98,465) pistol firearms, 24/7 and 640 models, between 2007-2011, in the first proceeding and (ii) five thousand, nine hundred and thirty-one (5,931) submachine firearms, type SMT 40 model, in 2011 in the second proceedings and its amendment, is being discussed. The Company and its legal counsel consider possible risk of loss. However, as both proceedings are in administrative and early stages, there is no way to estimate the financial effects resulting thereof at this moment, and sanctions to which they are subject are provided for in Article 87 of Federal Law No. 8,666/93, combined with Article 81 of São Paulo State Law No. 6544/89, where the main ones are:

(i) Warning;

(ii) fine, as provided for in the bid instrument or in the agreement;

(iii) temporary suspension of participation in bid and impediment to enter into agreement with the Management for a period not exceeding two (2) years;

(iv) statement of unfitness to bid and contract with the governmental body while the motives determining the punishment perdure, or until re-qualification is arranged at the authority that imposed the penalty;

19. Financial instruments

a) Derivatives

The Company maintains operations with derivative financial instruments. The management of these instruments is done through operating strategies and internal controls, aimed at assuring liquidity, profitability and security. The contracting of financial instruments for hedging purposes is made based on a periodic analysis of the exposure to risk that management intends to cover (currency, interest rate, etc.). The control policy consists of permanently accompanying the terms contracted compared with the existing market terms.

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We summarize below our positions with derivative instruments:

	Consolidated		Parent company	
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Derivative financial instruments – assets		6,920		
Derivative financial instruments – liabilities	**(8,995)**	(956)	**(7,962)**	6,920
	(8,995)	5,964	**(7,962)**	6,920

All the operations with financial instruments are classified and recognized in the financial statements of the Company, as the table below:

		Consolidated			
		06/30/2016		12/31/2015	
Instrument	**Contract currency with respect to notional value**	**Notional – in thousands**	**Fair value**	**Notional – in thousands**	**Fair value**
Swap Fixed x Libor (i)	US dollar - USD	**5,711**	**(1,033)**	5,711	(956)
Swap Pre x CDI (ii)	Reais - BRL	-	-	-	-
Swap interest rates + V.C. US$ x CDI + R$ (iii)	Reais - BRL	**7,297**	**(7,962)**	100,000	6,366
Swap + CDI x V.C. US$ (iii)	Reais - BRL	-	-	21,987	554
Non-deliverable forward (exports) (iv)	US dollars - USD				
Non-deliverable forwards (debt in foreign currency) (v)	US dollars - USD	**-**	**-**	-	-
			(8,995)		5,964

(i) The Company has conventional swap positions Libor 6m x CDI for the purpose of fixing the flow for debt payments tied to a post fixed rate, to a post fixed rate in the domestic market.

(ii) The Company has conventional fixed rate swap positions related to the Certificates of Real Estate credits - CRI aimed at linking the interest rate exposure to a post fixed rate in the domestic market.

(iii) The Company has conventional swap positions for Interbank Deposits (DI) versus US dollar, for the purpose of linking the debt in Reais, tied to the DI, to a debt fixed in dollars. Within this context, the Company has conventional swap positions in dollars versus DI, for the purpose of linking the debt in dollars to a debt in Reais tied to the DI. These swaps are tied to debts with respect to values, terms and cash flows.

(iv) Nondeliverable forward (export) was taken out to hedge a percentage of export revenue highly susceptive to variations in exchange rate to the US dollar.

(v) NDF transactions (debt in foreign currency) taken out to hedge the effects of fluctuations in exchange rates in cash flow from financing agreements and loans in foreign currency.

a) Derivatives

Fair value does not represent the obligation for immediate cash disbursement or receipt, given that this effect will only occur on the contractual dates or maturity dates of each operation. It should be noted that all contracts outstanding on June 30, 2016 refer to operations on the over the counter market, registered with the CETIP, without any type of guarantee margin or accelerated maturity clause forced by Mark to Market (MtM) variations.

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b) Fair value vs. book value

The fair values of the financial assets and liabilities, together with the book values presented in the balance sheet, are as follows:

				Consolidated
		06/30/2016		12/31/2015
Assets measured at fair value	**Book value**	**Fair value**	**Book value**	**Fair value**
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	-	-	6,920	6,920
Assets measured at amortized cost				
Cash and cash equivalents (ii) Interest earning bank deposits (ii)	**22,596 3,436**	**22,596 3,436**	60,312	60,312
Accounts receivable (iii)	**160,883**	**160,883**	192,076	192,076
	186,915	**186,915**	252,388	252,388
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	**8,995**	**8,995**	-	-
Liabilities measured by the amortized cost				
Loans and financing (iv)	330,382	248,508	411,842	368,311
Debentures (iv)	**130,204**	**123,593**	127,863	132,423
Advances on foreign exchange contracts (iv)	**181,250**	**181,250**	191,948	181,081
Trade accounts payable and advances on receivables (ii)	**142,615**	**142,615**	135,813	135,813
Advance on real estate credits (iv)	**-**	**-**	-	-
	784,451	**695,966**	867,466	817,628

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	Parent company			
	06/30/2016		12/31/2015	
Assets measured at fair value	**Book value**	**Fair value**	**Book value**	**Fair value**
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	-	-	6,920	6,920
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**1,104**	**1,104**	15,822	15,822
Interest earning bank deposits (ii)	**682**	**682**	-	-
Accounts receivable and other receivables (iii)	**63,757**	**63,757**	71,152	71,152
	65,543	**65,543**	86,974	86,974
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	**7,962**	**7,962**	-	-
Liabilities measured by the amortized cost				
Loans and financing (iv)	**247,827**	**224,473**	285,703	268,800
Debentures (iv)	**130,204**	**123,593**	127,863	132,423
Advances on foreign exchange contracts (iv)	**181,250**	**142,958**	191,948	127,578
Trade accounts payable and advances on receivables (ii)	**115,126**	**115,126**	120,044	120,044
	674,407	**606,150**	725,558	648,845

(i) The fair value of forward exchange agreements is based on the listed market price, if available. If a listed market price is not available, fair value is estimated by discounting the difference between the contractual forward price and the current forward price by using a risk-free interest rate (based on government bonds). The fair value of interest rate swap contracts is based on brokers' quotations. These quotations are tested for reasonability by estimating discounted future cash flows based on contract conditions and maturities and using market interest rates of similar instruments on the measurement date. Fair values reflect the instrument credit risk and include adjustments to consider the credit risk of the Company's entity and the counterpart, if applicable.

(ii) Due to their current cycle, fair value of cash and cash equivalents, interest earning bank deposits, trade notes receivable, trade accounts payable, other accounts payable and advances on receivables are supposed to approximate book value.

(iii) The fair value of accounts receivable and other receivables is estimated as the present value of future cash flows, discounted using the market interest rate at reporting date.

(iv) The fair value that is determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on the date of presentation of the financial statements. For convertible debt securities, the market interest rate is determined by reference to similar liabilities that do not have a conversion option. For financial leases, the interest rate is calculated by referring to similar lease agreements.

In accordance with the hierarchical classification criteria for determining fair value, where: *Level 1:* prices quoted (not adjusted) in active markets, net and visible to identical assets and liabilities which are accessible at the measurement date. Level 2: quoted prices (adjusted or unadjusted), for similar assets and liabilities in active markets; and Level 3: assets and liabilities, not based on observable market data (nonobservable inputs). The Company classified in its accounting registers the fair value of its financial instruments as level 2.

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20. Related parties

	Outstanding balances of subsidiaries with the parent company						Effect resulting of the subsidiaries' transactions with the parent company	
	Current assets (iii)	Noncurrent assets (receivables from related parties)	Total assets	Current liabilities (i)	Non-current liabilities	Total liabilities	Income	Expense
December 31, 2015								
Taurus Blindagens Ltda.	_	_	_	41,198 (iv)	-	41,198	_	_
Taurus Holdings, Inc.	_	_	-	58,726	-	58,726	299,544	4,484
Taurus Security Ltda.	-	547	547	-	-	-	-	-
Taurus Investimentos Imobiliários Ltda.	38	-	38	-	-	-	-	5,476
Taurus Máquinas-Ferramenta Ltda.	-	16,792 (iv)	16,792	-	-	-	-	-
Polimetal Metalurgia e Plásticos Ltda.	29,498	45,261 (iv)	74,759	81,974	-	81,974	10,371	136,983
	29,536	62,600	92,136	181,898	-	181,898	309,915	146,943
June 30, 2016								
Taurus Blindagens Ltda.	**434**	_	**434**	_	**25,568 (iv)**	**25,568**	_	_
Taurus Blindagens Nordeste Ltda.	**68**	-	**68**	-	**12,706 (iv)**	**12,706**	-	-
Taurus Holdings, Inc.	-	-	-	**73,606**	**5,170**	**78,776**	**152,676**	-
Taurus Security Ltda.	-	-	-	-	-	-	-	-
Taurus Investimentos Imobiliários Ltda.	**884**	-	**884**	**1,097**		**1,097**	-	**1,097**
Taurus Máquinas-Ferramenta Ltda.	**3**	**3,760 (iii)**	**3,763**	-	-	-	-	-
Taurus Plásticos Ltda.	**17**	-	**17**	-	-	-	-	-
Polimetal Metalurgia e Plásticos Ltda.	**29,359**	- (iii)	**29,359**	**24,918**	-	**24,918**	**4,368**	**73,562**
	30,765	**3,760**	**34,525**	**99,621**	**43,444**	**143,065**	**157,044**	**74,659**

(i) This refers to amounts recorded under trade accounts payable - R$ 20,716, loan of R$ 48,874 and related parties R$ 30,031.
(ii) This refers to amounts recorded under trade accounts payable, R$ 24,851 and R$ amounts receivable from related parties R$ 5,914.
(iii) These refer to loan agreement executed with parent company Forjas Taurus S.A. and are restated at 100% of CDI (Interbank Deposit Certificates).
(iv) These refer to loan agreements executed with subsidiary Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda. and are restated at 100% of CDI (Interbank Deposit Certificates).

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The operations involving the Company and subsidiary Taurus Holding, Inc. refer to weapon sales to be traded by the subsidiary in the US market.

The operations involving the Company and subsidiary Polimetal Metalurgia e Plásticos Ltda. refer to products in process since the subsidiary performs part of the production process of the weapons segment.

Transactions with related parties are carried out under prices and terms agreed by the parties.

As of June 30, 2016, the operations involving Forjas Taurus S.A. and CBC mainly refer to sale of firearms to be traded and the purchase of ammunition. The amounts of these operations are shown below:

	Current assets	Current liabilities	Income	Expense
Companhia Brasileira de Cartuchos	**226**	**19,343**	**14,193**	**8,731**

Compensation of directors and Board Members

The compensation of executive officers and directors includes salaries, fees and benefits:

	Consolidated		Parent company	
	06/30/2016	**06/30/2015**	**06/30/2016**	**06/30/2015**
Compensation and benefits of statutory officers	**1,477**	4,741	**1,477**	4,741
Compensation and benefits of the Board of Directors.	**150**	274	**150**	274
Compensation and benefits of the Fiscal Council	**227**	227	**227**	227
Total	**1,854**	5,242	**1,854**	5,242

The Company does not have compensation benefit policies for key management personnel characterized as: post-employment benefits, benefits from rescission of employment contract, share-based compensation or other long term benefits.

Directors and Board members - Operations

The directors and board members directly control 0.02% of Company voting capital.

Sureties between related parties

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Loans and financing are guaranteed by promissory notes, chattel mortgages for machinery and equipment and real estate mortgages. The sureties granted by and between the Company and its subsidiaries are presented below:

	06/30/2016	06/30/2015
Polimetal Metalurgia e Plásticos Ltda.	**116,816**	78,686
Forjas Taurus S.A.	**64,692**	95,139
	181,508	173,825

21. Shareholders' equity / Unsecured liability (Parent company)

a) Capital (In reais)

At the Board of Directors Meeting of June 2, 2016 and June 27, 2016, the capital increases have been approved, respectively amounting to (i) R$17,540,321.52, through the issuance of 10,695,318 new shares, of which 10,060,829 are common shares and 634,489 are preferred shares, at an issue price of R$1.64 per share, due to the exercise of 10,060,829 class 1 bonds with warrants by the shareholder Companhia Brasileira de Cartuchos, and 634,489 class 2 bonds with warrants by the shareholder Marcos Bodin de Saint Ange Comnene; and (ii) R$4.92 upon issuance of 3 new common shares, through the exercise of three (3) class 1 bonds with warrants by the shareholder Sérgio Feijão Filho, as per terms and conditions approved upon the Company's capital increase approved at the Annual Shareholders Meeting held on September 29, 2015.

Due to such capital increases, the new company's capital stock is now three hundred ninety-three million, nine hundred seventy-seven thousand, twenty-six Brazilian Reais and nine cents (R$393,977,026.09), represented by fifty-eight million, two hundred and seventy-eight thousand, five hundred and sixty-nine (58,278,569) shares, of which forty-four million six hundred and forty-two thousand, four hundred fifty-nine (44,642,459) are common shares and thirteen million, six hundred and thirty-six thousand, one hundred and ten (13,636,110) are preferred shares, all nominative and book-entry shares, without par value. The new common are entitled to receiving full dividends that may be declared and all other rights and benefits granted to other holders of the Company's common shares, on equal terms.

With homologation of capital increase, the controlling shareholder CBC Participações S.A. now holds 91.91% of issued common shares.

Subscription bonus

Shareholders that took part in capital increase homologated in the Special Shareholders' Meeting as of September 29, 2015, were assigned, as an additional benefit, a subscription bonus for each subscribed share, according to type of share. Subscription bonuses will be valid until January 30, 2017 ("Maturity") and their exercise price is R$1.64, both for subscription bonus of ON shares and PN shares.

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Preferred shares

Preferred shares are nonvoting shares, which are not entitled to differentiated dividends but have preference in the return of capital.

In accordance with article 5, paragraph 4 of Company articles of incorporation, preferred shares are voting shares for any General Meeting resolutions about the following matters, case in which each preferred share entitles holder to one vote:

(i) transformation, take-over, merger or spin-off of the company;

(ii) approval of execution of contracts between the Company and its Controlling Shareholder, as defined in the Level 2 Regulation, directly or through third parties, as well as of other companies in which the Controlling Shareholder has interest, whenever by operation of legal or statutory provision such matters must be submitted to the General Meeting for approval;

(iii) appraisal of assets earmarked for the capital increase subscription of the Company;

(iv) selection of specialized company to determine Company economic value, on the terms of Chapter VII of the articles of incorporation; and

(v) amendment to or revocation of statutory provisions that amend or change any requirements provided for in item 4.1 of Level 2 Regulation, also such voting right shall prevail only while the Corporate Governance Level 2 Participation Contract is in force.

Authorized shares (in thousands of shares)

	06/30/2016	06/30/2015
Common shares	**51,851**	51,851
Preferred shares	**103,702**	103,702
	155,553	155,553

Shares issued and fully paid up

	Common		Preferred	
	Number (in thousands)	In thousand of reais	Number (in thousands)	In thousand of reais
June 30, 2015				
Com. shares R$2.01 - Pref. shares R$1.66*	8,439	16,963	7,705	12,790
June 30, 2016				
Com. shrs R$1.59 - Pref. shrs R$1.56*	**44,642**	**70,928**	**13,636**	**21,272**

“Quotation of shares on the date stated, multiplied by total shares existing on this date.

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b) Equity valuation adjustments

The reserve for equity valuation adjustments includes adjustments from adopting deemed cost for fixed assets at the transition date to IFRS. The amounts registered in equity valuation adjustments are reclassified partially or fully to profit or loss for the year, when the assets to which they refer are sold.

Accumulated translation adjustments

Accumulated translation adjustments include all foreign currency differences deriving from the translation of financial statements of foreign operations.

c) Earnings per share

Basic earnings per share	**06/30/2016**	**06/30/2015**
Losses attributable to shareholders (in thousands of R$)	**11,291**	(145,173)
Balance of shares at the end of the year	**58,278,566**	16,144,039
Total shares	**58,278,566**	16,144,039
Earnings per share - Basic - in R$	**0.19374**	(8.9924)
Diluted earnings per share	**06/30/2016**	**06/30/2015**
Losses attributable to shareholders (in thousands of R$)	**11,291**	(145,173)
Balance of shares at the end of the year	**58,278,566**	16,144,039
Effect of bonus on subscription of shares*	-	-
Total shares considered	**58,278,566**	16,144,039
Income per share considering bonus effect and diluted in R$	**0.19374**	(8.9924)

*Refers to share subscription bonus, as described in item "a" of this note.

d) Capital transactions

The corporate restructuring which occurred on May 27, 2011 and involved subsidiary Polimetal Metalurgia e Plásticos Ltda. and the Company resulted in changes in interest held by the parties amounting to R$ 40,996, which was recorded in unsecured liability under capital transactions.

22. Operating income

Sale of goods

Operating income is recognized when:

(i) There is sufficient evidence that most significant risks and rewards inherent in the ownership of the assets were transferred to buyer and there is no continuous involvement with the goods sold;

(ii) Future economic benefits are likely to flow to the Company; and

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(iii) Associated costs and the possible return of goods may be reliably estimated, there is no continuous involvement with the goods sold, and the revenue amount may be reliably measured.

Sales taxes

Sales income are subject to the following taxes and contributions, and the following basic rates:

	Rates
ICMS - Value-Added Tax on Sales and Services	0–25%
IPI - Excise tax	0–45%
Contribution for social security funding–COFINS	3–7.6%
Social integration program–PIS	0.65% and 1.65%

	Consolidated		Parent company	
	06/30/2016	**06/30/2015**	**06/30/2016**	**06/30/2015**
Sales of goods	**442,381**	410,234	**201,755**	200,420
Rendering of services	**-**	622	**-**	622
Adjustment to present value	**-**	(6,693)	**-**	(1,744)
Total gross revenue	**442,425**	404,163	**201,755**	199,298
Sales taxes	**(50,649)**	(51,729)	**(12,067)**	(17,436)
Refunds and rebates	**(7,898)**	(3,419)	**(1,909)**	(2,039)
Total net operating income	**383,834**	349,015	**187,779**	179,823

23. Financial income and expenses

Financial income includes interest income on investment funds, changes in fair value of financial assets measured at fair value through profit or loss and gains on hedge instruments. Financial income is recorded on an accrual basis.

	Consolidated		Parent company	
	06/30/2016	**06/30/2015**	**06/30/2016**	**06/30/2015**
Financial expenses				
Interest	**(37,753)**	(33,781)	**(35,353)**	(29,422)
Exchange variation	**(352)**	(111,694)	**-**	(102,199)
IOF	**(554)**	(672)	**(281)**	(53)
Swap on financial operations	**(9,893)**	(14,640)	**(9,893)**	(14,639)
Adjustment to present value	**-**	(4,924)	**-**	(4,358)
Other expenses	**(3,439)**	(2,448)	**(2,809)**	(700)
	(51,991)	**(168,158)**	**(48,336)**	**(151,371)**
Financial income				
Interest	**565**	3,443	**1,835**	3,607
Exchange variation	**98,877**	61,911	**91,034**	57,375
Swap on financial operations	**836**	19,600	**836**	19,599
Adjustment to present value	**-**	5,592	**-**	1,732
Other income	**1,447**	5,780	**737**	1,904
	101,725	96,327	**94,442**	84,217
Net financial income (loss)	**49,734**	(71,831)	**46,106**	(67,154)

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24. Expenses per type

	Consolidated		Parent company	
	06/30/2016	**06/30/2015**	**06/30/2016**	**06/30/2015**
Expenses according to the role				
Cost of goods sold	**(273,286)**	(258,845)	**(143,544)**	(140,051)
Sales expenses	**(53,875)**	(45,070)	**(13,224)**	(13,743)
General and administrative expenses	**(74,034)**	(44,377)	**(37,448)**	(20,476)
Other operating expenses	**(24,417)**	(76,075)	**(4,124)**	(3,971)
	(425,612)	(424,367)	**(198,340)**	(178,421)
Expenses per type				
Depreciation and amortization	**(15,675)**	(16,904)	**(3,482)**	(5,181)
Personnel expenses	**(144,017)**	(138,848)	**(40,380)**	(62,464)
Raw materials and use and consumption materials	**(123,820)**	(115,939)	**(55,060)**	(74,037)
Freight and commissions	**(22,896)**	(19,702)	**(8,464)**	(6,077)
Third party services	**(11,826)**	(13,522)	**(67,051)**	(6,804)
Advertising and publicity	**(9,429)**	(8,509)	**(74)**	(716)
Allowance for doubtful accounts	**-**	-	**(1,093)**	-
Amortization of intangible assets	**-**	-	**-**	-
Abnormal fixed costs	**-**	-	**-**	-
Product warranty expenses	**(2,759)**	(5,401)	**(1,500)**	(2,919)
Water and energy	**(8,024)**	(988)	**(2,349)**	(3,548)
Rents	**(5,588)**	-	**(1,145)**	
Travel and accommodation	**(3,218)**		**(1,797)**	
Idle capacity	**-**		**-**	
Insurance expenses	**(5,176)**		**-**	
Cost of write-off property, plant and equipment	**(4,123)**	(3,123)	**(1,537)**	(2,430)
Investment losses	**(5,150)**	(8,859)	**(2,514)**	(6,271)
Employee profit sharing	-		-	
Provision for contingencies	**(19,698)**	(67,307)	**(5,416)**	
Auxiliary materials, conservation and maintenance	**(15,227)**	(1,117)	**(854)**	
Other expenses	**(28,986)**	(24,148)	**(5,624)**	(7,794)
	(425,612)	(424,367)	**(198,340)**	(178,241)

25. Cost of goods sold

	Consolidated		Parent company	
	06/30/2016	**06/30/2015**	**06/30/2016**	**06/30/2015**
Allocated cost of goods sold	**273,286**	249,986	**143,544**	133,780
Unallocated costs	**-**	8,859	**-**	6,271
Total cost of goods sold	**273,286**	258,845	**143,544**	140,051

Unallocated costs represent unusual amounts or indirect production costs adventitiously not allocated to products, mainly related to low production volume, directly posted to P&L for the period in which they take place, in a separate account from cost of goods sold.

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(In thousands of Reais, unless otherwise indicated)

26. Insurance coverage

The Company adopts the policy to take out insurance coverage for assets subject to risks for amounts considered sufficient by Company management to cover adventitious damages, considering the nature of its activities. Insurance coverage is determined by Company management for an amount considered sufficient to cover adventitious damages.

On June 30, 2016, Company insurance coverage was as follows:

	06/30/2016	
	Consolidated	**Parent company**
Material damages	**424,068**	**33,789**
Civil liability	**226,050**	**8,000**
Loss of profit	**5,841**	**-**

27. Provision for product warranty

The Company provides a one-year product warranty to the buyer and, in some specific cases, a lifetime warranty. The Company quantifies and records an estimate for the costs related to the guarantee, according to historical and current repair costs. The provision for product warranty ensures that the repair costs in case of replacement or repair do not affect the operational results of periods when these additional costs occur, so the amounts are provided for competence. As of June 30, 2016 and 2015, balances are presented as follow:

	Consolidated		Parent company	
	06/30/2016	**12/31/2015**	**06/30/2016**	**12/31/2015**
Domestic market	**6,949**	7,054	**5,481**	5,586
Foreign market	**9,370**	11,079	**1,477**	1,477
Total	**16,319**	18,133	**6,958**	7,063
Current liabilities	**12,028**	12,913	**6,958**	7,063
Non-current liabilities	**4,291**	5,220	**-**	-

28. Subsequent events

Debt reprofiling

The Company started in 2015 the process of negotiation with certain bank creditors aiming at reprofiling part of the Company's and its subsidiaries' debts. On June 28, 2016, the process of formalizing and executing such reprofiling agreements has been completed. The terms of the Transaction have included the extension of debt maturity with the Creditors, amounting to approximately USD$150.0 million. The period of the Transaction is five (5) years, including a two-(2)-year grace period to start paying the principal. The principal will be amortized in quarterly payments, which will start at the end of the 24th month (inclusive). The nominees will bear interest equal to LIBOR (3 months) + 8.14% per annum and will be paid semi-annually during the grace period and quarterly after that period.

Notes to the financial statements

Notes to the financial statements
June 30, 2016
(In thousands of Reais, unless otherwise indicated)

The Transaction will be created with the following collateral: (I) pledge of all the shares of Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda. ("Collateral"); (ii) 1st level mortgage of 3 properties located in the city of Mandirituba (state of Paraná), and 2 properties located in the city of Porto Alegre (state of Rio Grande do Sul ("Mortgage"); and (iii) fiduciary assignment of credit rights arising from all funds object of the possible sale of quotas subject to Pledged Shares and Mortgage as well as rights related to the ownership of the Company's escrow account to be opened for the purpose of receiving the funds.

On June 30, 2016, the completion of the debt reprofiling process, with relevant financial settlement of the transactions is subject to compliance with certain previous conditions that are usual for this type of transaction, among which is the creation of the records of the guarantees offered to the agencies, which will be later duly communicated by the Company. The conclusion of this Transaction represents an important step in the Company's debt restructuring process, creating new conditions for its development and operational and financial strengthening.

The pro-forma table containing the comparison between the current maturity schedule and after the debt reprofiling, considering the impacts of the transaction completion, is as follows. The conclusion of the renegotiation process expects an additional credit facility of USD$900,000, equivalent to R$2.9 million under the same parameters negotiated in the debt reprofiling. Thus, this amount is included in Loans and Borrowings in the non-current liabilities and in Cash and Cash Equivalents in the current assets, after the reprofiling.

		Consolidated
	Current 06/30/2016	**Proforma Reprofiling**
Current	**561,774**	**117,648**
2017	18,070	4,712
2018	18,638	116,476
2019	7,788	152,745
2020 onwards	51,067	268,644
Non-current	**95,564**	**542,577**
Total debt	**657,338**	**660,225**

Notes to the financial statements

Notes to the financial statements
June 30, 2016
(In thousands of Reais, unless otherwise indicated)

Consolidated Balance Sheet
June 30, 2016
(In thousands of reais)

	Consolidated			Consolidated	
	Current 06/30/2016	Proforma Reprofiling		Current 06/30/2016	Proforma Reprofiling
Assets			**Liabilities**		
Current assets			**Current liabilities**		
Cash and cash equivalents	***22,596***	*25,484*	Social and labor obligations	**32,984**	32,984
Interest earning bank deposits	**3,436**	3,436	Suppliers	**136,109**	136,109
Accounts receivable	**160,883**	160,883	Tax liabilities	**18,719**	18,719
Inventories	**275,701**	275,701	*Loans and financing*	***234,818***	*106,196*
Recoverable taxes	**51,577**	51,577	*Debentures*	***130,204***	*3,913*
Prepaid expenses	**31,655**	31,655	*Advance of receivables*	***6,506***	*6,506*
Others Current assets	**18,552**	18,552	*Foreign exchange withdrawals*	***181,250***	*1,033*
			Financial instruments	***8,995***	
			Other liabilities	**80,346**	80,346
			Provisions	**68,255**	68,255
	564,400	567,288		**898,186**	454,061
Non-current assets			**Non-current liabilities**		
Long term assets	**52,570**	52,570	*Loans and financing*	***95,564***	*477,475*
Trading securities	**3,079**	3,079	*Debentures*	-	*65,102*
Investments	**349**	349	Other liabilities	**5,597**	5,597
Property, plant and equipment	**257,218**	257,218	Deferred taxes	**291**	291
Intangible assets	**77,374**	77,374	Provisions	**36,099**	36,099
	390,590	390,590		**137,551**	584,564
			Total liabilities	**1,035,737**	1,038,625
			Shareholders' equity		
			Realized capital	**393,977**	393,977
			Capital reserves	**(40,996)**	(40,996)
			Retained Earnings/Losses	**(553,954)**	(553,954)
			Equity evaluation adjustments	**30,829**	30,829
			Accumulated translation adjustments	**89,397**	89,397
			Total shareholders' equity	**(80,747)**	(80,747)
Total assets	**954,990**	957,878	**Total liabilities and shareholders' equity**	**954,990**	957,878

Opinions and Statements / Special Review Report - Unqualified

Report on the review of quarterly information - ITR

To the Shareholders, Board Members and Directors of

Forjas Taurus S.A.

São Leopoldo - RS

Introduction

We have reviewed the interim, individual and consolidated interim financial information of Forjas Taurus S.A. ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended June 30, 2016, which comprises the balance sheet as of June 30, 2016 and related statements of income, of comprehensive income for the 3 and 6-months period then ended, of changes in shareholders' equity and of cash flows for the quarter then ended, including the explanatory notes.

Company's management is responsible for the preparation of the interim accounting information in accordance with Technical Pronouncement CPC 21 (R1) and with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of the review

Our review was carried out in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim information

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and with international standard IAS 34 to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Other issues

Statements of added value

We also reviewed the individual and Consolidated value-added statements for the six-month period ended on June 30, 2016, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities and Exchange Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Porto Alegre, August 11, 2016.

KPMG Auditores Independentes

CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

Opinions and Statements / Fiscal Council opinion or equivalent body

Fiscal Council Opinion

Supervisory Board of Forjas Taurus S.A., in compliance with legal and bylaws' provisions, reviewed information related to the second quarter of 2016. Based on this review and on information of Report on Review of Quarterly Information, issued without qualifications by KPMG Auditores Independentes and dated August 11, 2016, as well as information and clarifications received from the Company's management, said documents have the conditions to be disclosed.

Porto Alegre, August 11, 2016

Haroldo Zago

President

Mauro César Medeiros de Mello

Board Member

Amoreti Franco Gibbon

Board Member

Juliano Puchalski Teixeira

Board Member

Rafael de Souza Morsch

Board Member

Opinions and Statements / Statement of the Executive Officers on the Financial Statements

STATEMENT OF FORJAS TAURUS S.A. EXECUTIVE BOARD ON FINANCIAL STATEMENTS FOR THE FIRST SEMESTER OF 2016

Messrs. Marco Aurélio Salvany, Thiago Piovesan and Salésio Nuhs, Executive Officers of Forjas Taurus S.A., a company headquartered at Avenida São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in CNPJ under no. 92,781,335/0001-02, in compliance with provisions of items V and VI of Article 25 of CVM Instruction no. 480, of December 07, 2009, state that they have reviewed, discussed and agreed with Financial Statements of Forjas Taurus S.A. and consolidated companies for the period from January 01, 2016 to June 30, 2016.

Porto Alegre, August 11, 2016.

Marco Aurélio Salvany

CEO

Thiago Piovesan

Administrative and Financial Officer and Vice CEO

Investor Relations Director

Salésio Nuhs

Sales and Marketing Officer and Vice CEO

Opinions and Statements / Statement of the Executive Officers on the Independent auditors' report

REPRESENTATION OF FORJAS TAURUS S.A. BOARD MEMBERS ON INDEPENDENT AUDITORS’ REPORT

Messrs. Marco Aurélio Salvany, Thiago Piovesan and Salésio Nuhs, Executive Officers of Forjas Taurus S.A., a company headquartered at Avenida São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in CNPJ under no. 92,781,335/0001-02, in compliance with provisions of items V and VI of Article 25 of CVM Instruction no. 480, of December 07, 2009, state that they have reviewed, discussed and agreed with opinions expressed by KPMG Auditores Independentes on Financial Statements for the period from January 01, 2016 to June 30, 2016, issued on August 11, 2016.

Porto Alegre, August 11, 2016.

Marco Aurélio Salvany

CEO

Thiago Piovesan

Administrative and Financial Officer and Vice CEO

Investor Relations Director

Salésio Nuhs

Sales and Marketing Officer and Vice CEO