Forjas Taurus S.A.
(Public Stock Corporation)

Financial Statements
December 31, 2011 and 2010

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Contents

MANAGEMENT REPORT

MESSAGE TO THE SHAREHOLDERS

The year 2011 represented a mark in the history of Forjas Taurus S.A. The Company implemented important corporate restructuring; it joined Level 2 of Corporate Governance from BM&FBovespa; it invested in duplicating its production capacity at the helmets factory in Bahia, as from 2012; it acquired Steelinject from the Lupatech Group; once again it won the coveted award, **Weapon of the Year**, in the United States; it continued with its plan to sell Taurus Máquinas-Ferramenta Ltda.; and adopted measures to ensure that in 2012 it would improve its financial management, seeking to extend and reduce its debt costs.

Corporate Restructuring

The corporate restructuring and the management model consist, basically, of adopting measures on three fronts: (1) Change in the capital composition, optimizing the participation of shareholders in the new corporate structure, now characterized as a corporation with dispersed control, but with a reference shareholder; (2) start of an extensive process to improve corporate governance, with adhesion in July 2011 to Level 2 of BM&FBovespa, with the subsequent advantages and guarantees provided to its Shareholders, improving its institutional image on the capitals market; and (3) Improvements to the Corporate Statutes, to reflect the regulatory and corporate governance advances, such as greater representation of all shareholders on the Management Board, and the creation of three Statutory Committees to advise the Board (Audit and Risks Committee; Remuneration and Personnel Development Committee and Corporate Governance Committee), anticipating legislation, given that these are not yet compulsory, and maintaining the Statutory Audit Committee as a permanent operating body. Also within this governance context, the Statutes established that the positions of President of the Management Board and Managing Director cannot be held by the same person, and also that a specific appointment will be made for the position of Investor Relations Director.

Thus, in 2011, a new management board, a new managing director and new director of investor relations were elected and took office. A new CEO was also appointed for Taurus International Manufacturing, Inc. as well as other changes in the composition of the directors at this subsidiary.

It is worth reporting some of the significantly relevant specific measures, that had impacts on the management of the Company’s business: (1) The valuation of the independence of the Management Board, which now included a minimum of 40% independent advisors; (2) Adoption of a 100% *tag along* for all types of shares (33% ordinary and 67% preference); (3) The voting rights for preference shares in meetings discussing significant issues; (4) Fixing a six monthly minimum 35% dividend payment distributed equally to all ordinary and preference shares; and (5) the segregation of the company's business between two large segments, as follows: (1) **Defense and Security**; and (2) **Metallurgy and Plastics**. This was an important measure to ensure greater efficiency and transparency in managing the Company's different business units, contributing towards a clear definition of strategies focused on achieving results.

Management and Market

In addition to the actions related to the corporate restructuring and the management model, measures were taken that had a direct impact on the Company's future performance, as well as the continuity of the programs for investments in modernization, product innovation and increasing the productive capacity of our industrial plants.

There was another achievement in the Defense and Security segment, with the award *Handgun of the Year* in 2011, given to the Pistol Taurus PT 740 Slim, granted by the important American Association NRA – *National Rifleman Association*, in the publication *Golden Bulls eye Award*, which represents recognition of the Company's permanent efforts towards the continued improvement in the quality, technology and design of its products.

In 2011, the Metallurgy and Plastics segment, the second plant for motorcycle helmets located in Simões Filho, in the State of Bahia, received investments to double its production capacity, maturing at the beginning of 2012, in order to meet growth of approximately 24% in sales for this segment on the domestic market. The Company is well prepared and accompanies the continual growth of this market, which should continue to present important expansion given the increase in credit made available to the end consumer; increase in real income; and increase in the purchasing power of social classes C, D and E, all factors that favor consumption and also the automobile segment.

The acquisition of Steelinject Injeção de Aços Ltda., a company, which until then, belonged to the Lupatech group, with its head office in Caxias do Sul - RS, complemented and significantly strengthened the Company's activities in the segment for products that use *Metal Injection Molding* – M.I.M. technology. The acquisition occurred in October 2011, with Taurus assuming operations in January 2012, and strengthens the Company's strategy to increase the use of M.I.M. technology for its own products, as well as selling products with this technology to third parties, particularly the oil and gas, automobile and agriculture segments, given that these sectors have reported significant growth.

Also in the Metallurgy and Plastics segment, during the year, the Company increased the production of bullet proof vests and also plastic injected containers, used to store solid residues. The dynamism of the urban economy, increased environmental awareness, the growing increase in recycling and new legislation on solid residues, as well as the significant sports events to be held between 2013 and 2016 in Brazil, have created a new scenario for a market concerned with the collection, disposal and adequate treatment of solid residues.

As part of the restructuring of our business units, in 2011 the Company introduced a plan to sell Taurus Máquinas–Ferramenta Ltda., which is forecast to be concluded during 2012. For such, the Company contracted the services of a specialized consulting firm.

It is also worth noting that we exceeded the estimates for economic-financial performance published for the last quarter of 2011, when we reported the results for the 9 months of 2011. Net income for 4T11 was 9,6% greater than the *guidance* provided, and reached R$ 174,3 million (*guidance* of R$ 159 million); the EBITDA was R$ 37,1 million ,76,7% above the *guidance* (R$ 21 million). The investment costs (CAPEX) were 13% less, given the revisions and postponements to the timetable, reaching R$ 8,7 million in the quarter, compared to the $ 10 million provided as *guidance*.

During 2011, the Company reported R$ 618 million for consolidated net income, 1,5% above that reported in 2010; R$ 130,8 million for EBITDA (margin of 21,2%) and net profit of R$ 37,3 million, affected by foreign exchange variations; the increase in the costs of raw materials; net financial results; and negative results from the discontinued operations.

Strategy and Scenario

The strategy adopted by the Company is organized based on three priority objectives: (1) Expansion and growth, including through acquisitions; (2) Adaption and modernization of the factory park, through efficient administration of costs, technological advances and analysis of the possible concentration of the production from the Defense and Security segment (handguns and rifles) at one site; and (3) extension of debt terms and reduction of financial expenses.

The future scenario is positive.

For the Defense and Security segment, which accounts for 73% of the Company's consolidated billings, the expectation is that it will report growth of 10% in the USA and Canadian markets, given that North America is an important leverage for foreign sales (45% of total revenue), as well as an increase of 10% in exports to more than 70 countries (9% of total income), excluding North America.

Whilst for the Metallurgy and Plastics segment, responsible for 27% of sales, it is worth noting the performance of motorcycle helmets, which contributed with 19% of revenue in 2011, and which should report a sales increase of 18% in 2012. Obviously, the company hopes to capture this market growth in its *market share*

The Company has been operating for more than 72 years, and has a solid reputation and is recognized for both its brands and the quality of its products. Within this context, the changes which became effective in 2011, represent a natural process in the history of a global company, which will grow on the local and international market and will generate foreign currency and employment for Brazil.

Finally, we would like to thank our customers, shareholders, suppliers, the community and particularly our 5 thousand employees, our numerous partners, that continued to trust the quality of our products and our ability to reinvent ourselves and continue to grow.

OPERATIONS

Profile

Forjas Taurus S.A. (the "Company"), with its head office in Porto Alegre – RS – Brazil, is a Brazilian public stock corporation (Level 2 BM&FBovespa: FJTA3, FJTA4). It is the largest producer of handguns in Latin America and one of the largest in the world. At December 31, 2011, it consisted of eight business units in Brazil and one in the USA, with its main activities being the production and sale of weapons, forged products, motorcycle helmets, bullet proof vests, plastic injected products, manual tools and machine-tooling.

In Brazil, the business units are distributed as follows: (1) six units in Rio Grande do Sul, with the head office in Porto Alegre, two in São Leopoldo, two in Gravataí and one in Gramado; (2) one business unit in Paraná, in the city of Mandirituba; and (3) one unit in Bahia, in the city of Simões Filho. Overseas, the Company's business unit is located in Miami, Florida – USA.

Activities

Guns: the products are sold on the domestic market, notably to public bodies, mainly state, civil and military police, and on the foreign market, particularly North America.

Motorcycle helmets: these products are sold mainly on the domestic market and in some South American countries. In 2011, the Company held approximately 50% of the *market share* on the Brazilian market .

Others: bullet proof vests, plastic injected products segments, forged products for third parties, and M.I.M. are products sold on the domestic market and manual tools which are sold on the domestic and foreign markets.

COMMENTS ON THE FINANCIAL STATEMENTS

Standards and criteria adopted for preparing the information

The financial statements for Forjas Taurus S.A. and the consolidated companies are presented in accordance with International Financial Reporting Standards (IFRS), issued by the *International Accounting Standards Board (*IASB) and also in accordance with the accounting practices adopted in Brazil (BR GAAP). The individual financial statements of the parent company were prepared in accordance with BR GAAP and in the case of the Company, these practices differ from IFRS applicable to individual financial statements, with respect to the valuation of investments in subsidiaries using the equity method in BR GAAP, whilst for IFRS purposes they are valued at cost or fair value.

The values included in this report are presented in R$ million, except when stated otherwise and therefore, subject to rounding. Consequently, the amounts reported could differ from the amounts presented in the financial statements and the notes to the financial statements.

Investments in subsidiaries and associated companies

Despite the significant influence over the economic and operational activities of Famastil Taurus Ferramentas S.A., its financial statements were not consolidated given that Polimetal Metalurgia e Plásticos Ltda., a shareholder of Famastil Taurus with a 35% investment interest, does not meet the specific criteria from CPC 18 and IAS 28 for recognition of joint venture in this company.

In September 2011, Company management prepared a plan to sell the subsidiary Taurus Máquinas-Ferramenta Ltda., and received a firm commitment for the sale of this investment, and the prospect is that this transaction will be concluded within 12 months, as from September 2011. Given the decision to discontinue the investment, it was then classified as 'held for sale" and registered in accordance with technical pronouncement IFRS 5 and CPC 31 – Non Current Assets Held for Sale and Discontinued Operations. The consolidated results from the discontinued operations included in the consolidated statement of income for 2011 are presented below:

Loss for the year from discontinued operations [1]	**2011**
Income	37,3
Expenses	(73,0)
Loss for the year from discontinued operations	(35,7)

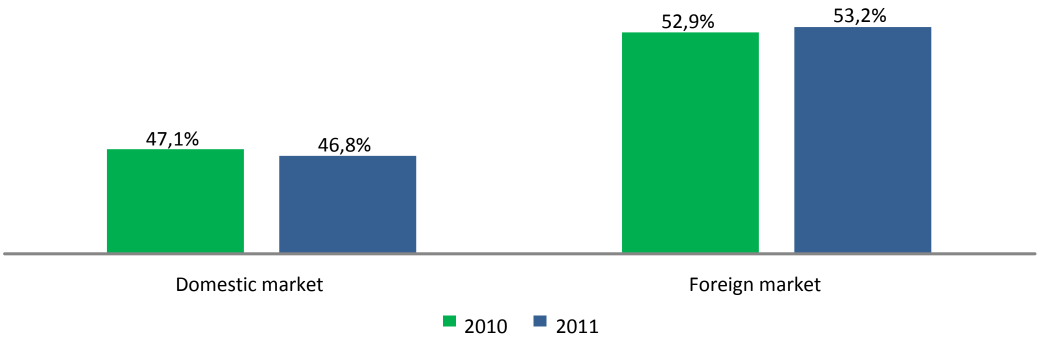
[1] Includes eliminations of operations undertaken between Taurus Máquinas-Ferramenta Ltda. and the other Group companies.

CONSOLIDATED FINANCIAL PERFORMANCE

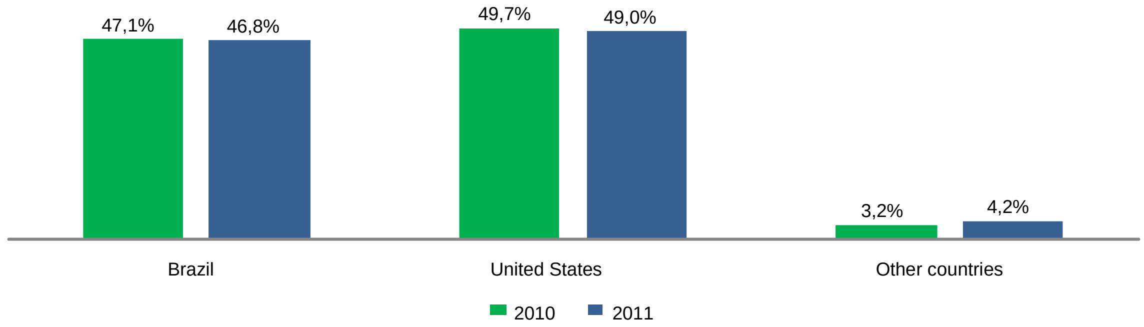
Operational sales income

In 2011, Forjas Taurus S.A. and its subsidiaries reported consolidated gross income of R$ 751,3 million, representing growth of 2,1% compared to R$ 735,6 million reported in 2010. Consolidated net income amounted to R$ 618 million in 2011, with an increase of 1,5% on the R$ 609.1 million reported in 2010. On the foreign market, consolidated net income amounted to R$ 329.1 million, reporting an increase of 2,1% compared to R$ 322.3 million calculated in 2010. When stated in US dollars, sales on the foreign market reached US$ 197,4 million, representing an increase of 7,0% compared to the US$ 184,5 million determined for the previous year. On the domestic market, consolidated net income in 2011, increased 0,7% compared o 2010 amounting to R$ 288,9 million (R$ 286,8 million in 2010). It is worth noting the variation in sales on the domestic market included an increase of 23,8% in the motorcycle helmets segment.

Consolidated sales by market



Consolidated Sales by geographical area



Consolidated gross profit and gross margin

Consolidated gross profit reached R$ 264,3 million in 2011, providing a gross margin of 42,8% (R$ 279,1 million registered in 2010 and gross margin of 45,8%). Gross profit and gross margin were affected by the following factors: (a) Positive: (1) increase in the volume of motorcycle helmets sold in Brazil; and (2) productivity gains, notably at the motorcycle helmets factories; (b) Negative: (1) appreciation of the Brazilian Real in relation to the US dollar; and (2) increase in the costs of production and raw materials for guns and motorcycle helmets, respectively.

Operational profit – EBIT

Operational expenses (selling, administrative and others), net of other operational income, in 2011, amounted to R$ 165,2 million or 26,7% of total consolidated net income (R$ 176,1 million , equivalent to 28,9% of total consolidated net income for 2010). The reduction of 6,2% in total operational expenses for the year 2011 reflects, mainly, the administration of selling expenses (decrease of 4,9% compared to 2010) and administrative expenses which, despite the non recurring expenses derived from the corporate restructuring, reported a decrease of das 3,0% compared to 2010.

Despite the decrease reported for operational expenses, consolidated operational profit, measured based on the concept of EBIT (profit before interest and taxes) in 2011, amounted to R$ 99,1 million, and represented an operational margin of 16,0% (R$ 103,0 million and operational margin of 16,9% in 2010) with the decrease of 3,8% influenced by the decrease in gross profit as reported above.

EBITDA

The generation of consolidated cash in 2011, measured based on the concept of EBITDA (profit before interest, taxes, depreciation and amortization), amounted to R$ 130,8 million and registered EBITDA margin of 21,2% (R$ 136,6 million and EBITDA margin of 22,4% for 2010). The variation in EBITDA, with a decrease of 4,2%, is due, mainly, to the factors reported above: (1) positive: decrease of 6,2% in total operational expenses, net; and (2) negative: decrease in consolidated gross profit.

The EBITDA is a common measure used that aims to reflect a company's capacity for generating cash from its operations; there is no significant standardization and the Company's definition of its EBITDA may not be comparable with those used by other companies. The EBITDA should not be considered in isolation as an alternative to net profit, as a measure of operational performance, as an alternative to operational cash flows or as a liquidity measure Amongst other purposes, EBITDA is used as an indicator of the commitments of Forjas Taurus S.A. towards its loans, financing and debentures.

Financial results

Net financial expenses in 2011, amounted to R$ 47,6 million (R$ 1,8 million in 2010). This increase is due, mainly, to the exchange variations of the Real against the US dollar, causing a exchange loss on onerous liabilities of approximately R$ 37,3 million and an increase in financial costs of loans and financing, contracted at the Selic rate and CDI.

Net profit for the year

In 2011, Forjas Taurus S.A. and its subsidiaries reported consolidated net profit of R$ 37,3 million (R$ 70,3 million in 2010). This decrease in consolidated net profit was caused, mainly, by the following factors, as highlighted above: Positive: (1) decrease in net operational expenses; (2) realization of profits on consolidated inventories; and (3) improvements in results for the motorcycle helmet segment. Negative: (1) Exchange variation of the Real against the US currency; (2) increase in the costs of production and raw materials for guns and motorcycle helmets, respectively; (3) increase in net financial expenses; and (4) increase in the loss from the discontinued operations from the company Taurus Máquinas-Ferramenta Ltda.

Business segment information

The following table presents the composition of net income, gross results, gross margin and profit before taxes by business segment. The information presented refers to the 12 months ended December 31, 2011 and 2010, in accordance with IRFS, net of inter-segment transactions.

	Net income					Groos profit			Gross margin			Result before taxes		
	2010		2011		Var.	2010	2011	Var.	2010	2011	Var.	2010	2011	Var.
Guns	452,3	74,2%	452,0	73,2%	-0,1%	229,2	205,5	-10,3%	50,7%	45,5%	-5,2 p.p.	73,4	18,2	-75,2%
Helmets	95,0	15,6%	117,6	19,0%	23,8%	38,6	51,5	33,3%	40,6%	43,8%	+3,2 p.p.	25,6	36,9	44,1%
Others	61,8	10,2%	48,4	7,8%	-21,8%	11,3	7,3	-35,8%	18,2%	15,1%	-3,1 p.p.	3,9	(1,8)	
Total	**609,1**		**618,0**		1,5%	**279,1**	**264,3**	-5,3%	**45,8%**	**42,8%**	-3,0 p.p.	**102,9**	**53,3**	-48,2%

(i) Guns – operations undertaken by Forjas Taurus S.A. and Taurus Holdings, Inc. (United States);

(ii) Motorcycle helmets – operations undertaken by Taurus Blindagens Ltda.,Taurus Helmets Indústria Plástica Ltda. and Taurus Blindagens Nordeste Ltda.;

(iii) Others – Forging segment (Forjas Taurus S.A.), boilers (2010), bullet proof vests and plastic injected products (Taurus Blindagens Ltda.)

Added value

Forjas Taurus S.A. generated consolidated added value (wealth created by the Company and its subsidiaries) of R$ 458,2 million in 2011 (R$ 481,4 million in 2010), distributed as follows:

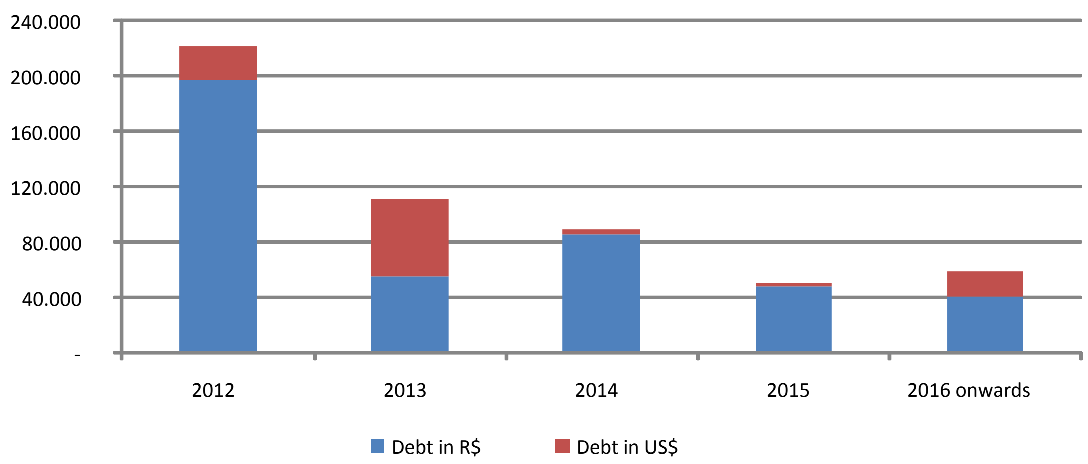
			millions of R$
	2010	**2011**	**Variation**
Employees	186,9	176,8	-5,4%
Government	143,3	108,4	-24,4%
Financers	80,9	135,7	+67,7%
Shareholders	22,1	16,8	-24,0%
Reinvested	48,2	20,5	-57,5%
Total	**481,4**	**458,2**	**-4,8%**

Financial position

Cash and cash equivalents and short term financial investments amounted to R$ 162,2 million in 2011 (R$ 188,7 million in 2010). Of this total, R$ 87,5 million (R$ 149 million in 2010) consists of post fixed CDBs, remunerated by variable rates of 98 to 103% of CDI, contracted with top line financial institutions. Consolidated loans and financing are allocated mainly to: (1) working capital; (2) investments in modernizing the factory park; and (3) financing exports.

During 2011, we strategically extended the payment terms of our debt. Consequently, we closed 2011 with 58,5% maturing in the long term and 41,5% in the short term, as demonstrated in the following graph:

Timetable for maturity dates of consolidated indebtedness – in thousands of reais



The borrowing and financing that matures in 2012, both in domestic currency and in dollars, are part of the Company's structural working capital, with lines renewed on a routine basis. They also include the debentures from the first issue, and the intention is to redeem these in advance through negotiations with the titleholders.

The financial composition, presented below, illustrates the effects of the Company's corporate restructuring implemented in July 2011. The variations compared to 2010 and the main indicates are presented as follows:

	Amounts in millions of R$		
	2010	**2011**	**Variation**
Short term indebtedness	86,5	99,0	14,5%
Long term indebtedness	133,7	232,7	74,0%
Foreign currency withdrawals	4,5	39,6	-
Debentures	105,3	125,3	19,0%
Advances on real estate credits - CRI	42,1	36,1	-14,3%
Derivatives	(2,6)	1,1	-
Sureties and guarantees	131,2	-	-
Gross indebtedness	500,7	533,8	6,6%
(-) Cash and cash equivalents and financial investments	188,7	162,2	-14,0%
Net indebtedness	312,0	371,6	19,1%
Net indebtedness /EBITDA	2,24x	2,84x	+0,60x
EBITDA/net financial expenses ,	5,24x	2,75x	-2,49x

The following summary presents the Company's consolidated financial performance for 2011, compared to the performance reported in 2010:

Consolidated Financial Summary

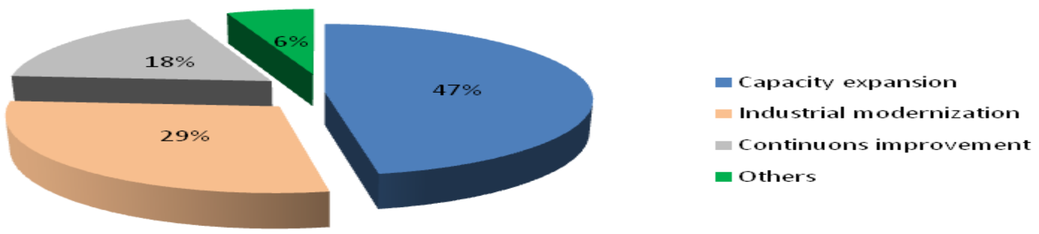
In millions of R$, except when stated otherwise

Index	2010	2011	Variation
Net income	609,1	618,0	1,5%
Domestic market	286,8	288,9	0,7%
Foreign market	322,3	329,1	2,1%
Exports – US$	184,5	197,4	7,0%
Gross profit	279,1	264,3	-5,3%
Gross margin -%	45,8%	42,8%	-3,0 p.p.
Operational profit (EBIT)	103,0	99,1	-3,8%
Net profit	70,3	37,3	-46,9%
Net margin - %	11,5%	6,0%	-5,5 p.p.
EBITDA [1]	136,6	130,8	-4,2%
EBITDA margin - %	22,4%	21,2%	-1,2 p.p.
Total assets	999,9	1.126,7	12,7%
Shareholders' equity	460,6	325,2	-29,4%
Investments	53,6	47,4	-11,6%

1 - EBITDA = profit before interest, taxes, depreciation and amortization

Consolidated Investments

The consolidated investments in property, plant and equipment during 2011, notably in the increase in installed capacity and technological modernization of the factory park, amounted to R$ 47,4 million (R$ 53,6 million in 2010). Depreciation and amortization charges amounted to R$ 27,6 million in 2011 (R$ 26,6 million in 2010). The equipment, facilities and production processes used by the Company and its subsidiaries enable it to manage the investment program in accordance with the product launch and in accordance with market demand. Within this context, in 2011, investments in property, plant and equipment were made as demonstrated in the following graph:



PERFORMANCE OF FAMASTIL TAURUS FERRAMENTAS S.A.

In 2011, the associated company reported net income of R$ 92,1 million, 10,4% above the R$ 83,5 million registered in 2010. The gross profit reported in 2011 was R$ 37,6 million, representing gross margin of 40,8% (gross profit of R$ 33,4 million and gross margin of 40,1% in 2010). Net profit for the year in 2011 was R$ 5,4 million (R$ 5,0 million in 2010). The Company ended 2011 with EBITDA of R$ 11,9 million and EBITDA margin of 12,9% (R$ 11,2 million and EBITDA margin of 13,4% in 2010).

TAXES PAID

The Company and its subsidiaries are important generators of taxes and contributions, and in 2011, in Brazil, they paid R$ 129,9 million (R$ 139,4 million paid in 2010).

SHAREHOLDERS' EQUITY

The Shareholders' equity of Forjas Taurus S.A. (Parent) in 2011, reached a total of R$ 325.334.507,26 representing an equity value of R$ 2,30 per share, represented by 141.412.617 shares (R$ 460.526.919,21 equivalent to an equity value of R$ 3,59 per share, represented by 128.234.160 shares in 2010).

ALLOCATION OF PROFITS FOR THE YEAR

At the next Shareholders' Ordinary General Meeting, management will propose the following allocation of adjusted profits for the year 2011:

	In R$
Profit before management participation	41.461.629,27
Management participation	(4.146.160,00)
Net profit for the year	37.315.469,27
Realization of equity evaluation adjustments	3.931.913,04
Reversal of equity evaluation adjustments in subsidiary	1.091.116,25
Amount to allocate	**42.338.498,56**
Allocation	
Legal reserve (5% s/ R$ 37,315,469.27)	1.865.773,46
Interest on own capital input to dividends	16.766.946,30
Reserve for investments	23.705.778,80
EBITDA/net financial expenses	**42.338.498,56**

The objective of the allocation of R$ 23,705,778.80 to the reserve for Investments, is to comply with the Company's annual investment program, established in the Capital Budget for 2012, which will also be considered in the next Shareholders' Ordinary General Meeting.

SHAREHOLDERS' REMUNERATION

On 2011-08-10, the Company's Management Board determined, *ad referendum* in the Shareholders' Ordinary General Meeting, the distribution and payment of interest on own capital to the Shareholders, for the gross amount of R$ 3.869.295,30 (R$ 3.211.212,10 net of income tax), equivalent to R$ 0,03 per ordinary and preference share, which was paid on 2011-10-17. Furthermore, on 2011-11-17, the Company's Management Board determined, *ad referendum* in the Shareholders' Ordinary General Meeting, the distribution and payment of interest on own capital to the Shareholders,, for the gross amount of R$ 12.897.651,00 (R$ 11.040.692,26 net of income tax), equivalent to R$ 0,10 per ordinary and preference share, which will be paid as from 2012-04-02. Thus, total remuneration to shareholders, for 2011, net of income tax, will amount to R$ 14.251.904,36, equivalent to 36,2% of net adjusted profit of R$ 39.381.608,85 (2010 – R$ 20.465.032,65, equal to 27,4% of adjusted net profit).

CAPITAL MARKET

The Company's shares have been listed on Bovespa since March 1982. On July 07, 2011 the Company joined Level 2 of BM&FBovespa with its Statutes fully revised and consolidated to include the adoption of differentiated corporate governance practices provided for Level 2. During this new stage of the Company, as part of the commitment to best governance practice and a new management model, the Management Board elected a Statutory Director of Investor Relations on December 16, 2011, who is dedicated full time to the project towards achieving greater approximation and relationship with the market, and for the purpose of obtaining a diversified shareholder base that is compatible with its strategic planning, increasing liquidity and ensuring that the pricing is appropriated to its basis, as well as focusing on maximizing sustainable return to shareholders.

As a result of the corporate restructuring introduced in July 2011, which resulted in a capital increase, from the separating and grouping of shares, the Company's shares increased from 128,234,160 shares at December 31, 2010 to 141.412.617 shares at December 31, 2011, now consisting of 47.137.539 ordinary shares, representing 33,3% of total capital and 94.275.078 preference shares, for the remaining 66,7%.

The following table provides some information on the shares on the BM&FBovespa and the Company's market value at the end of the year and the most recent period, when the Company reported a recovery of its market value and an increase in the liquidity of its stock:

Capital Market Indices	**29-12-2011**	**Fev-12**	**Variation - %**
(1) Share quotation – R$ Historic			
ON (FJTA3)	1,53	2,18	42,5%
PN (FJTA4)	1,46	1,93	32,2%
(2) Number of shares			
ON	47.137.539	47.137.539	-
PN	94.275.078	94.275.078	-
Total	141.412.617	141.412.617	
3) Market value – In R$ 000			
ON	72.120.435	102.759.835	42,5%
PN	137.641.614	181.950.901	32,2%
Total	209.762.049	284.710.736	35,7%
4)Liquidity indices			
ON FJTA3			
Number of tradings	14	17	21,4%
Financial volume – R$ 000	67.909	58.991	-13,1%
Number of shares negotiated	33.369	29.929	-10,3%
ON FJTA4			
Number of tradings	74	146	97,3%
Financial volume – R$ 000	378.000	643.889	70,3%
Number of shares negotiated	167.149	335.047	100,4%

PERSONNEL MANAGEMENT AND SOCIAL COMMITMENT

We ended 2011 with 4.642 direct employees (4.619 employees in 2010).

The Company believes that the success of a company is not only reflected in its economic performance, but also in the way it values its employees and employee satisfaction. Consequently, the Company seeks to promote an environment aimed at stimulating its employees' potential, sponsoring internal and external training programs that cover all of the hierarchical levels.

At the same time, the Company is aware that the quality of life of employees has a direct impact on productivity levels, as well as being a decisive factor in enlarging development opportunities. Within this context, it adopts best practices and methods for occupational health and safety, ensuring the physical and emotional integrity of its employees, thus minimizing risks from its operations.

The Company, aware of its social commitment, has made expressive investments in services and benefits in favor of its employees and society.

RELATIONSHIP WITH INDEPENDENT AUDITORS

In order to comply with CVM Instruction 381/03, the Company confirms that the audit firm KPMG Auditores Independentes only provided external audit services during 2011, and did not perform any other work for the Company and/or its subsidiaries.

STATEMENT FROM THE DIRECTORS

The Directors, in compliance with art. 25, paragraph 1, clauses V and VI, of CVM Instruction 480/2009, declares that it has revised, discussed and approved the Financial Statements of Forjas Taurus S.A. at December 31, 2011 and 2010 and with the opinions expressed in the Independent Auditors' Report on these Financial Statements.

PROSPECTS

Forjas Taurus S.A. and its subsidiary and associated companies underwent significant transformations during 2011, when a new stage for the Company began, with the basic characteristic being management's commitment to extending its corporate governance and maximizing return for Shareholders.

Therefore, 2012, will be a year for consolidating the new corporative governance and the Company's new management model, whose business plan and strict execution of its budget goals will guide the Company.

The focus will be mainly on three pillars:

1. Sustained growth;
2. Increase in operational efficiency, generating productivity gains and consequent profitability; and
3. Extension of debt terms and reduction of financial expenses.

With clear goals and a long term vision, Company management opted to provide annual guidance, replacing the quarterly *guidance*, which began in mid 2011.

Based on forecast growth for the two main business segments defined by the Company for the Defense and Security and Metallurgy and Plastics areas, it has made the following estimates for **2012**:

- **Net income** should exceed R$ 700 million
- **EBITDA** should be above R$ 150 million
- **Investments (CAPEX)** will be approximately R$ 79 million including the operations in the USA and includes possible acquisition opportunities that may arise during the year.

The above estimates were based on the following assumptions:

- Leadership in the markets where the company operates;
- Between 65% to 70% of sales to the foreign market are concentrated in North America in the Defense and Security segment;
- Foreign market responsible for 54% of net income;
- Approximately 20% of the North American market in the Defense and Security segment (hand guns and rifles);
- Market share of approximately 50% of the Brazilian market for motorcycle helmets, belonging to the Metallurgy and Plastics segment, which should grow by 18%;
- Growth of 10% in income derived from the North American market and 10% in exports to the other countries from the Defense and Security segment (hand guns and rifles);
- Achieving economies of scale and operational efficiency;
- Innovative capacity and differentiation in launching new products;
- Sports events that will be held in Brazil between 2013 to 2016;
- Government Measures to modernize the State, with a high indices of nationalization in the Defense and Security area in the coming years;

- The forecasts do not include the effects resulting from the sale of Taurus Máquinas-Ferramenta Ltda.

The Company also believes that the macro-economic and sectorial factors of the Brazilian economy, such as greater availability of credit, higher consumption by emerging classes due to the increase in real income, reduced currency variations, and the recovery of the global economy, even if gradual, will also be decisive for achieving the goals proposed.

Porto Alegre, March 20, 2012.

MANAGEMENT BOARD

Luis Fernando Costa Estima
President

Fernando José Soares Estima
Vice-President

Danilo Angst
Oscar Claudino Galli
Paulo Amador Thomaz Alves da Cunha Bueno
Paulo Ricardo de Souza Mubarack
Sadi Assis Ribeiro Filho
Advisors

DIRECTORS

Dennis Braz Gonçalves
Managing Director

Ruy Fernando Vianna Soares
Senior vice president Director

Jorge Py Velloso
Senior vice president Director

Dóris Beatriz França Wilhelm

Fiscal Council's Report

The Fiscal Council of Forjas Taurus S.A., in compliance with the legal and statutory provisions, has examined the Management Report and the Financial Statements referring to the fiscal year ended on December 31, 2011.

Based on the examinations conducted, further considering the report of the independent auditors – KPMG Auditores Independentes, dated March 22, 2012, as well as the information and clarifications received during the year, it reports that such documents are in conditions to be appraised by the Annual Shareholders Meeting.

Porto Alegre, March 27, 2012.

Amoreti Franco Gibbon

Antonio José de Carvalho

Juliano Puchalski Teixeira

Independent auditors' report on the financial statement

To
The Management Board and shareholders of
Forjas Taurus S.A.
Porto Alegre - RS

We have examined the individual and consolidated financial statements of Forjas Taurus S.A. (the “Company”), identified as the parent and consolidated, respectively, which comprise the balance sheet as of December 31, 2011 and the related statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and a summary of the main accounting practices and other notes to the financial statements.

Management’s responsibility towards the financial statements

Company management is responsible for the preparation and adequate presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the *International Accounting Standards Board – IASB* and in accordance with accounting practices adopted in Brazil and also for the internal controls that management considers necessary to ensure these financial statements are prepared free of significant distortions, irrespective of whether or not these are caused by fraud or errors.

The responsibility of the independent auditors

Our responsibility is to express an opinion on these financial statements based on our audit, undertaken in accordance with Brazilian and International Auditing Standards. These standards require compliance with ethical requirements by the auditors and that the audit be planned and executed with the objective of obtaining reasonable assurance that the financial statements are free from material distortions.

An audit involves the execution of procedures selected to obtain evidence for the values and disclosures presented in the financial statements. The procedures selected depend on the auditor’s judgment, including an evaluation of the risks of significant distortions in the financial statements, irrespective of whether these are caused by fraud or errors. For this risk evaluation the auditor considers the internal controls relevant for the preparation and adequate presentation of the Company’s financial statements to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of these internal controls. An audit also includes an evaluation of the adequacy of the accounting practices adopted and the reasonableness of the accounting estimates made by management, and an evaluation of the presentation of the financial statements taken as a whole.

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

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of Forjas Taurus S.A. as of December 31, 2011, the results of its operations, and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to in the first paragraph, present fairly, in all material respects, the consolidated financial position of Forjas Taurus S.A. as of December 31, 2011, the consolidated results of its operations, and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the *International Accounting Standards Board – IASB* and in accordance with accounting practices adopted in Brazil.

Paragraph of emphasis

As reported in Note 3, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Forjas Taurus S.A. these practices differ from IFRS, applicable to individual financial statements, only with respect to the valuation of investments in subsidiaries, associated companies and joint ventures using the equity method, whilst for IFRS purposes, these investments are valued based on cost. Our opinion is not qualified based on this issue.

Other issues

Statement of added value

We also examined the individual and consolidated statements of added value, for the year ended December 31, 2011, which are management's responsibility and presentation of which is required according to Brazilian corporate legislation for public stock corporations and considered supplementary information by the IFRS, which do not require a statement of added value to be reported. These statements were subject to the same audit procedures described previously, and in our opinion, they are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Porto Alegre, March 22, 2012

KPMG Auditores Independentes
CRC 2SP014428/F-7-RS

Cristiano Jardim Seguecio
Accountant CRC SP244525/O-9-T-RS

Management Proposal for the Capital Budget - 2012

The Board of Forjas Taurus SA below shows the proposed capital budget of Forjas Taurus SA and its consolidated fiscal year 2012 assessed by the Board of Directors of the Company and recommended approval at the next Annual General Meeting.

Proposal Capital Budget - 2012

Description	Sources of funds	Investments	
		R$ mil	USD mil
Forjas Taurus S.A.			
Unit of Porto Alegre (RS)			
Research and development of products and processes	Own	7.762	4.436
Modernization and expansion of production capacity	Own	5.648	3.227
Licensing, improvements and deployment of new ERP modules	Own	936	535
		14.346	**8.198**
Forjas Taurus S.A.			
Unit of São Leopoldo (RS) - Long Guns - Branch 5			
Research and development of products and processes	Own	2.527	1.444
Improving productivity of manufacturing processes	Own	431	246
Licensing, improvements and deployment of new ERP modules	Own	120	69
		3.078	**1.759**
	Total	**17.424**	**9.957**
Taurus Blindagens Ltda.			
Units Mandirituba (PR) and Simões Filho (BA)			
Research and development of products and processes	Own	500	286
Research and development of manufacturing processes	Own	300	171
Modernization and / or automation	80% Finame	2.500	1.429
Retrofitamento industrial equipment	Own	500	286
Improvements in software and equipment	Own	250	143
	Total	**4.050**	**2.314**
Polimetal Metalúrgia e Plásticos Ltda.			
São Leopoldo (RS)			
Acquisition of Steelinject Injeção de Aços Ltda.	Own	14.000	8.000
Modernization and expansion of production capacity	Own	6.436	3.678
Licensing, improvements and deployment of new ERP modules	Own	140	80
	Total	**20.576**	**11.758**
Steelinject Injeção de Aços Ltda.			
Caxias do Sul (RS)			
Modernization and expansion of production capacity	Own	**1.600**	**914**
Total Investments (CAPEX) of the Consolidated Forjas Taurus S.A. in Brazil		**43.650**	**24.943**
Taurus Holdings, Inc. and Subsidiaries			
Miami - Florida (EUA)			
Inorganic investments (acquisitions)	Own	**35.000**	**20.000**
Total Global dos Investments (CAPEX) of Forjas Taurus S.A (Consolidated)		**78.650**	**44.943**
		R$/USD	1,75

Forjas Taurus S.A.

(Public Stock Corporation)

Balance sheets

Years ended December 31, 2011 and 2010

(In thousands of Reais, except when stated otherwise)

		Consolidated		Parent	
	Note	**2011**	**2010**	**2011**	**2010**
Assets					
Current					
Cash and cash equivalents	9	162.226	188.674	71.320	138.370
Other financial instruments, including derivatives	22	18.262	2.584	17.778	2.584
Trade accounts receivable	10	148.881	148.925	144.879	105.513
Inventories	11	237.578	259.639	86.216	77.697
Pre payments		7.154	8.727	2.301	1.098
Taxes recoverable	12	17.141	16.898	9.950	12.228
Assets held for sale	8	137.785	-	-	-
Other receivables		20.991	28.055	18.315	29.206
		750.018	653.502	350.759	366.696
Non current					
Trade accounts receivable	10	-	2.344	-	-
Receivable from related parties	23	219	34.355	59.087	27.385
Deferred tax assets	13	56.097	15.697	10.154	3.668
Taxes recoverable	12	3.553	4.015	3.210	3.274
Other receivable		3.048	6.884	1.986	1.589
		62.917	63.295	74.437	35.916
Investments					
Subsidiaries	15	-	-	321.852	232.409
Associated companies	15	15.216	14.540	-	14.540
Other investments		289	287	130	130
Property, plant and equipment	16	256.476	258.213	120.967	110.874
Intangible assets	17	41.741	10.024	5.378	6.090
		313.722	283.064	448.327	364.043
Total Assets		1.126.657	999.861	873.523	766.655

See the accompanying notes to the financial statements.

Forjas Taurus S.A.

(Public Stock Corporation)

Balance sheets

Years ended December 31, 2011 and 2010

(In thousands of Reais, except when stated otherwise)

		Consolidated		Parent	
	Note	**2011**	**2010**	**2011**	**2010**
Liabilities					
Current					
Suppliers and other accounts payable		26.291	20.148	15.823	14.636
Loans and financing	18	99.043	86.483	85.112	45.161
Debentures	19	75.791	32.280	75.791	32.280
Foreign exchange withdrawals	22	39.425	4.453	39.425	4.453
Salary and social charges		28.349	36.449	23.514	29.244
Taxes, fees and contributions		31.159	24.730	13.312	12.679
Advances on receivables	22	17.530	18.390	-	-
Advances from clients		3.577	11.463	3.449	4.930
Derivative financial instruments	22	19.358	-	19.358	-
Prepaid real estate credits	14	7.417	5.990	-	-
Commissions payable		5.655	6.967	4.874	5.833
Dividends payable		15.270	18.716	15.270	18.706
Liabilities held for sale	8	81.728	-	-	-
Other accounts payable		14.975	11.419	9.769	9.345
		465.568	277.488	305.697	177.267
Non current					
Loans and financing	18	232.653	133.683	176.322	43.628
Debentures	19	49.539	72.977	49.539	72.977
Debts with related parties		219	219	-	-
Prepaid real estate credits	14	28.710	36.127	-	-
Taxes payable		2.796	3.356	738	1.086
Deferred tax liability	13	18.442	11.565	12.259	7.389
Other accounts payable		3.495	3.867	3.633	3.782
		335.854	261.794	242.491	128.862
Shareholders' equity					
Capital	24	257.797	201.000	257.797	201.000
Shares in treasury		(32.895)	-	(32.895)	-
Capital transactions		(40.996)	-	(40.996)	-
Revenue reserves		107.296	232.524	107.296	232.524
Dividends to allocate		469	1.766	469	1.766
Equity evaluation adjustment		44.807	49.105	44.807	49.105
Accumulated conversion adjustments		(11.143)	(23.869)	(11.143)	(23.869)
Shareholders' equity controlling interest		325.335	460.526	325.335	460.526
Non controlling interest		(100)	53	-	-
Total shareholders' equity		325.235	460.579	325.335	460.526
Total liabilities		801.422	539.282	548.188	306.129
Total liabilities and shareholders' equity		1.126.657	999.861	873.523	766.655

See the accompanying notes to the financial statements

Forjas Taurus S.A.

(Public Stock Corporation)

Statements of income

Years ended December 31, 2011 and 2010

(In thousands of Reais, except when stated otherswise)

		Consolidated		Parent	
	Note	**2011**	**2010**	**2011**	**2010**
Income	25	617.968	609.119	390.960	434.882
Selling costs		(353.700)	(330.022)	(269.306)	(285.905)
Gross profit		264.268	279.097	121.654	148.977
Operational income (expenses)					
Sales expenses		(90.494)	(95.112)	(37.440)	(45.761)
Administrative and general expenses		(65.706)	(67.746)	(43.628)	(40.843)
Other operational expenses, net	26	(8.999)	(13.252)	(7.689)	(15.360)
		(165.199)	(176.110)	(88.757)	(101.964)
Result before net financial income (expenses), equity in income and taxes		99.069	102.987	32.897	47.013
Financial income	27	49.185	40.662	46.580	35.389
Financial expenses	27	(96.824)	(42.493)	(91.025)	(33.948)
Net financial income (expenses)		(47.639)	(1.831)	(44.445)	1.441
Equity in income of subsidiaries	15	1.906	1.753	69.288	54.710
Operational result before taxes		53.336	102.909	57.740	103.164
Income tax and social contribution	28	19.667	(25.277)	948	(9.056)
Result from continued operations		73.003	77.632	58.688	94.108
Result from discontinued operations	8	(35.666)	(7.322)	(21.373)	(23.832)
Net profit for the year before non controlling interests		37.337	70.310	37.315	70.276
Non controlling interests		(22)	(34)	-	-
Net profit for the year		37.315	70.276	37.315	70.276
Result per ordinary share _ basic and diluted (in R$)					
Result per preferential share – basic and diluted (in R$)		0,2826	0,5798	0,2826	0,5798
Result per ordinary share – basic and diluted – from continued operations – (in R$)		0,4445	0,7764	0,4445	0,7764
Result per preferential share – basic and diluted – from continued operations – (in R$)		0,4445	0,7764	0,4445	0,7764

See the accompanying notes to the financial statements

Forjas Taurus S.A.

(Public Stock Corporation)

Statements of comprehensive income

Years ended December 31, 2011 and 2010

(In thousands of Reais)

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
Net profit for the year	37.315	70.276	37.315	70.276
Other comprehensive income				
Accumulated conversion adjustment	12.726	(3.219)	12.726	(3.219)
Realization of equity evaluation adjustment – added value to assets, net of tax effects	3.934	4.105	3.934	4.105
Total comprehensive income	53.975	71.162	53.975	71.162
Comprehensive result attributed to:				
Controlling shareholders	53.943	71.127	53.975	71.162
Non controlling shareholders	32	35	-	-
Total comprehensive result	53.975	71.162	53.975	71.162

See the accompanying notes to the financial statements

Forjas Taurus S.A.

(Public Stock Corporation)

Statements of changes in shareholders' equity

Years ended December 31, 2011 and 2010

(In thousands of Reais)

Consolidated and parent

				Revenue reserves									
	Capital	**Shares in treasury**	**Capital reserves**	**Revenue reserves**	**Reserve for investments**	**Capital transactions**	**Equity evaluation adjustments**	**Accumulated conversion adjustment**	**Dividends to allocate**	**Retained earnings**	**Shareholders' equity of controlling shareholders**	**Non controlling interests**	**Total shareholders' equity**
Balance at December 31, 2009	165.000	-	17.467	20.338	178.394	-	53.210	(20.650)	988	-	414.747	76	414.823
Net profit for the year	-	-	-	-	-	-	-	-	-	70.276	70.276	-	70.276
Dividends and interest on own capital (note 24)	-	-	-	-	-	-	-	-	-	(22.056)	(22.056)	-	(22.056)
Proposed dividends above minimum compulsory amount	-	-	-	-	-	-	-	-	1.766	-	1.766	-	1.766
Approval of dividends proposed in prior years	-	-	-	-	-	-	-	-	(988)	-	(988)	-	(988)
Change in non controlling interests	-	-	-	-	-	-	-	-	-	-	-	(23)	(23)
Accumulated conversion adjustments	-	-	-	-	-	-	-	(3.219)	-	-	(3.219)	-	(3.219)
Realization of equity evaluation adjustments – added value to assets, net of tax effects	-	-	-	-	-	-	(2.811)	-	-	2.811	-	-	-
Realization of equity evaluation adjustments – added value to assets in subsidiaries, net of tax effects	-	-	-	-	-	-	(1.294)	-	-	1.294	-	-	-
Capital increase	36.000	-	(17.467)	-	(18.533)	-	-	-	-	-	-	-	-
Realization of equity evaluation adjustments – added value to assets in subsidiaries, net of tax effects	-	-	-	3.514	48.811	-	-	-	-	(52.325)	-	-	-
Balance at December 31, 2010	201.000	-	-	23.852	208.672	-	49.105	(23.869)	1.766	-	460.526	53	460.579
Net profit for the year	-	-	-	-	-	-	-	-	-	37.315	37.315	-	37.315
Dividends and interest on own capital (Note 24)	-	-	-	-	-	-	-	-	-	(16.767)	(16.767)	-	(16.767)
Proposed dividends above minimum compulsory amount	-	-	-	-	-	-	-	-	469	-	469	-	469
Approval of dividends proposed in prior years	-	-	-	-	-	-	-	-	(1.766)	-	(1.766)	-	(1.766)
Change in non controlling interests	-	-	-	-	-	-	-	-	-	-	-	(153)	(153)
Accumulated conversion adjustments	-	-	-	-	-	-	-	12.726	-	-	12.726	-	12.726
Realization of equity evaluation adjustments – added value to assets, net of tax effects	-	-	-	-	-	-	(2.066)	-	-	2.066	-	-	-
Realization of equity evaluation adjustments – added value to assets in subsidiaries, net of tax effects	-	-	-	-	-	-	(1.866)	-	-	1.866	-	-	-
Acquisition of shares held in treasury	-	(32.895)			-	-	-	-	-	-	(32.895)	-	(32.895)
Corporate restructuring	-	-	-	-	(132.801)	(40.996)	-	-	-	-	(173.797)	-	(173.797)
Capital increase	56.797	-	-	-	(18.000)	-	-	-	-	-	38.797	-	38.797
Others	-	-	-	-	-	-	(366)	-	-	1.093	727	-	727
Reserves	-	-	-	1.866	23.707	-	-	-	-	(25.573)	-	-	-
Balance at December 31, 2011	257.797	(32.895)	-	25.718	81.578	(40.996)	44.807	(11.143)	469	-	325.335	(100)	325.235

See the accompanying notes to the financial statements

Forjas Taurus S.A.

(Public Stock Corporation)

Statements of cash flows

Years ended December 31, 2011 and 2010

(In thousands of Reais)

	Consolidated - IFRS		Parent – BR GAAP	
	2011	**2010**	**2011**	**2010**
Cash flows from operational activities				
Net profit for the year	37.315	70.276	37.315	70.276
Adjustments to reconcile net profit for the year with cash and cash equivalents generated from operational activities:				
Depreciation and amortization	27.605	26.564	17.597	19.494
Cost of fixed assets written off	1.849	9.107	1.822	8.110
Cost of intangible assets written off	1.894	3.853	779	3.765
Provision for doubtful receivables	(907)	(461)	11	222
Deferred taxes and contributions	(33.537)	(2.365)	(1.656)	(1.243)
Equity in income	(1.906)	(1.753)	(47.915)	(30.878)
Loss from change in investment in subsidiaries	-	-	98	570
Provision for interest on loans and financing	38.860	21.178	30.290	16.495
Derivative financial instruments	3.680	(1.889)	4.164	(1.889)
Non controlling interests	22	34		
	37.560	54.268	5.190	14.646
Changes in assets and liabilities				
(Increase) in inventories	(31.998)	(57.367)	(8.519)	(20.894)
(Increase) decrease in trade accounts receivable	(24.835)	(11.341)	(39.377)	60.537
Decrease (Increase) in other receivables	10.385	(1.147)	(911)	(9.360)
(Decrease) Increase in suppliers	(9.110)	17.446	1.038	(546)
Increase (Decrease) in accounts payable and provisions	54.980	(5.367)	26.824	4.651
Interest paid	(33.276)	(20.145)	(25.369)	(14.891)
Dividends received	553	300	28.202	37.595
Assets and liabilities held for sale – (Note 8)	3.775	12.758	-	-
	(29.526)	(64.863)	(18.112)	57.092
Net cash generated from operational activities	45.349	59.681	24.393	142.014
Cash flows from investment activities				
Receivable from related parties	-	29.693	(31.702)	(2.315)
Other receivables	(781)	5.961	(332)	7.129
Investments	(4)	-	(4.115)	(1.933)
Property, plant and equipment	(46.484)	(53.047)	(28.598)	(26.465)
Intangible assets	(966)	(572)	(459)	(510)
Net cash applied in investment activities	(48.235)	(17.965)	(65.206)	(24.094)
Cash flows from financing activities				
Shares in treasury	(32.895)	-	(32.895)	-
Payment of loans arising from corporate restructuring	(169.377)	-	(165.000)	-
Dividends and interest on own capital paid	(15.791)	(22.056)	(15.791)	(22.056)
Loans obtained	321.981	175.084	287.154	133.612
Payment of loans and financing	(126.525)	(182.916)	(99.357)	(176.868)
Other	(819)	10	(348)	148
Net cash applied in financing activities	(23.426)	(29.878)	(26.237)	(65.164)
(Decrease) Increase in cash and cash equivalents	(26.312)	11.838	(67.050)	52.756
Increase in cash and cash equivalents				
At start of year	184.216	174.708	138.370	85.614
Change in cash from discontinued operations – (Note 8)	(4.322)	2.330	-	-
At the end of the year	162.226	184.216	71.320	138.370
(Decrease) Increase in cash and cash equivalents	(26.312)	11.838	(67.050)	52.756

See the accompanying notes to the financial statements.

Forjas Taurus S.A.

(Public Stock Corporation)

Statements of added value

Years ended December 31, 2011 and 2010

(In thousands of Reais)

	Note	Consolidated - IFRS		Parent - BR GAAP	
		2011	2010	2011	2010
Income					
Sales of goods, products and services		736.122	732.921	481.125	536.843
Other income	26	4.276	1.385	1.985	488
Provision for doubtful debts		907	461	(11)	(222)
		741.305	734.767	483.099	537.109
Supplies acquired from third parties					
(Including taxes - ICMS, IPI, PIS and COFINS)					
Cost of products, goods and services sold		148.893	127.210	78.829	96.291
Materials, electricity, third party services and others		157.659	141.983	87.261	106.075
		306.552	269.193	166.090	202.366
Gross added value		434.753	465.574	317.009	334.743
Depreciation, amortization and exhaustion		27.605	26.564	17.597	19.494
Net added value produced by the Company		407.148	439.010	299.412	315.249
Added value received in transfer					
Equity in income		1.906	1.753	69.288	54.710
Equity in income – discontinued operations		-	-	(21.373)	(23.832)
Financial income	27	49.185	40.662	46.580	35.389
		51.091	42.415	94.495	66.267
Total added value to distribute		458.239	481.425	393.907	381.516
Distribution of added value					
Employees					
Direct remuneration		146.671	144.946	100.290	103.005
Benefits		18.603	31.331	7.296	21.753
FGTS		11.547	10.620	11.688	9.800
		176.821	186.897	119.274	134.558
Government					
Federal		67.663	102.929	71.267	79.497
State		40.460	40.393	30.877	36.203
Municipal		292	8	164	8
		108.415	143.330	102.308	115.708
Financers					
Interest	27	96.459	42.456	90.675	33.918
Rent		14.527	11.435	8.778	8.387
Other		24.702	27.031	35.557	18.669
		135.688	80.922	135.010	60.974
Remuneration of own capital					
Dividends and interest on own capital	24	16.767	22.056	16.767	22.056
Retained profits, net of realization of equity evaluation adjustments		20.548	48.220	20.548	48.220
		37.315	70.276	37.315	70.276
		458.239	481.425	393.907	381.516

See the accompanying notes to the financial statements.

(In thousands of Reais, except when stated otherwise)

1 Operations

Forjas Taurus S.A. ("Company") is a Brazilian stock corporation, with its registered office in Porto Alegre (RS), and its activities include the manufacture and sale of revolvers, military and civilian pistols, ammunition, industrialization of metal parts made to order, industrial boilers and investing in other companies.
The subsidiary companies produce and sell civilian pistols, glasses, bullet proof jackets, motorbike helmets, injected plastic products, tools for civil construction, mechanical, gardening and similar products, the purchase, sale and rental of own and third party real estate, tooling machinery, and machining of metals to order.

At December 31, 2011, the Company and its subsidiaries operated with seven industrial plants, four of which are located in the State of Rio Grande do Sul, one in the State of Paraná, one in the state of Bahia and one located in the United States of America.

Sales by the Company and its subsidiaries are directed mainly at private clients on the foreign market, particularly those located in North America, and also public bodies on the domestic market, mainly the state, civil and military police. Sales made by the Company and its subsidiaries are not subject restrictions and there is no significant concentration that implies dependence on government bodies or any other single client. Given the specific characteristics of the weapons and ammunitions market, the Company and its subsidiaries are supervised and follow the norms issued by the national and foreign security bodies for part of their operations.

The Company's shares, ON (FJTA3) and PN (FJTA4), have been listed on Bovespa since March 1982.

2 The Company's entities

		Investment interest	
	Country	**2011**	**2010**
Taurus Blindagens Ltda.	Brazil	99.86%	99.86%
Taurus Blindagens Nordeste Ltda.*	Brazil	99.86%	99.86%
Taurus Holdings, Inc.	United States	100.00%	100.00%
Taurus Security Ltda.	Brazil	60.00%	60.00%
Taurus Máquinas-Ferramenta Ltda.* (a)	Brazil	99.98%	99.98%
Taurus Investimentos Imobiliários Ltda.*	Brazil	99.96%	99.96%
Famastil Taurus Ferramentas S.A.	Brazil	35.00%	35.00%
Taurus Helmets Indústria Plástica Ltda. *	Brazil	99.86%	99.86%
Polimetal Metalurgia e Plásticos Ltda. (b)	Brazil	100.00%	-

(*)The investments reported represent the percentage interest held by the investing Company directly or indirectly in the capital of the subsidiary companies.

a. Investments available for sale

Taurus Máquinas-Ferramenta Ltda. ("Taurus Máquinas"), which produces industrial machinery in Gravataí - RS. In September 2011, Management decided to implement a variety of actions aimed at selling the investment in the subsidiary Taurus Máquinas; these actions included contracting specialized consultants, and also negotiating with interested third parties. These actions are characterized as representing a firm commitment to sell the investment with prospects of concluding such within 12 months.

b. Corporate restructuring

On July 4, 2011, the date of the first Management Board Meeting with members elected during the Extraordinary General Meeting and the Company's Special Preferred shareholders Meeting, held on May 27, 2011, Company management ratified the corporate restructuring involving the subsidiary Polimetal Metalurgia e Plásticos Ltda. ("Restructuring") and the Company determined the implementation of such as follows:

(i) the incorporation of all of the shares issued by the Company to the equity of Polimetal Metalurgia e Plásticos Ltda. ("Polimetal"), in accordance with the terms of articles 252 and 264 of law 6,404/76, which permits the temporary migration of the non controlling shareholders from the Company to Polimetal;

(ii) the redemption of shares issued by the Company, the support of the existing revenue reserves account, without reducing capital, in accordance with the terms of article 44 of law 6,404/76, for the amount of R$ 165 million, to settle the debt registered in the balance sheet of Polimetal;

(iii) the subsequent incorporation of all of the shares issued by Polimetal to the equity of the Company, with the definitive conversion of Polimetal into a wholly owned subsidiary, in accordance with the terms of articles 252 to 264 of law 6,404/76, which permitted the return of the share base to the Company; and

(iv) the segmentation of the activities undertaken by the Company into the Taurus segment and the Polimetal segment, to be implemented by means of a future capital increase of Polimetal, by means of a contribution, by the Company, of assets and participations that refer to the Polimetal segment, and also the incorporation of other companies operating in the Polimetal segment, currently controlled by the Company.

The Restructuring will be fully implemented with the total transfer, to Polimetal, of the activities involving the manufacture and commercialization of the business for forged and machined parts in general, metal injection (*MIM technology - Metal Injection Molding*), thermal treatment of metals, manufacture of helmets and accessories for motorbike riders, bullet proof jackets, plastic containers and manual tools and other activities not exclusively related to Weapons manufacture ("Polimetal Segment"), which is occurred in December 2011 and January, 2012.

Company management considered the following assumptions for the Restructuring: (i) preservation of the registers, certificates, authorizations and licenses for the manufacture, use, import, export, customs clearance, traffic and trade of products and activities that refer to the manufacture and trade in arms, in accordance with the terms of Decree 3,665, of November 20, 2000; (ii) maintain and benefit from the accumulated balances for tax losses and negative base for social contribution on net profit ("CSLL") registered by Polimetal; (iii) liquidation of the indebtedness registered in the balance sheet of Polimetal; (iv) the fair and proportional counterpart for the redemption of the shares to all of the non controlling shareholders of the Company; (v) Use of a vehicle for the chain control to develop the operational activities

With the implementation of the Restructuring and the application of the effects from breaking down and subsequent grouping, the Company's capital is now divided 141,412,617 (one hundred and forty one million, four hundred and twelve thousand, six hundred and seventeen) shares, being 47,137,539 (forty seven million, one hundred and thirty seven thousand, five hundred and thirty nine) ordinary shares and 94,275,078 (ninety four million, two hundred and seventy five thousand and seventy eight) preference shares.

Non controlling, dissident shareholders, opted for the right of withdrawal provided in Law 6,404/76, and the Company registered the acquisition of the shares in treasury of 9,965,702 ordinary and preference shares, amounting to R$ 32,895.

The changes in the investment interests in the subsidiary Polimetal and in the Company were registered as capital transactions for the amount of R$ 40,996. The carrying values of the controlling shareholders and non controlling shareholders were adjusted to reflect the changes in their investment interests in the Company, and the differences between the fair value of the payment made and received, was recognized directly to shareholders' equity attributable to the owners of the Company.

As a result of the operation, goodwill was incorporated based on expected future profitability of the operational activities of the Taurus Group generated prior to January 01, 2009. The Company opted not to represent and reassess the carrying values for the business combinations prior to January 01, 2009, upon initial of adoption of the International Accounting Standards, and consequently, the goodwill refers to the amount recognized based on accounting practices previously adopted. All of the economic bases that gave rise to the goodwill continue to be valid and the recoverability of the goodwill was tested as detailed in Note 17.

3 Basis for preparation

a. Statement of compliance (in accordance with International Financial Reporting Standards and CPC norms)

These financial statements include the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting policies adopted in Brazil (BR GAAP) and the individual financial statements of the parent company prepared in accordance with BR GAAP.

The Parent Company's individual financial statements were prepared in accordance with BR GAAP, and in the case of the Company, these practices differ from IFRS applicable to individual financial statements, since the investments held in subsidiaries and associated companies are valued using the equity method in BR GAAP, whilst for purposes of IFRS they are valued at cost or fair value.

However, there is no difference between the consolidated shareholders' equity and results and the shareholders' equity and results reported by the parent company in its individual financial statements. Thus, the consolidated financial statements and the parent company's individual financial statements are presented side by side as one set of financial statements.

The Management Board authorized the publication of these individual and consolidated financial statements on 22/03/2012.

b. Basis for measurement

The individual and consolidated financial statements were prepared based on historic cost, except for the following material items recognized in the balance sheets: derivative financial instruments stated at fair value and the financial instruments stated at fair value through profit or loss.

c. Functional currency and currency of presentation

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 the subsidiary Taurus Holdings, Inc., located in the United States, is the North American dollar. All of the accounting information reported in Reais has been rounded to the nearest thousand, except when stated otherwise.

d. Use of estimates and judgments

Preparation of individual and consolidated financial statements in accordance with IFRS and the norms issued by the CPC requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported for assets, liabilities, income and expenses. The actual results could differ from these estimates.

Estimates and assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information on critical judgments that refer to the accounting policies adopted that affect the amounts recognized in the individual and consolidated financial statements are included in the following notes: 13 – deferred tax assets and liabilities, 21 – Contingences and 22 – Financial Instruments.

The information on uncertainties, assumptions and estimates that represent a significant risk of resulting in a material adjustment within the next financial year has been included in the following notes: 13 – deferred tax assets and liabilities, 21 – Contingences and 22 – Financial Instruments.

4 Significant accounting polices

The accounting policies described in detail below have been applied consistently for all of the periods presented in these individual and consolidated financial statements.

The accounting policies have been applied consistently by the Company's investee companies:

a. Basis of consolidation

(i) Business combinations

Acquisitions prior to January 01, 2009

As part of the transition to IFRS and CPC, the Company opted not to represent the business combinations prior to January 01, 2009. With respect to the acquisitions prior to January 01, 2009, the goodwill represents the amount recognized based on accounting practices previously adopted. These intangible assets were tested for impairment losses on the transition date, as described in Note 4e (i). No liabilities were identified that had not been registered prior to adopting the IFRS that should be adopted at the time of the transition to IFRS.

(ii) Acquisitions of investments of non controlling shareholders

These are registered as transactions between shareholders. Consequently, no goodwill is recognized as a result of these transactions.

(iii) Subsidiaries

The financial statements of the subsidiaries are included in the consolidated financial statements as from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries are aligned with the policies adopted by the Company.

In the parent company's individual financial statements, the investments in subsidiaries are recognized using the equity method.

(iv) Investment in associated companies

An associated company is an entity in which the Company, directly or indirectly has a significant influence but not control, over the financial and operational policies. Significant influence supposedly occurs when the Company, directly or indirectly, holds between 20 and 50 per cent of the voting power in the other company.

Investments in associated companies are accounted for using the equity method and are initially recognized at cost. The Company's investment includes the goodwill identified upon acquisition, net of any accumulated impairment losses (the goodwill in the associated company is not registered and tested for impairment separately). The consolidated financial statements include income and expenses and equity variations in the associated company, after making the adjustments to align the accounting policies with those of the Company, as from the date the significant influence began until the date it ended. When the Company's interest in the losses of an investment interest whose shareholders' equity has been registered exceeds its shareholding interest in this company registered using the equity method, the book value of this interest, including any long term investments, is reduced to zero, and recognition of additional losses is ended, except in the case where the Company has constructive obligations or has made payments in the name of the investment interest, when a provision is then registered for loss in investments.

(v) Transactions eliminated on consolidation

Intercompany balances and transactions and any income or expenses derived from intercompany transactions, are eliminated for purposes of preparing the consolidated financial statements. Unrealized gains derived from transactions with investment interests registered using the equity method are eliminated against the investment in the proportion to the investment interest held by the Company. Unrealized losses are eliminated in the same way as the unrealized gains, but only to the extent that there is no evidence of impairment of the asset.

Despite the significant influence in the economic and operational activities, the financial statements of Famastil Taurus Ferramentas S.A. were not consolidated since the parent company did not comply with the specific criteria of CPC 18 and IAS 28 for recognition of the joint control of this company.

b. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currency are translated to the functional currencies of the Company's entities at the exchange rate on the dates of each transaction. 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. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.
Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair values are retranslated to the functional currency at the exchange rate on the date that the fair value was determined.

The foreign currency differences arising on retranslation are recognized to profit or loss. Non-monetary items that are measured in terms of historic costs in foreign currency are translated at the exchange rate on the transaction date.

(ii) Overseas operations

Assets and liabilities from overseas operations, including goodwill and fair value adjustments are converted to the Real at the exchange rate on the reporting date. Income and expenses from overseas operations are converted to the Real at the exchange rate on transaction date. No operations were undertaken in hyper-inflationary economies.

Foreign currency differences are recognized to other comprehensive income, and included in shareholders' equity. Since January 01, 2009, the date the Company adopted CPC Pronouncement 02 – Effect from Changes in Exchange Rates and Conversion of Financial Statements, these differences have been recognized as accumulated conversion adjustments.

Exchange gains or losses resulting from monetary items receivable or payable, from an overseas operation, whose liquidation had not been planned or anticipated to occur in the foreseeable future and whose essence is considered as being part of the net investment in the overseas operation, are recognized as other comprehensive income.

c. Financial instruments

(i) Non derivative financial assets

The Company initially recognizes loans, receivables and deposits on the date they originated. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the date of the negotiations when the Company became one of the parties to the contractual rulings for the instrument.

The Company no longer recognizes a financial asset when the contractual rights from the cash flows from the asset have expired, or when the Company transfers the rights to receive the contractual cash flows from a financial asset under a transaction in which essentially all of the risks and benefits of ownership to the financial asset have been transferred. Any participation that is created or retained by the Company to financial assets is recognized as an individual asset or liability.

Financial assets and liabilities are compensated and the net value reported in the balance sheet when, and only when, the Company has the legal right to compensate the amounts and intends to liquidate on a net base or to realize the asset and liquidate the liability simultaneously.

The Company has the following non-derivative financial assets: cash, cash equivalents, loans and receivables.

Loans and receivables are financial assets with fixed or calculated payments that are not quoted on an active market. These assets are recognized initially at fair value plus any attributable transaction costs. After the initial recognition, the loans and receivables are stated at amortized cost using the effective interest method, less any loss from reduction to the recoverable value.

Loans and receivables include trade accounts receivable and other receivables.

Cash and cash equivalent include the balances for cash and financial investments that are immediately liquid with no penalties for the Company. Limits for bank overdrafts that have to be paid in cash and which are an integral part of the Company's cash management are included as an item of cash and cash equivalents for purposes of the cash flow statement

(ii) Non derivate financial liabilities

The Company initially recognizes debt titles issued and subordinated liabilities on the dates that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognized on the date of the negotiation on which the Company becomes a party to the contractual rulings for the instrument. The Company writes off a financial liability when its contractual obligations no longer exist, have been cancelled or have expired.

Financial assets and liabilities are compensated and the net value reported in the balance sheet when, and only when, the Company has the legal right to compensate the amounts and intends to liquidate on a net base or to realize the asset and liquidate the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans, financing, non-convertible debentures, bank overdraft limits, suppliers and other accounts payable.

These financial liabilities are initially recognized at fair value plus any attributable transaction costs. After the initial recognition, these financial liabilities are stated at amortized cost using the effective interest rate method.

(iii) Capital

Ordinary shares

Ordinary shares are classified as shareholders' equity.

Preference shares

Preference capital is classified as shareholders' equity, since there is no forecast to redeem them by the shareholders, which is at their criterion. Preference shares do not have voting rights or differentiated dividends, but have preference in liquidation of capital.

Minimum compulsory dividends as defined in the Statutes are recognized as liabilities. The balance for the remaining profit is retained to revenue reserves in shareholders' equity until allocation is approved in the shareholders' meeting.

Shares in Treasury

When capital recognized as shareholders' equity is repurchased, the remuneration paid, which includes any directly attributable costs, net of any taxes, is recognized as a deduction against shareholders' equity. The repurchased shares are classified as shares in treasury and are reported as a deduction from total shareholders' equity. When the shares in treasury are sold or subsequently reissued, the amount received is recognized as an increase to shareholders' equity and the excess or deficit is transferred to retained earnings.

(iv) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, or if a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Other non-trading derivatives

When a derivative financial instrument is not held for trading and is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

d. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at historic purchase or construction cost, less accumulated depreciation and impairment losses, when applicable.

The Company opted to revalue its fixed assets at deemed cost at January 01, 2009. The effects of deemed cost increased the values for fixed assets and the corresponding entry was recognized to shareholder' equity, net of tax effects.

The costs include expenditure that is directly attributable to the acquisition of an asset. The cost of assets constructed by the entity include the cost of materials and direct labor and any other costs to bring the assets to the location and in the conditions necessary for their intended use, the costs of dismantling and restoring the site where these assets were located and the cost of loans for qualified assets for which the start date for capitalization is January 01, 2009, or a subsequent date.
Purchased software that is integral for the functioning of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on the sale of fixed asset items are calculated by comparing the proceeds from the sale with the book value of the fixed asset item, and are recognized net to other income, to profit or loss.

(ii) Subsequent costs

The reposition cost of a fixed asset item is recognized at the book value of the item if it is probable that the economic benefits incorporated to the component will flow to the Company and that the cost can be reliably measured. The book value of a component that has been replaced by another is written off. The day-to-day maintenance costs of property plant and equipment are recognized to profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated on the depreciable values, which is the cost of an asset, or other amount that substitutes cost, less residual values.

Depreciation is recognized to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, since this method best reflects the standard of usage of the future economic benefits incorporated to the asset. Land is not depreciated.

The estimated useful lives for the current and comparative years are approximately as follows:

Buildings	27 years
Machinery and equipment	15 to 20 years
Fixtures and fittings	15 years
Other components	5 to 6 years

The depreciation methods, useful lives and residual values are revised at the reporting date of the financial statements and any adjustments are recognized as changed to accounting estimates.

e. Intangible assets

(i) Goodwill

Goodwill that arises from the acquisition of subsidiaries is included in intangible assets.

When the acquisition occurred prior to January 01, 2009, the goodwill is included based on deemed cost, which represents the amount registered according to accounting practices previously adopted, adjusted for the reclassification of certain intangible assets.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. With respect to equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying value of the equity-accounted investee.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowings costs for qualified assets for which the start date for capitalization is January 01, 2009, or a subsequent date. Other development expenditure is recognized to profit or loss as incurred.
Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(iv) Subsequent costs

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(v) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, form the date that they are available for use, since this method best reflects the standard usage of future economic benefits embodied in the asset. The estimated useful life for the current and comparative periods for the manufacturing processes acquired from third parties is five years.

f. Trade accounts receivable

Trade accounts receivable are recorded at the amount billed, and include the respective direct taxes for which the Company is responsible.

The present value calculation is made for each transaction based on an interest rate that reflects the term, the currency and the risk of each transaction. During the year the average rate used by the Company was approximately 0.93% p.m. The counter entry of the adjustments to present value of trade accounts receivable is made against gross revenue in the income statement. The difference between the present value of a transaction and the face value of the billing is considered financial income and will be appropriated over the term of the transaction using the amortized cost and effective interest rate method.

The provision for doubtful receivables was registered for an amount considered sufficient by management to cover eventual losses on the realization of the receivables.

g. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventory is based on weight average cost, and includes the costs incurred to acquire the inventories, production and transformation costs and other costs incurred to bring them to their existing locations and conditions. In the case of manufactured inventory, work in progress and finished goods, the costs include the general factory overhead expenses based on normal operating capacity.
The net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

h. *Impairment*

(i) Financial assets (including receivables)

A financial asset not stated at fair value through profit or loss is valued at every reporting date to determine whether there is objective evidence of impairment losses. A loss to the recoverable value of an asset occurs if there is evidence that a loss event occurred after initial recognition of the asset, and that this loss event had a negative impact on the forecast future cash flows, and can be estimated reliably.

Objective evidence that a financial asset (including equity securities) has incurred an impairment loss can include default or delinquency by a debtor, the restructuring of an amount due to the Company under terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment losses.

The Company considers evidence of impairment for receivables and equity securities held to maturity at both individual and collective level. All receivables and equity securities held to maturity that are individually significant are evaluated for specific impairment loss.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

(ii) Non financial assets

The book values of the Company's non-financial assets, which are not inventories or deferred income tax and social contribution, are revised at every reporting date to determine whether there is evidence of impairment. If such evidence exists, the recoverable value of the asset is determined. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or CGU (cash generating unit) is the greater of its value in use and its fair value less selling expenses. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the recovery period for the capital and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows or other assets or CGU. For purposes of goodwill impairment testing, the goodwill acquired in a business combination is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the combination. This allocation reflects the lowest level at which goodwill is monitored for internal reporting purposes and is not greater than an operational segment determined in accordance with IFRS 8 and CPC 22.

The Company's corporate assets do not generate separate cash inflows. If there is evidence of impairment of a corporate asset then the recoverable value is allocated to the CGU or group of CGUs to which the corporate asset belongs on a reasonable and consistent basis.

An impairment loss is recognized if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. Impairment losses are recognized to profit or loss. Impairment losses recognized in respect of CGUs are initially allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU or group of CGUs on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. With respect to other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would be determined, net of depreciation or amortization, if no impairment loss had been recognized.

The goodwill included in the carrying value of an investment in an associated company is not recognized individually and therefore, is not tested individually for impairment losses. Instead, the total value of an investment in an associated company is tested for impairment as a single asset when there is objective evidence that the investment in an associated company could demonstrate impairment losses.

(iii) Employee benefits

Defined contribution plans

A defined contribution plan is a post employment benefit plan, according to which a legal entity pays fixed contributions to a separate entity (pension fund) and will have no legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution pension plans are recognized to the profit and loss as employee benefit expenses during the periods in which services are provided by the employees. Prepaid contributions are recognized as an asset, provided that a cash reimbursement or reduction to future payments occurs. The contributions to a defined contribution plan for which maturity is anticipated for 12 months after the end of the period during which the employee provides services are discounted to their present value.

Employees' short term benefits

Employees' short term benefits are reported on a non discounted basis and incurred as expenses as the related service is provided.

The liability is recognized for the amount expected to be paid for the benefit plans in cash or short term profit sharing if the Company has a legal or constructive obligation to pay the amount as a result of past services rendered by an employee and if the obligation can be estimated reliably.

i. Provisions

A provision is recognized when the Company has a legal or constituted obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all probabilities of incurring expenses.

j. Operational income

Sales of goods

Operational income from the sale of goods during the normal course of activities is stated at the fair value of the consideration received or receivable. Operational income is recognized when there is convincing evidence that the most significant risks and benefits, inherent to ownership of the assets, have been transferred to the buyer and it is probable that the financial economic benefits will flow to the Company, that the associated costs and possible return of the goods can be reliably estimated, that there is no continued involvement with the goods sold, and that the value of operational income can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

k. Financial income and financial expenses

Financial income comprises interest income from funds invested, variations in fair value of financial assets stated at fair value through profit or loss and gains on hedge instruments that are recognized to profit or loss. Interest income is recognized to profit or loss, using the effective interest rate method.

Financial expenses comprise interest expenses on borrowings, net of provisions discounted to present value, variations in fair value of financial assets stated at fair value through profit or loss, impairment losses recognized on financial assets, losses on hedge instruments that are recognized to profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized to profit or loss using the effective interest rate method.

l. Income tax and social contribution

Current and deferred income tax and social contribution are calculated based on rates of 15%, plus a surtax of 10% on taxable profit in excess of R$ 240 thousand for income tax and 9% on taxable profit for social contribution on net profit, and consider compensation of tax losses and the negative social contribution base, limited to 30% of taxable profit.

The income tax and social contribution expense includes current and deferred taxes. Current and deferred taxes are recognized to results unless they refer to business combinations or items directly recognized to shareholders’ equity or other comprehensive income.

Current tax is the tax payable or receivable anticipated on the taxable profit or loss for the year, at the tax rates decreed or substantially decreed on the reporting date of the financial statements and any adjustments to taxes payable from prior years.

Deferred tax is recognized in relation to temporary differences between the book values of assets and liabilities for accounting purposes and the corresponding values used for tax purposes. Deferred tax is not recognized for the following temporary differences: initial recognition of assets and liabilities from a transaction that is not a business combination and does not affect the accounting or taxable profit or loss and differences related to investments in subsidiaries when it is probable that they will not be reversed within the foreseeable future. In addition, deferred tax is not recognized for temporary tax differences resulting from the initial recognition of goodwill.

Deferred tax is measured at rates that are expected to be used for the temporary differences when they are reversed, based on the laws that were decreed or substantially decreed to the reporting date of the financial statements.

The deferred tax assets and liabilities are compensated only where there is a legal right to compensate current tax assets against current tax liabilities and when they refer to income taxes registered by the same taxation authority on the same entity subject to taxation.

A deferred social contribution and income tax asset is recognized for tax losses, tax credits and temporary differences deductible and not used, when it is probable that future profits subject to taxation will be available and against which the asset will be used.

Deferred social contribution and income tax assets are revised at the reporting date and reduced when realization is no longer probable.

The Company opted for the Transition Taxation System to determine income tax and social contribution for the years ended December 31, 2009. This system is compulsory as from the year 2010.

m. Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the Company’s controlling and non controlling shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined based on the same weighted average number of shares outstanding, adjusted for instruments potentially convertible into shares, having a dilutive effect, for the years presented, in accordance with the terms of CPC 41 – Earnings per share and IAS 33.

n. Segment reporting

An operating segment is defined as a component of the company that undertakes business activities that can result in income and incur expenses, including income and expenses related to transactions with the Company's other components. All of the operational results of operational segments are revised frequently by management for decision making regarding the allocation of resources to the segment and to evaluate performance, and for which individual financial information is available.

The results of the segments that are reported to Management include items directly attributable to the segment, and those that can be allocated on a reasonable basis.

The capital expenditures by segment are total costs incurred during the period to purchase fixed assets and intangible assets, other than goodwill.

o. Statement of added value

The Company prepared individual and consolidated statements of added value in accordance with the terms of technical pronouncement CPC 09 – Statement of Added Value, which are presented as an integral part of the financial statements according to BR GAAP applicable to public stock corporations, whilst for IFRS purposes these statements represent additional financial information.

p. Dividend distribution

A liability is recognized when the dividends are approved by the Company's shareholders. The Company's Statutes provide that a minimum of 35% of annual net profit, calculated in accordance with Brazilian corporate legislation and accounting practices adopted in Brazil, shall be distributed as dividends; therefore, the Company registers a provision, at the end of the financial year, for the value of the minimum dividend that has still not been distributed during the year up to the limit of the minimum compulsory dividends described above.

q. Noncurrent assets held for sale and results from discontinued operations

The Company classifies a non current asset as held for sale if its carrying value will be recovered through a sale transaction. For this to be the case, the asset or group of assets held for sale should be available for immediate sale in their existing conditions, subject only to the terms that are normal and customary for the sale of such assets held for sale. Consequently, the sale should be highly probable.

For a sale to be highly probable, management has to be committed to a plan to sell the asset, and should have begun a firm program to locate a buyer and conclude the plan. In addition, the asset

held for sale should be made available for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be anticipated that the sale will be concluded within one year as from the date of its classification.
The group of assets held for sale is stated at the lower of its carrying value and the fair value less selling expenses. If the carrying value is less than the fair value, an impairment loss is recognized as the corresponding entry to profit or loss. Any reversal or gain is only registered up to the limit of the loss recognized.

Depreciation of assets held for trading terminates when a group of assets is designated as held for sale. Assets and liabilities from a group of discontinued assets are reported in individual headings to assets and liabilities.

The results from discontinued operations are reported as a single value in the statement of income and cash flows, with the total value considered after income tax on these operations less any impairment loss. Net cash flows attributable to operational, investment and financing activities, from the discontinued operations are reported in Note 8.

Furthermore, the statement of income was reclassified for purposes of comparing the operations discontinued in 2011, as if these had occurred in 2010 (See note 8)

r. New standards and interpretations still not adopted

Various standards, amendments to standards and IFRS interpretations issued by IASB had not come into force for the year ended December 31, 2011, as follows:

- Alterations to IFRS 7 – Financial instruments – disclosures;
- Alterations to IAS 12 – Taxes on profits;
- Alterations to IAS 27 – Consolidated and individual financial statements;
- Alterations to IAS 28 - Investments in associated companies;
- Alterations to IAS 1 – Presentation of financial statements;
- Alterations to IAS 19 – Employee benefits;
- IFRS 10 – Consolidated financial statements;
- IFRS 11 – Joint agreements;
- IFRS 12 – Disclosures for companies that have investments in subsidiaries, joint ventures, associated and/or non consolidated entities;
- IFRS 13 – Measurement of fair value;
- IFRIC 20 – Costs related to mineral extraction.

The CPC has still not issued pronouncements equivalent to the aforementioned IFRSs, but there is the expectation that it will do so before the date required for such to come into force.

The Company is currently analyzing the impacts of these new Standards on its financial statements.

s. Government subsidies

Government subsidies are recognized when there is reasonable assurance that the Group companies will meet the related conditions and that the subsidies will be received.

These are recognized systematically to the results over the periods in which the Group Companies recognize as expenses the corresponding costs that the subsidies intend to compensate.

The subsidiary Taurus Blindagens Nordeste Ltda. receives the following government subsidy:

ICMS – Desenvolve

On April 2 and 3, 2005, Resolution 118/2005 from the DESENVOLVE Decision Council was published in the State Official Gazette – DOE, which enabled "*ad referendum*" from the Plenary to the head office establishment located in Simões Filho/BA, granting it with the benefits from the Industrial Development Program and the Economic Integration for the State of Bahia – DESENVOLVE, for the purpose of implanting the industry to produce security helmets and anti riot shields, under the following terms:

- Deferral of the register and payment of ICMS on imports and acquisitions in this State and in another State, of the differential rates, for assets allocated to fixed assets, when disincorporation occurs;

- Extension for a period of 72 (seventy two) months for payment of the debtor ICMS balance, resulting from its owns operations, generated from the investments forecast in the incentive Project, as established in Class I, from Table I, annexed to the DESENVOLVE Regulation;

- Granting of a period of 12 (twelve) years for receiving the benefits, as from the publication of the Concessive Resolution in DOE.

With respect to the extension of the period of 72 (seventy two) months, upon anticipated payment of the amount entitled to the extended deadline, the subsidiary will receive a benefit of 90% (ninety percent) on the value subject to the extension, and will have to pay the remaining 10% (ten percent) as ICMS.

The amount corresponding to the discount of 90% (ninety percent) on the amount subject to the extension was registered to the profit and loss for 2011, and is reported in Note 26.

5 Measurement of fair values

Several of the Company's policies and disclosures require that fair values be measured, for both financial and non financial assets and liabilities. The fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, additional information on the assumptions adopted for measuring the fair values is disclosed in the specific note to that asset or liability.

(i) Accounts receivable and other receivables

The fair values of accounts receivable and other receivables are estimated as the present value of future cash flows, discounted using the market interest rate on the reporting date. This fair value is determined for disclosure purposes.

(ii) Derivatives

The fair value of future foreign exchange contracts is based on the listed market price, when available. If a listed market price is not available, the fair value is estimated discounted from the difference between the contractual futures price and the current futures price for the remaining period of the contract using a risk free interest rate (based on public securities).

The fair value of interest rate swap contracts is based on brokers' quotations. These quotations are tested for reasonableness by means of discounted estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument calculated at the measurement date. The fair values reflect the credit risk of the instrument and include adjustments to consider the credit risk of the Company and counterparties when appropriate.

(iii) Non derivative financial liabilities

The fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted using the market interest rate determined at the reporting date of the financial statements. For liability components of convertible debt instruments, the market interest rate is determined by reference to similar liabilities that do not have conversion options. For financing leases, the interest rate is determined by reference to similar leasing contracts.

6 Financial risk management

The Company is exposed to the following risks from the use of financial instruments: credit risk, liquidity risk, market risk and operational risk.

This note presents information on the Company's exposure to each of the aforementioned risks, the objectives of the Company, its policies and processes for measuring and managing risk, and management of the Company's capital. Additional quantitative disclosures are included throughout these financial statements.

(i) Risk management structure

The risk management policies are established to identify and analyze the risks faced by the Company, to define appropriate risk limits and controls and to monitor risks and adherence to limits. The risk management systems and policies are revised frequently to reflect any changes in market conditions and the Company's activities. The Company, based on its norms, training procedures and management, aims to develop a disciplined and constructive control environment, where all of the employees understand their roles and obligations.

Management accompanies compliance with the Company's risk management procedures and policies and revises the adequacy of the risk management structure in relation to the risks faced by the Company.

(ii) Credit risk

Credit risk is the risk of financial losses for the Company in the event a customer or counter party to a financial instrument fails to comply with its contractual obligations, and refers mainly to trade accounts receivable and investment securities.

(iii) Trade accounts receivable and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each client.

The Company and its subsidiaries adopt the practice to analyze the financial and equity situation of its counter parties, and also define credit limits and permanently accompany outstanding balances. With respect to the financial institutions, the Company and its subsidiaries only undertake operations with low risk financial institutions. The Company's sales income is not concentrated with a single client, and there is no concentration of credit risk.

The Company established a credit policy where the credit ability 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, when available, 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 can only operate with the Company based on advance payments. For public bodies Company management individually evaluates the ability to pay and the bid requirements for making the sales.

For purposes of monitoring credit risk from clients, the clients are grouped based on their credit characteristics, including whether they are individuals or corporate entities, retailers or public entities, their geographical location, industry and the existence of any prior financial difficulties.

The Company establishes a provision for impairment losses which represents its estimate of losses incurred from trade accounts receivable, other receivables and investments. The main components of this provision are: a specific collective loss component established for groups of similar assets in relation to losses incurred, but not yet identified. The provision for the collective loss is determined based on the history and management's knowledge of the business.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will face difficulties in fulfilling its obligations associated with its financial liabilities which are liquidated with cash payments or with other financial assets. The Company's approach for liquidity management is to guarantee, as far as possible, that it always has sufficient liquidity to fulfill its obligations that fall due, under normal and stress conditions, without causing unacceptable losses or risks that would adversely affect the Company's reputation.

Typically, the Company ensures that it has sufficient cash to meet its expected operational expenses for approximately 60 days, including fulfilling financial obligations; this does not include the potential impact from extreme circumstances that cannot be reasonable forecast, such as natural disasters. In addition, the Company has the following credit lines:

The Company has credit lines contracted with financial institutions, as reported in Note 18, and all of these credit lines are being fully used, except by the subsidiary Taurus Holdings, Inc. which has a credit line for the amount of USD 25,000 thousand and in 2011 it had used USD 20,000 thousand.

In addition, the Company has credit lines, not contracted, from the largest banks that operate in Brazil, for approximately R$ 500.000 thousand, at market rates and terms.

(v) Market risk

Market risk is the risk that alterations in market prices, such as foreign exchange rates, interest rates and share prices, have on the Company's results. 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.

The Company uses derivative financial instruments and also fulfills its financial obligations to manage market risks. All of these operations are undertaken within the guidelines established by Management. In certain circumstances, the Company seeks to apply hedge accounting to guarantee its operational results from exports, budgeted; and which are not characterized as speculative operations.

(vi) Foreign currency risk

The Company is subject to foreign currency risk from sales, purchases and loans denominated in a currency different from the respective functional currencies of the Company's entities, which in the majority of cases is the Real (R$), but also the US dollar (USD). The main currency in which these transactions are denominated is the US dollar (USD).

In general, the Company aims to protect its expected exposure to foreign currencies in relation to sales forecast for the next six months. The Company uses future market contracts to protect against exchange risk, the majority of which mature in less than one year from the date of the financial statements. When necessary, the futures markets contracts are renewed when they mature.

Interest on loans are denominated in the currency of the loan.

In relation to other monetary assets and liabilities denominated in foreign currencies, 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.

(vii) Interest rate risk

The Company adopts a policy to guarantee that approximately 30% of its exposure to changes in interest rates for loans is based on a fixed rate.

(viii) Operational risk

Operational risk is the risk of direct or indirect losses arising from a variety of causes associated with the Company's processes, personnel, technology and infra-structure and external factors, except credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards for business conduct. Operational risks arise from all of the Company's operations.

The Company's objective is to administer operational risk to avoid financial losses occurring and damage to its reputation, and to ensure efficient costs and to avoid control procedures that restrict initiative and creatively.

Top management is assigned the responsibility to develop and implement controls to deal with operational risks within each business unit. This responsibility is supported by the Company's general standards developed to administer operational risks in the following areas: Requirements for adequate segregation of duties, including independent authorization of operations; requirements to reconcile and monitor operations; Compliance with regulatory and legal requirements; Documentation of controls and procedures; Requirements for the periodic evaluation of operational risks faced and adequate controls and procedures to deal with the risks identified; Requirements to report operational losses and the corrective actions proposed;

(In thousands of Reais, except when stated otherwise)

development of contingency plans; professional training and development; ethical and commercial standards; mitigating risks, including insurance when effective.

Compliance with the Company's norms is supported by a program involving the periodic analyses of the responsibilities of internal audit. The results of the internal audit analyses are discussed with management from the related business unit, and a summary is sent to the Company's top management.

(ix) Capital management

Management's policy is to maintain a solid capital base to maintain investor, creditor and market confidence and ensure the future development of the business. Management monitors the returns on capital, which the Company defines as results from operational activities divided by total shareholders' equity, excluding non redeemable preference shares and non controlling interests. Management also monitors the level of dividends for the ordinary and preference shareholders.

The Company's consolidated debt in relation to adjusted capital at the end of the year is presented below:

	2011	**2010**
Total liabilities	801.422	539.282
Less: cash and cash equivalents	(162.226)	(188.674)
Net debt (A)	639.196	350.608
Total shareholders' equity (B)	325.335	460.526
Ratio of net debt to shareholders' equity at December31 (A/B)	1,96	0,76

There were no changes in the Company's approach to managing capital during the year. Neither the Company nor its subsidiaries or associated companies are subject to capital requirements imposed externally. The entity manages its capital requirements in an aggregated manner.

7 Operational segments

The Company has four publishable segments, as described below, which are its strategic business units. The strategic business units offer different products and services and are administered separately, since they require different technologies and marketing strategies. For each one of the strategic business units, management analyzes the internal reports at least every quarter. The following summary describes the operations of each one of the Company's reporting segments:

Weapons – the weapons production process, since its refers mainly to a metallurgical industry, is based on the following basic stages: forging (based on flat sheets), machining, based on flat steel sheets and milling, drilling, lathes, broaching machines, etc.), MIM – *Metal Injection Moulding*, assembly (manual), finishing (basically polishing), surface thermal treatment and final assembly (necessary adjustments); these operations are undertaken by 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 assemble; these operations are undertaken by Taurus Blindagens Ltda., Taurus Blindagens Nordeste Ltda. and Taurus Helmets Industria Plástica Ltda.

Machinery – this refers to developing, manufacturing and selling operating machinery and related components; these operations are undertaken by Taurus Máquinas-Ferramenta Ltda.

Others – the result of the forging segment (Forjas Taurus S.A.); bullet proof jackets and plastic products (Taurus Blindagens Ltda.). These also include other operations such as the manufacture and sale of glasses, anti-riot shields and providing services. None of these operational segments reached any of the quantitative limits for determining disclosable segments in 2011 or 2010.

Information on the results of each reportable segment is included below. Performance is evaluated based on the profit of the segment before income tax and social contribution, as included in the internal management reports which are analyzed by Company management. The segment's profit is used to evaluate performance, since Management understands that this information is more relevant in evaluating the results of certain segments in relation to other entities that operate in these industries. The pricing of transactions between segments is determined based on market terms.

(In thousands of Reais, except when stated otherwise)

The reconciliation of income, profits and losses, assets, liabilities and other material items for publishable segments is presented below:

	Weapons 2011	Weapons 2010	Helmets 2011	Helmets 2010	Machinery (discontinued) 2011	Machinery (discontinued) 2010	Others 2011	Others 2010	Total 2011	Total 2010
External income	451.998	452.284	117.561	94.979	35.124	62.439	48.409	61.856	653.092	671.558
Inter-segment income	-	6.000	-	47	241	2.264	12.279	10.553	12.520	18.864
Costs of sales	(246.461)	(223.066)	(65.966)	(56.357)	(36.072)	(53.644)	(41.273)	(50.599)	(389.772)	(383.666)
Gross profit (loss)	205.537	235.218	51.595	38.669	(707)	11.059	19.415	21.810	275.840	306.756
Selling expenses	(71.652)	(81.008)	(16.209)	(14.040)	(9.478)	(6.890)	(2.272)	-	(99.611)	(101.938)
General and administrative expenses	(55.006)	(57.801)	(2.433)	(7.399)	(3.408)	(3.070)	(5.482)	(1.537)	(66.329)	(69.807)
Depreciation and amortization	(2.759)	(922)	(229)	(3)	(124)	(106)	(1.515)	(148)	(4.627)	(1.179)
Other operational income (expenses), net	(7.215)	(14.860)	364	2.848	(13.517)	88	(791)	(1.240)	(21.159)	(13.164)
Equity in income	-	-	-	-	-	-	1.906	1.753	1.906	1.753
	(136.632)	(154.591)	(18.507)	(18.594)	(26.527)	(9.978)	(8.154)	(1.172)	(189.820)	(184.335)
Operational profit (loss)	68.905	80.627	33.088	20.075	(27.234)	1.081	11.261	20.638	86.020	122.421
Financial income	42.527	33.686	6.116	6.975	1.312	1.674	542	1	50.497	42.336
Financial expenses	(93.198)	(34.901)	(2.274)	(1.432)	(9.356)	(7.450)	(1.352)	(6.160)	(106.180)	(49.943)
Net financial results	(50.671)	(1.215)	3.842	5.543	(8.044)	(5.776)	(810)	(6.159)	(55.683)	(7.607)
Profit per publishable segment before income tax and social contribution	18.234	79.412	36.930	25.618	(35.278)	(4.695)	10.451	14.479	30.337	114.814
Elimination of inter-segment income	-	(6.000)	-	(47)	(241)	(2.264)	(12.279)	(10.553)	(12.520)	(18.864)
Profit before income tax and social contribution	18.234	73.412	36.930	25.571	(35.519)	(6.959)	(1.828)	3.926	17.817	95.950
Assets of publishable segments	544.317	596.753	161.505	154.347	137.785	162.406	283.050	86.355	1.126.657	999.861
Liabilities of publishable segments	644.049	374.012	47.005	46.467	81.728	95.400	28.640	23.403	801.422	539.282

(In thousands of Reais, except when stated otherwise)

Reconciliation of income and profit from publishable segments

	2011	2010
Income		
Total income from publishable segments	653.092	671.558
Elimination of discontinued operations	(35.124)	(62.439)
Consolidated income	617.968	609.119
Profits or losses		
Total profits from reportable segments	30.337	114.814
Elimination of intersegment profits	(12.520)	(18.864)
Elimination of discontinued operations	35.519	6.959
Consolidated profit before income tax and social contribution	53.336	102.909

Geographical segments

For purposes of presenting information for geographical segments, segment income is based on the geographical location of the client.

	Weapons	
	2011	2010
Domestic market		
Southeast	50.472	76.723
South	24.756	14.657
Northeast	19.776	18.223
North	10.057	6.819
Central West	18.813	14.391
	123.874	130.813
Foreign market		
United States	302.819	302.755
Argentina	4.868	3.195
Filipinas	4.704	2.007
Thailand	1.327	1.925
Pakistan	2.390	-
Venezuela	-	1.819
Other countries	12.016	9.770
	328.124	321.471
	451.998	452.284

(In thousands of Reais, except when stated otherwise)

	Helmets	
	2011	**2010**
Domestic market		
Southeast	34.731	30.584
South	7.624	6.845
Northeast	35.630	25.981
North	20.296	17.603
Central West	18.306	13.073
	116.587	94.086
Foreign market		
Bolivia	25	-
Paraguay	778	893
Peru	88	-
Uruguay	83	-
	974	893
	117.561	94.979

	Machines	
	2011	**2010**
Domestic market		
Southeast	22.363	39.623
South	9.234	17.208
Northeast	-	513
North	9	2.660
	31.606	60.004
Foreign market		
Argentina	-	5
United States	3.518	2.388
Netherlands	-	7
Venezuela	-	35
	3.518	2.435
	35.124	62.439

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

The sales made by the Company and its subsidiaries are not subject to restrictions and are not concentrated in such a way that they can be characterized as being significantly dependent on government bodies or any other single client.

8 Assets and liabilities held for sale and discontinued operations

In September 2011, Management prepared a plan to sell the subsidiary Taurus Máquinas, as reported in Note 2.a., and anticipated that this transaction would be concluded within the next 12 months. In the Company's individual comparative financial statements, the investment in the subsidiary Taurus Máquinas is recognized using the equity method and reclassified to assets held for sale.

(In thousands of Reais, except when stated otherwise)

Given Management's decision to sell the investment in the subsidiary Taurus Máquinas, in September 2011, the assets and liabilities related to this subsidiary were classified in the consolidated financial statements as "held for sale" in accordance with technical pronouncements IFRS 5 and CPC 31 – Non Current Assets Held for Sale and Discontinued Operations.

The consolidated results from discontinued operations included in the consolidated statement of income are presented below. The comparative results and cash flows from the discontinued operations were represented to include these operations classified as discontinued during the current period.

There were no groups classified as held for sale at December 31, 2010.

a. Loss for the period from discontinued operations

	2011
Loss for the period from discontinued operations	
Income	37.349
Expenses	(73.015)
Loss for the period from discontinued operations	(35.666)

Assets and liabilities related to the discontinued operations

The operations of the subsidiary Taurus Máquinas were classified and registered at December 31, 2011, as a group of assets held for sale, as follows:

	Consolidated
	2011
Assets related to discontinued operations	
Cash and cash equivalents	136
Trade accounts receivable	21.775
Inventories	48.715
Taxes recoverable	2.698
Fixed and intangible assets	21.816
Derivative financial instruments	128
Receivable from related parties	34.136
Other assets	8.381
	137.785

	Consolidated
	2011
Liabilities associated with discontinued operations	
Suppliers	2.025
Provisions	2.798
Advances from customers	5.228
Loans and financing	68.481
Other liabilities	3.196
	81.728

(In thousands of Reais, except when stated otherwise)

Immediately prior to the initial classification of the assets and liabilities as held for sale, the carrying values were measured according to the technical pronouncements applicable. The subsidiary Taurus Máquinas recognized, in accordance with IAS 36 and CPC 01 – Impairment of Assets, the impairment of its assets held for sale to their fair value less selling expenses, as demonstrated below:

	Consolidated
	2011
Adjustments of carrying balance to fair value less selling expenses	
Inventories	(6.723)

The carrying values of other assets and liabilities held for sale was compared with the fair values less selling expenses and there was no need to register any other impairment losses.

b. Net cash flow from assets held for sale is presented below:

	Subsidiary Taurus Máquinas (discontinued operation)	
	2011	**2010**
Cash flows from operational activities	(22.926)	(7.454)
Cash flows from investment activities	(208)	(4.218)
Cash flows from financing activities	18.812	14.002
Total cash flow	(4.322)	2.330

Reconciliation of cash flows	**2011**	**2010**
Cash flow	(4.322)	2.330
Effect of eliminations on consolidation	(27.569)	3.106
Results from operations being discontinued	35.666	7.322
Net variation in assets and liabilities held for sale	3.775	12.758

The Company is continuing its negotiations with a potential buyer that has been identified, in order to arrive at an agreement as to the general terms for concluding the sale. The Company is also in the process of evaluating the form of the operation in order to meet the demands of both parties, including optimizing the corporate structure and the tax costs during and after concluding the deal. Management does not anticipate incurred additional significant losses from this operation.

(In thousands of Reais, except when stated otherwise)

9 Cash and cash equivalent

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
Cash balance	76	98	37	31
Cash deposits	74.682	39.552	12.360	26.228
Financial investments	87.468	149.024	58.923	112.111
Cash and cash equivalents	162.226	188.674	71.320	138.370

The marketable securities are remunerated at rates that vary between 98 and 103% of CDI (100 to 103% of CDI in 2010) with the counter parties being top line banks. The Company's exposure to interest rate risks and the sensitivity analysis of financial assets and liabilities are disclosed in note 22.

10 Trade accounts receivable

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
Domestic customers	101.082	107.037	69.171	56.578
Customers – domestic related parties	-	-	83	488
Provision for doubtful receivables - domestic	(3.484)	(6.337)	(2.657)	(3.224)
Foreign customers	54.218	54.426	6.858	13.001
Customers - foreign related parties	-	-	71.436	39.068
Provision for doubtful receivables - foreign	(2.935)	(3.857)	(12)	(398)
Total	148.881	151.269	144.879	105.513
Current	148.881	148.925	144.879	105.513
Non current	-	2.344	-	-

The Company's exposure to credit and currency risks and impairment losses related to trade accounts receivable and other receivables, is disclosed in Note 22.

The change in the provision for doubtful receivables is presented below:

	Consolidated	Parent
Balance at 01-01-2010	(9.087)	(3.484)
Additions	(1.925)	(222)
Write off from use	818	84
Balance at 31-12-2010	(10.194)	(3.622)
Additions	(43)	(11)
Reversal of provision for doubtful receivables	950	-
Write off from use	564	964
Transfer to assets held for sale	2.304	-
Balance at 31-12-2011	(6.419)	(2.669)

(In thousands of Reais, except when stated otherwise)

11 Inventories

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
Finished products	146.856	124.185	26.244	23.863
Work in progress	43.106	53.205	38.722	32.180
Raw materials	38.203	69.944	11.881	10.386
Auxiliary materials and maintenance materials	9.413	12.305	9.369	11.268
	237.578	259.639	86.216	77.697

12 Taxes recoverable

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
ICMS	5.508	5.896	4.728	4.331
IPI	1.187	1.958	415	386
PIS	442	603	396	414
COFINS	2.044	2.772	1.840	1.909
ISSQN	-	8	-	-
Income tax and social contribution	11.513	9.676	5.781	8.462
Total	20.694	20.913	13.160	15.502
Current	17.141	16.898	9.950	12.228
Non Current	3.553	4.015	3.210	3.274

ICMS – Value added sales tax

The balance consists of credits calculated from trade operations and purchases of fixed asset items generated at the Company’s and its subsidiaries’ productive and commercial units.

PIS and COFINS

The balance consists of credits originated from non cumulative charges for PIS and COFINS, calculated mainly on purchases of fixed asset items, which are compensated in successive monthly installments, in accordance with legislation.

IPI – Excise tax

The balance refers mainly to amounts originating from trade operations

Income tax and social contribution

Refers to withholding tax on financial investments and prepayments of income tax and social contribution made through compensation against federal taxes and contributions payable.

(In thousands of Reais, except when stated otherwise)

13 Deferred tax assets and liabilities

Deferred income tax and social contribution are registered to reflect the future tax effects attributable to temporary differences between the fiscal base for assets and liabilities and the respective carrying values. The balances registered originate, mainly, from various temporary provisions.

The carrying value of the deferred tax asset is revised monthly. Management considers that the deferred assets arising from temporary differences are realized in proportion to the final resolution of the events that gave rise to such.

The amount registered that can be compensated refers to the deferred income tax asset and liability to which the entity is legally entitled to compensate and which it intends to make on a net basis.

Deferred tax assets and liabilities were attributed as follows:

		Consolidated
	2011	**2010**
Assets		
Provision for commissions	1.455	2.177
Present value adjustment	187	233
Provision for labor processes	552	562
Provision for employer process	782	408
Provision for doubtful receivables	1.762	1.970
Provision for product warranties	66	392
Provision for loss of tax incentives	-	13
Derivative financial instruments	6.886	-
Tax loss and negative base CSLL (b)	37.448	-
Inventories – unrealized profits	6.822	9.804
Other items	137	138
	56.097	15.697
Liabilities		
Equity evaluation adjustments	(4.898)	(6.651)
Difference in depreciation base	(6.378)	(3.354)
Financial charges	(1.006)	(682)
Derivative financial instruments	(6.160)	(878)
	(18.442)	(11.565)
Total assets and liabilities	37.655	4.132

(In thousands of Reais, except when stated otherwise)

		Parent
	2011	**2010**
Assets		
Provision for commissions	1.455	1.929
Present value adjustment	187	233
Provision for labor processes	552	501
Provision for employer process	782	408
Provision for doubtful receivables	459	459
Derivative financial instruments	6.582	-
Other items	137	138
	10.154	3.668
Liabilities		
Equity evaluation adjustments	(3.907)	(5.175)
Difference in depreciation base	(1.339)	(917)
Financial charges	(968)	(419)
Derivative financial instruments	(6.045)	(878)
	(12.259)	(7.389)
Total assets and liabilities	(2.105)	(3.721)

a. The subsidiary Taurus Máquinas Ferramenta Ltda. has tax credits arising from tax loss carryforwards and negative social contribution base for the amount of R$ 37.878 in 2011 (R$ 24.747 in 2010), not recognized in the accounting registers. Income tax and social contribution on the balances for tax loss carryforwards and negative social contribution base are recognized when there is evidence that realization will be probable within the near future.

b. As part of the corporate restructuring, which occurred on July 04, 2011, regarding obtaining economic benefits and market strategies for new segments (see note 2.b), Company management considered the existence of accumulated balances for tax losses and the negative base for social contribution on net profit registered by the subsidiary Metalurgia e Plásticos Ltda., for purposes of registering the deferred tax asset. The accounting entry was made when it was considered probable that in the future there would be sufficient taxable profits to compensate these losses. The assessment of the existence of future taxable profits was based on the operational activities to be undertaken by the subsidiary in the new market segment, “Polimetal Segment”, which will be responsible for a significant part of the Group’s operations.

The forecasts indicate that the balance for tax credits registered in the accounting books at December 31, 2011 by the subsidiary Polimetal Metalurgia e Plásticos Ltda. will be absorbed by taxable profits estimated for the next ten years, as demonstrated below:

Year	IRPJ	CSLL	Total	% share
2012	1.874	674	2.548	6,80%
2013	2.029	730	2.759	7,37%
2014	2.198	791	2.989	7,98%
2015	2.380	857	3.237	8,64%
From 2016 to 2021	19.055	6.860	25.915	69,21%
Total	27.536	9.912	37.448	100,00%

14 Anticipated real estate credits

On 11-08-2008 the subsidiary Taurus Investimentos Imobiliários Ltda. agreed several contracts with CIBRASEC – Companhia Brasileira de Securitização, aimed at promoting the securitization of real estate receivables, arising from hire contracts agreed for a period of 7 (seven) years with the Company and its subsidiaries, for the amount of approximately R$ 51,000, net of R$ 2,272 related to the commission for structuring the operation.

To represent the real estate credits arising from the aforementioned hire contracts, the Company issued Real Estate Credit Notes – CCI, and assigned them, onerously, to CIBRASEC – Companhia Brasileira de Securitização, which used them as the basis for issuing two series of Certificates of Real Estate Receivables – CRI. The terms and maturity dates for these certificates are fixed monthly, with the first falling due on 15-09-2008 and the last on 15-07-2015. In 2011 the total corrected balance (short and long term) was R$ 36,127 (R$ 42,117 at 31-12-2010).

(In thousands of Reais, except when stated otherwise)

15 Investments

			Balances between the subsidiaries and Parent							Effects of results of transactions between subsidiaries and the Parent			
	Investment	Number of shares/quotas	Current assets (Clients)	Noncurrent assets	Total assets	Current liabilities	Total liabilities	Shareholders' equity	Investment	Income	Expenses	Profits or losses	Equity in income
2010													
Taurus Blindagens Ltda.	99,86%	80.097.902	-	-	-	-	-	110.425	110.271	-	-	26.263	24.101
Taurus Blindagens Nordeste Ltda.	0,10%	1	-	-	-	-	-	8.386	1	-	-	(1.005)	-
Taurus Holdings,Inc.	100,00%	302.505	39.068	-	39.068	302	302	92.989	77.063	189.887	-	18.908	18.725
Taurus Security Ltda.	60,00%	60.000	-	547	547	-	-	(249)	300	-	-	-	-
Taurus Máquinas-Ferramenta Ltda.	53,97%	58.631.830	488	26.838	27.326	424	424	37.080	20.048	7.715	-	(12.286)	(23.832)
Taurus Investimentos Imobiliários Ltda.	71,13%	21.414.136	-	-	-	-	-	36.951	25.506	-	6.317	13.849	10.131
Famastil Taurus Ferramentas S.A.	35,00%	1.400.000	-	-	-	-	-	32.987	13.760	-	-	5.008	1.753
			39.556	27.385	66.941	726	726		246.949	197.602	6.317		30.878
2011													
Taurus Blindagens Ltda.	0,01%	648	-	-	-	286	286	116.491	1	-	-	26.092	25.396
Taurus Blindagens Nordeste Ltda.	0,10%	1	-	-	-	-	-	13.843	14	-	-	5.448	2
Taurus Holdings,Inc.	100,00%	302.505	67.194	-	67.194	34	34	116.580	107.271	206.128	-	9.684	16.302
Taurus Security Ltda.	60,00%	60.000	-	328	328	-	-	(249)	-	-	-	-	-
Taurus Investimentos Imobiliários Ltda.	73,91%	21.414.136	-	-	-	-	-	26.605	17.904	-	5.384	(15.148)	(11.607)
Polimetal Metalurgia e Plásticos Ltda.	99,99%	209.999.999	-	-	-	-	-	194.825	194.447	-	-	29.955	37.264
Famastil Taurus Ferramentas S.A.(1)	-	-	-	-	-	-	-	37.036	2.215	-	-	5.446	1.931
			67.194	328	67.522	320	320		321.852	206.128	5.384		69.288

(1) On December 20, 2011 the investment in the subsidiary Famastil Taurus Ferramentas S.A. was transferred to the subsidiary Polimetal Metalurgia e Plásticos Ltda. as part of the corporate restructuring described in note 2 b). The equity in income, as from the date the investment was transferred, was registered in the subsidiary Polimetal Metalurgia e Plásticos Ltda and eliminated on consolidation of the Group.

The financial statements of Taurus Holdings, Inc., an overseas subsidiary, reported total assets of R$ 284,225 (R$ 203,537 at 31-12-2010) and current and noncurrent liabilities of R$ 167,645 (R$ 110,548 at 31-12-2010). Taurus Holdings, Inc., located in the State of Florida, United States, is the Parent company of Taurus International Manufacturing Inc., Braztech International L.C. and other subsidiaries also located in North America, operating mainly in the resale of Weapons imported from Forjas Taurus S.A., aimed at the wholesale market. Consolidated net income of Taurus Holdings Inc. reported for 2011 was equivalent to R$ 302,819 (R$ 302,755 in 2010) and net profit equivalent to R$ 9,684 (R$ 18.908 in 2010).

The following charges are made on the loans from Taurus Máquinas-Ferramenta Ltda.: on R$ 51,708 (R$ 15,020 in 2010) 100% of CDI and on R$ 6,832 (R$ 11,818 in 31-12-2010), TJLP and interest of 0.16 to 2% p.a.

(In thousands of Reais, except when stated otherwise)

16 Property, plant and equipment

Consolidated

	Land, buildings and facilities	Machinery and equipment	Molds and tooling	Fixtures and computers	Vehicles	Assets under construction	Advances to suppliers	Total
Cost or deemed cost								
Balance at December 31, 2010	85.437	160.572	32.516	19.847	5.279	17.490	1.749	322.890
Additions	7.370	3.285	483	1.245	662	30.111	3.571	46.727
Disposals	-	(163)	(9)	(56)	(978)	(727)	-	(1.933)
Other movements	-	(868)	51	12	2	-	-	(803)
Transfers of assets under construction	10.898	10.537	6.011	828	-	(28.274)	-	-
Effect from variations in exchange rates	2.286	1.694	-	282	13	-	-	4.275
Transfers to assets held for sale	(1.352)	(22.002)	(3.172)	(1.303)	(958)	(23)	-	(28.810)
Balance at December 31, 2011	104.639	153.055	35.880	20.855	4.020	18.577	5.320	342.346
Depreciation and impairment losses								
Balance at December 31, 2010	6.029	38.749	11.465	7.222	1.212	-	-	64.677
Depreciation for the year	3.367	16.021	6.046	2.615	818	-	-	28.867
Disposals	(1.193)	(245)	(9)	(19)	(304)	-	-	(1.770)
Effect from variations in exchange rates	382	544	-	177	2	-	-	1.105
Transfers to assets held for sale	(443)	(3.915)	(1.618)	(689)	(344)	-	-	(7.009)
Balance at December 31, 2011	8.142	51.154	15.884	9.306	1.384	-	-	85.870
Book value								
At December 31, 2010	79.408	121.823	21.051	12.625	4.067	17.490	1.749	258.213
At December 31, 2011	96.497	101.901	19.996	11.549	2.636	18.577	5.320	256.476

(In thousands of Reais, except when stated otherwise)

								Parent
	Land, buildings and facilities	**Machinery and equipment**	**Molds and tooling**	**Fixtures and computers**	**Vehicles**	**Assets under construction**	**Advances to suppliers**	**Total**
Cost or deemed cost								
Balance at December 31, 2010	1.183	106.218	18.861	6.600	3.175	8.181	1.487	145.705
Additions	-	740	184	565	582	23.498	3.029	28.598
Disposals	-	(120)	(9)	(31)	(943)	(721)	-	(1.824)
Other movements	(1)	(858)	55	11	7	-	-	(786)
Transfers of assets under construction	2.304	8.447	5.724	768	-	(17.243)	-	-
Balance at December 31, 2011	3.486	114.427	24.815	7.913	2.821	13.715	4.516	171.693
Depreciation and impairment losses								
Balance at December 31, 2010	175	25.331	6.192	2.363	770	-	-	34.831
Depreciation for the year	183	11.061	3.663	1.056	450	-	-	16.413
Disposals	-	(204)	(9)	(10)	(295)	-	-	(518)
Balance at December 31, 2011	358	36.188	9.846	3.409	925	-	-	50.726
Book value								
At December 31, 2010	1.008	80.887	12.669	4.237	2.405	8.181	1.487	110.874
At December 31, 2011	3.128	78.239	14.969	4.504	1.896	13.715	4.516	120.967

(In thousands of Reais, except when stated otherwise)

Warrantees

In order to mitigate financial expenses on loans and financing, the Company normally uses its own assets as guarantees for the funds obtained from financial institutions. Although a significant part of the fixed assets guarantees financing and loan operations, historically the Company has liquidated its obligations within the contractual terms and the guarantees provided in the form of fixed assets have not been realized. At December 31, 2011, the Company used the amount of R$ 72,393 in guarantees.

17 Intangible assets

					Consolidated
	Goodwill	**Brands and patents**	**Development costs**	**Implantation of systems**	**Total**
Cost					
Balance at December 31, 2010	-	3.580	8.965	382	12.927
Acquisitions from incorporation (Note 2.b)	33.144	-	504	462	34.110
Disposals	(645)	-	(347)	-	(992)
Transfers from other groups	-	-	-	13	13
Effect from variations in exchange rates	-	(123)	(77)	-	(200)
Transfers to assets held for sale	-	-	-	(20)	(20)
Balance at December 31, 2011	32.499	3.457	9.045	837	45.838
Balance at December 31, 2010	-	-	2.862	41	2.903
Amortization for the year	-	-	1.087	112	1.199
Transfers to assets held for sale	-	-	-	(5)	(5)
Balance at December 31, 2011	-	-	3.949	148	4.097
Book value					
At December 31, 2010	-	3.580	6.159	285	10.024
At December 31, 2011	32.499	3.457	5.096	689	41.741

				Parent
	Brands and patents	**Development costs**	**Implantation of systems**	**Total**
Cost				
Balance at December 31, 2010	237	8.448	300	8.985
Acquisitions from business combinations	-	-	459	459
Disposals	-	-	-	-
Transfers from other groups	-	-	13	13
Balance at December 31, 2011	237	8.448	772	9.457
Balance at December 31, 2010	-	2.862	33	2.895
Amortization for the year	-	1.087	97	1.184
Balance at December 31, 2011	-	3.949	130	4.079
Book value				
At December 31, 2010	237	5.586	267	6.090
At December 31, 2011	237	4.499	642	5.378

(In thousands of Reais, except when stated otherwise)

Impairment testing of cash generating units that include goodwill

For the purpose of impairment testing, goodwill has been allocated to the Group’s operational divisions.

Cash generating unit	**2011**
Forjas Taurus S.A.	21.194
Taurus Holdings, Inc.	2.893
Taurus Blindagens Ltda.	6.823
Taurus Helmets Ind. Plástica Ltda.	1.045
Famastil Taurus Ferramentas S.A.	544
Total	32.499

The impairment testing of the aforementioned CGUs was performed based on the fair value less selling expenses in 2011. Consequently, Management determined that the use of the multiple value of Company/EBITDA to value its business was no longer appropriate, and the fair value less selling expenses was estimated based on discounted cash flows.

On 30-09-2011 the machine operations segment, represented by the Company and CGU Taurus Máquinas-Ferramenta Ltda was identified by Management as available for sale. Management decided to implement various actions aimed at selling the investment in the subsidiary Taurus Máquinas, and therefore, anticipates that the cash flows from the asset or group of assets result mainly from the sale, and not the continued operations of the company. Consequently, the carrying value of this CGU was determined as being greater than its recoverable value and an impairment loss was recognized for the amount of R$ 645. The impairment loss was attributed in full to goodwill.

Main assumptions used in the forecast discounted cash flows

The main assumptions used to calculate the recoverable value are the discount rate for cash flows and growth rates. The assumptions used are presented below:

Cash generating unit	**Discount rate WAAC**	**Growth rate**
	2011	**2011**
Forjas Taurus S.A.	11.01%	8.20%
Taurus Holdings, Inc.	11.01%	4.54%
Taurus Blindagens Ltda.	11.01%	8.20%
Taurus Helmets Ind. Plástica Ltda.	11.01%	8.20%
Famastil Taurus Ferramentas S.A.	11.01%	8.20%

(In thousands of Reais, except when stated otherwise)

Discount rate

The discount rate for all of the CGUs is represented by a pre-tax rate based on 30-year fixed income US Treasury Bonds (*T-Bond*), adjusted for a risk premium that reflects the risk from investments in equity securities and the systematic risk of the Unit in question. Based on Management's experience with assets from this CGU, the weighted average cost of capital was estimated for the industry in which this CGU operates, which was calculated based on a possible debt/net equity ratio of 18.3% and a market interest rate of 8.58%.

Growth rate and perpetuity

The forecasts are consistent with the *Business Plan* prepared by management from Companhia Taurus. It is anticipated that forecast growth in sales will be in line with the curve observed in previous years and in line with the country's economic growth. After the forecast period of 10 years, growth and a constant percentage for economic growth (growth into perpetuity) were considered.

For the CGUs Forjas Taurus S.A., Taurus Blindagens Ltda., Taurus Helmets Ind. Plástica Ltda., and Famastil Taurus Ferramentas S.A. the forecast growth rate was 8.2% p.a., represented by an increase in GDP for Brazil in the long term – 3.6% and forecast inflation for the Brazilian economy – 4.6%.

For the CGU Taurus Holdings, Inc. the forecast growth rate was 4.54% p.a., represented by an increase in GDP for the United States in the long term – 2.5% and forecast inflation for the US economy - 2.04%.

Sensitivity analysis of assumptions

The estimated recoverable value for the CGUs is greater than the carrying value for the goodwill. Management identified two main assumptions to which alterations could occur that are reasonably possible and which would result in the carrying value being greater than the recoverable value. The following table presents the amounts for which individual alterations to the two basic assumptions could result in the recoverable value being equal to the carrying value:

	Change required for the recoverable value to be equal to the carrying value	
Cash generating unit	Discount rate	Growth rate and perpetuity
Forjas Taurus S.A.	78,7 p.p.	-142,3 p.p.
Taurus Holdings, Inc.	156,4 p.p.	-418,7 p.p.
Taurus Blindagens Ltda.	329,1 p.p.	-410,7 p.p.
Taurus Helmets Industria Plástica Ltda.	329,1 p.p.	-410,7 p.p.
Famastil Taurus Ferramentas S.A.	379,9 p.p.	-455 p.p.

(In thousands of Reais, except when stated otherwise)

The amounts used for the main assumptions represent Management's best estimates for the future of the operational segment where each of CGUs operates, based on internal sources (historic data) and external sources. For the purpose of the impairment testing, the goodwill was allocated to the Group's operational divisions, which represent the lowest level within the Group, in which the goodwill is monitored for the purposes of internal management, which is never above the Group's operational segments.

18 Loans and financing

This note provides information on the contractual terms of the loans with interest, which are stated at amortized cost. For further information on the Company's exposure to interest rate, foreign currency and liquidity risks, see Note 21.

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
Current liabilities				
Guaranteed bank loans				
Working capital	39.948	43.998	39.948	22.362
Discount on receivables	14.107	-	14.107	-
FINAME	2.855	11.330	2.444	7.036
FINEP	8.625	11.922	8.068	5.956
BNDES-PEC	5.644	5.745	5.644	5.745
FNE	65	-	-	-
BNDES-Exim- Pre-embarkation	-	28	-	-
BNDES Revitaliza	-	11	-	-
Working capital USD	22.645	12.742	9.747	3.355
FINIMP	5.154	707	5.154	707
	99.043	86.483	85.112	45.161
Non Current liabilities				
Guaranteed bank loans				
Working capital	45.000	24.191	45.000	9.792
FINAME	5.948	3.323	4.836	8.212
FINEP	9.096	39.271	5.787	9.523
BNDES-PEC	468	5.417	468	5.417
FNE	9.806	9.806	-	-
BNDES-Exim- Pre-embarkation	-	5.000	-	-
BNDES Revitaliza	-	2.845	-	-
Working capital USD	161.871	43.143	119.767	9.997
FINIMP	464	687	464	687
	232.653	133.683	176.322	43.628
	331.696	220.166	261.434	88.789

(In thousands of Reais, except when stated otherwise)

Terms and timetable for amortization of debts

The terms and conditions for loans outstanding were as follows:

							Consolidated
					2011		2010
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carryin g value
Guaranteed bank loans							
Working capital	R$	CDI + 1,8 to 3,91% p.a..	2011-2013	102.700	84.948	76.490	68.189
Discount on receivables	R$	16,80% p.a..	2012	14.107	14.107	-	-
FINAME	R$	TJLP + 1 to 7% p.a..	2011-2020	22.531	3.221	19.249	4.557
FINAME	R$	3,80 to 5,50% p.a..	2011-2020	6.633	5.582	18.924	10.096
FINEP	R$	TJLP + 0,16 a 2% p.a..	2012-2014	29.601	13.855	34.300	17.578
FINEP	R$	5,25% p.a..	2017	8.008	3.866	27.788	33.615
BNDES-PEC	R$	12,90% p.a..	2013	10.000	6.112	10.000	11.162
FNE	R$	9,50% p.a..	2019	9.806	9.871	9.806	9.806
BNDES-Exim- Pre-embarkation	R$	4,50% p.a..	2012	-	-	5.000	5.028
BNDES Revitaliza	R$	9% p.a..	2017	-	-	2.846	2.856
Working capital	USD	*Libor* + 0,79 to 4,8%	2011-2017	103.117	184.516	39.268	55.885
Financing for acquisition of fixed	USD	*Libor* + 1,25 to 3% p.a..	2011-2014	824	787	3.711	1.394
FINIMP	USD	*Libor* + 1% p.a..	2012	868	4.831	-	-
Total liabilities subject to interest					331.696		220.166

							Parent
					2011		2010
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carryin g value
Guaranteed bank loans							
Working capital	R$	CDI + 1,8 to 3,91% p.a..	2011-2014	102.700	84.948	35.700	32.154
Discount on receivables	R$	16,80% p.a..	2012	14.107	14.107	-	-
FINAME	R$	TJLP + 2,25 to 7% p.a..	2011-2014	20.216	1.698	15.215	10.691
FINAME	R$	3,80 to 5,50% p.a..	2011-2021	6.633	5.582	3.709	4.557
FINEP	R$	TJLP + 0,16 to 2% p.a..	2012-2014	29.601	13.855	29.601	15.479
BNDES-PEC	R$	12,90% p.a..	2013	10.000	6.112	10.000	11.162
Working capital	USD	*Libor* + 0,79 to 4,8%	2011-2017	71.849	129.514	8.000	13.352
Financing for acquisition of fixed	USD	*Libor* + 1,25 to 3% p.a..	2011-2014	824	787	3.711	1.394
FINIMP	USD	*Libor* + 1,10 % p.a..	2012	868	4.831	-	-
Total liabilities subject to interest					261.434		88.789

Maturity dates of noncurrent liabilities:

		2011
Year	Consolidated	Parent
2013	89.403	57.982
2014	64.963	61.738
2015	31.101	27.854
2016	30.629	27.791
2017 onwards	16.557	957
	232.653	176.322

(In thousands of Reais, except when stated otherwise)

The loans and financing are guaranteed by promissory notes, chattel mortgages for machinery and equipment, real estate mortgages and sureties from directors. The sureties granted by the directors, the parent company and the sureties granted by the Company to its subsidiaries and parent company are reported in note 23 – Related parties.

The loan and financing contracts agreed between the Company and its subsidiaries include covenants that limit certain corporate alterations and require that certain financial indices be maintained. At December 31, 2011, all of these clauses had been complied with by the Taurus companies.

19 Debentures

The Company agreed a private instrument for the public registration of the 1st and 2nd issue of debentures, non convertible into shares on June 08, 2010 and September 06, 2011, for the total nominal value of R$ 103,000 and R$ 50,000, respectively.

The issue was made in a single series, corresponding to 10,300 debentures for the 1st issue and 200 debentures for the 2nd issue, distributed on the secondary market through the National Debenture system, with restrictions on the placing allocated exclusively to qualified investors.

For the 1st issue, the unit nominal value will be paid in 7 six-monthly installments, with a grace period of 12 months, beginning on April 15, 2011. For the 2nd issue, the unit nominal value will be paid in 13 quarterly installments, with a grace period of 2 years, beginning on August 23, 2013. Interest is charged on the amount, calculated based on the compound capitalization system, equivalent to the accumulated variation in the average daily rates for DI – Interbank deposits, plus interest as detailed below:

						2011
	Index	Current	Non Current	Transaction costs incurred	transaction costs appropriated	transaction costs to appropriate
Debentures :						
1st issue	Rate DI + 4.1%	75.232	-	1.019	391	628
2a issue	Rate DI + 2.8%	559	49.539	684	45	639
		75.791	49.539	1.703	436	1.267

The debentures are guaranteed by the subsidiaries Forjas Taurus S.A. in Brazil, constituted in the form of bonds granted jointly.

The instrument provides for anticipated maturity of all obligations object of the registration in certain circumstances, which include: change in the direct or indirect control of the Company, capital reduction in the Company and/or its parent company, dividend distribution, payment of interest on own capital or other payments made to shareholders by the Company and/or its parent in the event of delays with any of its obligations, decrease in the Company's capital and/or that of Polimetal [(1)], made by the Company or by the guarantors of any type of sale or transfer of assets that has an impact of equal to or greater than 15% of the company's consolidated assets or equal to or greater than 20% of consolidated gross income of the Company [(2)], undertaking, by the Company or its subsidiaries, of financing, advance or loan operations, in the role of creditors, with any of its direct or indirect controlling companies, except for the exclusive purpose of refinancing obligations agreed prior to the issuing of the debentures, the granting, by the Company or its subsidiaries, of bonds or any type of guarantee for the financial operations of direct or indirect controlling companies for amounts in excess of those existing at the date of issuing the debentures, maintaining minimum financial indices (net debt/EBITDA) equal to or less than 3.25 times (1st and 2nd issues) and EBITDA/net financial expenses equal to or greater than 2.75 times, (1st issue), where: net debt is equal to total debts (including sureties and guarantees) less cash and cash equivalents, EBITDA is equal to profit before taxes, interest, depreciation and amortization in the previous 12 months and net financial expenses refers to total financial income less financial expenses for the previous 12 months [(3)].

[(1)] The occurrence of such events may be approved by the titleholders of at least 2/3 of the debentures in circulation, without the obligations maturing in advance.

[(2)] The occurrence of such events may be approved by the titleholders of at least 75% of the debentures in circulation, without the obligations maturing in advance.

[(3)] The General Meeting for Titleholders to Debentures from the First Public Issue of Unsecured Debentures, with personnel guarantees, and non convertible into shares in Forjas Taurus S.A. held on September 29, 2011, approved the alterations to item XXII of Clause 6.21 of the Private Instrument for Register of the First Public Issue of Unsecured Debentures, with personnel guarantees, and non convertible into shares in Forjas Taurus S.A. held on June 08, 2010, between the Company and Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários, acting as the trustee . Upon payment of a premium by the Company, for the amount of 0.6% (zero point six percent) of the nominal unit value of the debentures, the minimum financial indices presented were altered from (net debt/EBITDA) equal to or less than 2.,5 times to equal to or less than 3.25 times, and (EBITDA/net financial expenses) equal to or greater than 3.0 times to equal to or greater than 2.75 times.

(In thousands of Reais, except when stated otherwise)

Management from the Company and its subsidiaries monitor these indices on a systematic and constant basis, to ensure that the terms are met. All of the restrictive terms and clauses have been fulfilled.

Within the context of its strategies and management of its financial resources, the Company intends to redeem the debentures from the first issue in advance, subject to the negotiations with the titleholders. Given that management anticipates the redemption of such within the next financial year, the balance for these titles has been recorded to current liabilities.

20 Provisions

			Consolidated
	For guarantees	Civil and labor	Total
Balance at December 31, 2010	976	1.953	2.929
Provisions made during the period	947	227	1.174
Provisions used during the period	(206)	(16)	(222)
Reclassifications to liabilities held for sale	(1.717)	(699)	(2.416)
Balance at December 31, 2011	-	1.465	1.465
Non current	-	-	-
Current	-	1.465	1.465

		Parent
	Civil and labor	Total
Balance at December 31, 2010 - Current	1.315	1.315
Provisions made during the period	150	150
Balance at December 31, 2011 - Current	1.465	1.465

Provision for warranties

The provision for warranties refers basically to the machinery sold during 2010 and guaranteed until 31, 12, 2011. The provision is based on historic data of the warranties associated with similar products and services. The Company anticipates that it will incur the majority of the liabilities within the coming year.

(In thousands of Reais, except when stated otherwise)

21 Contingencies

a. Consolidated

The Taurus companies, in the same way as the parent company Forjas Taurus S.A., based on information from their legal advisors and analyses of pending legal demands, have registered a provision on consolidation, to other accounts payable, for the amount of R$ 4,261 (R$ 5,309 in 2010) considered sufficient to cover estimated losses from the ongoing claims evaluated as representing probable risks, as presented below:

			2011	**2010**
	Provision	**Legal deposits**	**Net**	**Net**
Labor	1.465	(2.065)	(600)	304
Tax				
Federal	-	(423)	(423)	(423)
State	2.796	(395)	2.401	3.117
	4.261	(2.883)	1.378	2.998

The Taurus companies have other processes that have been evaluated by the legal advisors as representing possible or remote risks, without being measured with sufficient accuracy, for the consolidated amount of approximately R$ 23.537 (R$ 21,705 in 2010) for which no provision has been registered, given that accounting practices adopted in Brazil do not require such.

b. Parent

The Company and its subsidiaries are parties to legal claims and administrative processes with various courts and government bodies, arising from the normal course of their operations, involving labor, tax and civil questions and other issues.

Management, based on information from its legal advisors, analysis of pending legal claims has registered a provision to other accounts payable, for the amount of R$ 2,203 (R$ 2,401 in 2010) considered sufficient to cover estimated losses from the ongoing claim, evaluated as representing probable risks, as follows:

			2011	**2010**
	Provision	**Legal deposit**	**Net**	**Net**
Labor	1.465	(1.184)	281	278
Tax				
Federal	-	(423)	(423)	(423)
State	738	(371)	367	966
	2.203	(1.978)	225	821

At the same time, the Company filed various claims aimed at recognizing various tax credits, which will be recognized as and when they are realized.

The Company has other processes evaluated by its legal advisors as representing possible or remote risks, without being measured with sufficient accuracy, for the amount of approximately R$ 10.578 (R$ 18,032 in 2010) for which no provision has been registered, given that accounting practices adopted in Brazil do not require such.

22 Financial instruments

The Company and its subsidiaries Taurus Blindagens Ltda., Taurus Helmets Indústria Plástica Ltda., and Taurus Máquinas-Ferramenta Ltda., undertake operations with derivative financial instruments. Administration of these instruments is by means of operational strategies and internal controls aimed at ensuring 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 (foreign exchange, interest rate, etc.). The control policy consists of permanently accompanying the terms contracted compared to the existing market terms.

All of the operations involving financial instruments are recognized in the Company's financial statements, as presented in the table below, which details the derivatives outstanding, organized by maturity date, counterparty, notional value and fair values:

			2011		2010	
	Contracting party	**Contracting currency with respect to notional value**	**Notional – in thousands**	**Fair value**	**Notional - in thousands**	**Fair value**
***Swap Libor* 6m x CDI**						
	Forjas Taurus S.A.	US dollars - USD	12.000	217	-	-
***Swap Fixed* x CDI**						
	Forjas Taurus S.A.	Reais - BRL	37.356	1.801	-	-
	Taurus Blindagens Ltda.	Reais - BRL	9.652	334	-	-
	Taurus Helmets Ind. Plástica Ltda.	Reais - BRL	4.355	150	-	-
***Swap* USD x CDI**						
	Forjas Taurus S.A.	Reais - BRL	100.000	15.597	-	-
	Forjas Taurus S.A.	Reais - BRL	88.000	(4.099)		
	Forjas Taurus S.A.	US dollars - USD	868	163	-	-
	Taurus Máquinas-Ferramenta Ltda.	US dollars - USD	680	128	-	-
***Non-deliverable forward* (exports)**						
	Forjas Taurus S.A.	US dollars - USD	88.100	(15.259)	36.000	2.584
				(968)		2.584

(In thousands of Reais, except when stated otherwise)

	2011	2010
Parent		
Derivative financial instruments assets	17.778	2.584
Derivative financial instruments liabilities	(19.358)	-
Consolidated		
Derivative financial instruments assets	18.262	2.584
Derivative financial instruments liabilities	(19.358)	-
Assets held for sale (note 8)	128	-

The fair value does not represent the obligation for immediate disbursement or receiving of cash, given that this effect will only occur on the contractual dates or maturity dates of each operation, when the results are determined, depending on the case and the market conditions on these dates. It should be noted that all of the contracts outstanding at December 31, 2011 refer to operations on the over the counter market, registered with the CETIP, without any type of guarantee margin or anticipated liquidation clause forced by variations in *Mark to Market (MtM).*

Presented below are descriptions of each of the derivatives in force and the instruments protected.

Non-deliverable forward (exports)

In accordance with the Company's export policies, derivative financial instruments were contracted to protect a percentage of export income highly susceptive to variations in the dollar.

Swap Libor 6m x CDI

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 on the domestic market.

Swap fixed x CDI

The Company has conventional fixed rate swap positions related to the Certificates of Real Estate credits - CRI (Note 14) aimed at linking the interest rate exposure to a post fixed rate on the domestic market.

Swap USD x CDI

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.

(In thousands of Reais, except when stated otherwise)

a. Credit risk

Exposure to credit risks

The carrying values of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date for the financial statements was as follows:

	Consolidated	
	Carrying values	
	2011	**2010**
Financial assets held to maturity	659	403
Trade accounts receivable	155.300	161.463
Other loans and receivables	19.948	57.341
Cash and cash equivalents	162.226	188.674
Foreign exchange forward and interest rate swap contracts used for asset hedging	18.262	2.584
Total	356.395	410.465

	Parent	
	Carrying values	
	2011	**2010**
Financial assets held to maturity	659	403
Trade accounts receivable	147.548	109.135
Other loans and receivables	17.656	12.301
Cash and cash equivalents	71.320	138.370
Foreign exchange forward and interest rate swap contracts used for asset hedging	17.778	2.584
Total	254.961	262.793

The maximum exposure to credit risk for trade accounts receivable and other loans and receivables at the reporting date by geographical region was as follows:

	Consolidated		Parent	
	Carrying values		Carrying values	
	2011	**2010**	**2011**	**2010**
Domestic – Trade accounts receivable	101.082	107.037	69.254	57.066
United States – Trade accounts receivable	47.317	53.543	71.436	51.715
Other	6.901	883	6.858	354
Total	155.300	161.463	147.548	109.135

(In thousands of Reais, except when stated otherwise)

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

	Consolidated Carrying values		Parent Carrying values	
	2011	**2010**	**2011**	**2010**
Clients – Public bodies	60.069	42.322	57.257	43.322
Clients – distributors	8.792	53.543	79.775	51.069
End clients	86.439	65.598	10.516	14.744
Total	155.300	161.463	147.548	109.135

Impairment losses

The maturity of loans and receivables granted at the balance sheet date was:

				Consolidated
	Gross	**Gross**	***Impairment***	***Impairment***
	2011	**2010**	**2011**	**2010**
Not overdue	129.172	120.178	-	-
Overdue between 0-30 days	12.144	22.131	-	-
Overdue between 31-360 days	8.663	13.169	(1.098)	(4.209)
More than one year	5.321	5.985	(5.321)	(5.985)
Total	155.300	161.463	(6.419)	(10.194)

				Parent
	Gross	**Gross**	***Impairment***	***Impairment***
	2011	**2010**	**2011**	**2010**
Not overdue	131.715	95.618	-	-
Overdue between 0-30 days	4.372	5.375	-	-
Overdue between 31-360 days	7.403	5.682	(410)	(1.162)
More than one year	4.058	2.460	(2.259)	(2.460)
Total	147.548	109.135	(2.669)	(3.622)

Based on historic default rates, the Company believes that no provision for impairment losses is necessary in relation to trade accounts receivable not overdue or overdue by up to 30 days; a significant part of the balance, which includes the amount due by the Company's most important clients, refers to clients that have a good history of payment with the Company.

During 2011, the parent company transferred to third parties, credits receivable from the subsidiary Taurus Holdings, Inc. for the amount of R$ 17,530, without right of return. In the financial statements, this amount was recognized as advances of receivables.

(In thousands of Reais, except when stated otherwise)

The Company also discounted receivables from public administrative bodies, for the amount of R$ 14,107 with co-obligation in the event of default. The balance has been classified to current liabilities, to the heading for "loans and financing".

b. Liquidity risk

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					
	2011					
	Carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
Non derivative financial liabilities						
Guaranteed bank loans	331.696	367.899	98.855	176.293	73.079	16.672
Debt titles issued	125.330	155.713	81.825	30.164	43.724	-
Certificates of real estate receivables	36.127	44.001	7.768	24.287	11.946	-
Foreign exchange withdrawals	39.425	40.510	40.510	-	-	-
Derivative financial liabilities						
Derivative instruments (output)	(18.262)	(18.262)	(18.262)	-	-	-
Derivative instruments (input)	19.358	19.358	19.358	-	-	-
	533.674	609.219	233.054	230.744	128.749	16.672

	Consolidated					
	2010					
	Carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
Non derivative financial liabilities						
Guaranteed bank loans	220.166	269.639	83.476	53.982	104.174	28.007
Debt titles issued	106.106	134.604	34.824	36.039	63.741	-
Certificates of real estate receivables	42.117	54.354	6.255	8.502	39.597	-
Foreign exchange withdrawals	4.453	4.899	4.899	-	-	-
Derivative financial liabilities						
Derivative instruments (output)	-	-	-	-	-	-
Derivative instruments (input)	(2.584)	(2.584)	(2.584)	-	-	-
	370.258	460.912	126.870	98.523	207.512	28.007

(In thousands of Reais, except when stated otherwise)

	Carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
						Parent
						2011
Non derivative financial liabilities						
Guaranteed bank loans	261.434	291.979	87.554	138.271	64.914	1.240
Debt titles issued	125.330	155.713	81.825	30.164	43.724	-
Foreign exchange withdrawals	39.425	40.510	40.510	-	-	-
Derivative financial liabilities						
Derivative instruments (output)	(17.778)	(17.778)	(17.778)	-	-	-
Derivative instruments (input)	19.358	19.358	19.358	-	-	-
	427.769	489.782	211.469	168.435	108.638	1.240

	Carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
						Parent
						2010
Non derivative financial liabilities						
Guaranteed bank loans	88.789	105.527	48.481	32.383	24.663	-
Debt titles issued	106.106	134.604	34.824	36.039	63.741	-
Certificates of real estate receivables	4.453	4.899	4.899	-	-	-
Foreign exchange withdrawals	-	-	-	-	-	-
Derivative financial liabilities						
Derivative instruments (output)	-	-	-	-	-	-
Derivative instruments (input)	(2.584)	(2.584)	(2.584)	-	-	-
	196.764	242.446	85.620	68.422	88.404	-

Management does not anticipate that cash flows, included in the maturity analyses, will occur at significantly earlier dates or for significantly different amounts.

c. Foreign exchange risk

The Company's exposure to foreign exchange risk was a follows (in nominal values):

	Consolidated	
		USD
	2011	**2010**
Accounts receivable	28.904	32.665
Foreign exchange withdrawals	(21.018)	(2.673)
Guaranteed bank loans	(101.362)	(33.540)
Foreign suppliers	(4.716)	(1.290)
Net balance sheet exposure	(98.192)	(4.838)

(In thousands of Reais, except when stated otherwise)

The exposure to consolidated foreign exchange risk includes the guaranteed bank loans from Taurus Holdings, Inc. for the amount of USD 29,322 in 2011 (USD 19,658 in 2010).

	Parent	
	USD	
	2011	**2010**
Accounts receivable	3.656	7.803
Accounts receivable – overseas related parties	38.083	23.447
Foreign exchange withdrawals	(21.018)	(2.673)
Guaranteed bank loans	(72.040)	(8.850)
Foreign suppliers	(524)	(2.014)
Net exposure of the balance sheet	(51.843)	17.713

The following exchange rates were used during the year:

	Average rate		Spot rate	
	2011	**2010**	**2011**	**2010**
R$/USD	1.6746	1.7602	1.8758	1.6662

Sensitivity analysis

The strengthening of the Real against the North American dollar, at December 31, 2011, increased equity and the results as reported below. This analysis is based on the change in the foreign exchange rate that the Company considered reasonably possible at the reporting date of the financial statements. The analysis considered that all the other variables, particularly interest rates, would remain constant. The analysis was made with the same base at December 31, 2011, despite the possibility of the variation in the foreign exchange rate being different, as presented below.

	Consolidated		Parent	
	Shareholders' equity	Profit or loss for the period	Shareholders' equity	Profit or loss for the period
December 31, 2011				
R$/USD (25% - forecast rate 2,3447)	46.047	46.047	24.311	24.311
R$/USD (50% - forecast rate 2,8137)	92.094	92.094	48.623	48.623
December 31, 2010				
R$/USD (25% - forecast rate 2,0827)	2.015	2.015	7.378	7.378
R$/USD (50% - forecast rate 2,4993)	4.031	4.031	14.757	14.757

(In thousands of Reais, except when stated otherwise)

d. Interest rate risk

Sensitivity analysis of the fair value for fixed rate instruments

The Company did not register any financial asset or liability with fixed interest rate at fair value through profit or loss, and the Company does not designate derivatives (interest rate *swaps*) as protection instruments using hedge accounting at fair value. Therefore, a change in interest rates at the reporting date would not affect the results.

Sensitivity analysis of cash flows for variable rate instruments

A variation of 10 points in interest rates, on the reporting date of the financial statements, would increase (reduce) the shareholders' equity and profit or loss for the year, by the amounts presented below. The analysis considers that all variables, particularly foreign currency, would remain stable. The analysis has been prepared with the same base for December 31, 2010.

	Consolidated	
	Carrying values	
	2011	**2010**
Fixed rate instruments		
Financial liabilities	98.884	84.262
Variable rate instruments		
Financial assets	105.730	151.608
Financial liabilities	453.053	287.731

	Parent	
	Carrying	
	2011	**2010**
Fixed rate instruments		
Financial liabilities	29.932	30.863
Variable rate instruments		
Financial assets	76.701	114.695
Financial liabilities	415.615	167.636

Sensitivity analysis of cash flows for variable rate instruments

A variation of 10 points in interest rates, on the reporting date of the financial statements, would increase (reduce) the shareholders' equity and profit or loss for the year on the balance for interest not liquidated, by the amounts presented below. The analysis considers that all variables, particularly foreign currency, would remain stable.

	Consolidated	
	Shareholders' equity and results for the period	
		year
	2011	**2010**
Change in interest rate on financing	(1.865)	(1.021)
Change in interest rate on financial investments	448	722

(In thousands of Reais, except when stated otherwise)

	Parent	
	Shareholders' equity and results for the period	
		year
	2011	**2010**
Change in interest rate on financing	(1.821)	(752)
Change in interest rate on financial investments	302	543

Fair value versus Carrying values

The fair values of financial assets and liabilities, together with the carrying values reported in the balance sheets, are as follows:

				Consolidated
		2011		2010
	Carrying values	Fair values	Carrying values	Fair values
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	18.262	18.262	2.584	2.584
Assets stated at amortized cost				
Cash and cash equivalents	162.226	162.226	188.674	188.674
Trade accounts receivable and other receivables	148.881	148.881	151.269	151.269
	311.107	311.107	339.943	339.943
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	19.358	19.358	-	-
Liabilities stated at amortized cost				
Guaranteed bank loans	331.696	331.696	220.166	220.166
Issue of debt securities	126.597	126.597	106.106	106.106
Foreign exchange withdrawals	39.425	39.425	4.453	4.453
Suppliers and other accounts payable	43.821	43.821	38.538	38.538
Prepaid real estate credits	36.127	36.127	42.117	42.117
	577.666	577.666	411.380	411.380

(In thousands of Reais, except when stated otherwise)

				Parent
		2011		2010
	Carrying values	Fair values	Carrying values	Fair values
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	17.778	17.778	2.584	2.584
Assets stated at amortized cost				
Cash and cash equivalents	71.320	71.320	138.370	138.370
Trade accounts receivable and other receivables	144.879	144.879	105.513	105.513
	216.199	216.199	243.883	243.883
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	19.358	19.358	-	-
Liabilities stated at amortized cost				
Guaranteed bank loans	261.434	261.434	88.789	88.789
Issue of debt securities	126.597	126.597	106.106	106.106
Foreign exchange withdrawals	39.425	39.425	4.453	4.453
Suppliers and other accounts payable	15.823	15.823	14.636	14.636
	443.279	443.279	213.984	213.984

The fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted at the market interest rate calculated at the reporting date for the financial statements. The interest rates used to discount the estimated cash flows, when applicable, are based on forecast rates for the interbank certificates of deposits (CDI) at the balance sheet date.

In accordance with the hierarchical classification criteria for determining fair value, where: level 1 corresponds to quoted prices (unadjusted) on active markets for identical assets and liabilities, level 2 corresponds to inputs, except quoted prices included in level 1, that are observable for the asset or liability, directly (prices) or indirectly (derived from prices) and level 3 refers to assumptions, for the asset or liability, that are not based on observable market data (inputs non observable), the Company classified in its accounting registers the fair value of its financial instruments as being level 2.

(In thousands of Reais, except when stated otherwise)

23 Related parties

Remuneration of key management personnel

At December 31, 2011, remuneration paid to key management personnel, which included the directors and the Company's management board, amounted to R$ 26.894 (R$ 33.026 at December 31, 2010), and includes salaries, fees and benefits.

Remuneration of key management personnel includes:

	Consolidated		Parent	
	2011	2010	2011	2010
Remuneration and benefits of statutory directors and management board	14.968	17.914	14.968	13.965
Remuneration of key personnel	11.926	15.112	7.150	7.475
Total	26.894	33.026	22.118	21.440

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

The Statutes provide for the allocation of up to 10% of the profits for the year as management participation, and in 2011, this amounted to R$ 4,146 (R$ 6,982 in 2010).

Operations of directors and key management personnel

The directors and key management personnel directly control 8% of the Company's voting capital.

The directors and key management personnel directly control 0.69% of the Company's voting capital.

Some of the key management personnel hold quotas in other entities, resulting in them having control or significant influence over the financial or operating policies of these companies. The pending balances with these related parties are evaluated based on market terms and are detailed below:

Transactions between related parties not eliminated on consolidation

In the consolidated financial statements at December 31, 2011 and December 31, 2010, the subsidiary Taurus Máquinas-Ferramenta Ltda reported a balance receivable from Wotan Máquinas Ltda., for the amount of R$ 34,136. The subsidiary Taurus Security Ltda. has a loan contract with the parent Forjas Taurus S.A. for the amount of R$ 219.

The subsidiary Taurus Máquinas-Ferramenta Ltda. has a loan contract with the parent Forjas Taurus S.A. for the amount of R$ 59,087 in 2011 and R$ 27,385 in 2010.
All of the loan contracts between related parties mature in the long term.

Sureties between related parties

The loans and financing are guarantees by promissory notes, chattel mortgages over machinery and equipment, real estate mortgages and sureties from the directors. The sureties granted by the directors, the parent company and the sureties granted by the company to its subsidiaries are presented below:

Sureties from directors:

	2011	**2010**
Forjas Taurus S.A.	-	16.636

The Company provided sureties to its subsidiaries, as presented below:

Sureties to subsidiaries:

	2011	**2010**
Taurus Máquinas-Ferramenta Ltda.	17.391	31.256
Taurus Holdings, Inc.	55.002	42.533
	72.393	73.789

24 Shareholders' equity (Parent)

Capital and reserves

Authorized shares (in thousands of shares)

	2011	**2010**
Ordinary shares	51.851	50.000
Preference shares	103.702	100.000
	155.553	150.000

Shares issued and fully paid up

	Ordinary		Preference	
	Number in thousands	R$ 000	Number in thousands	R$ mil
At December 31, 2010				
ON - R$ 5,50 - PN - R$ 4,10*	42.745	235.098	85.489	350.505
At December 31, 2011				
ON - R$ 1,53 - PN - R$ 1,46 *	47.138	72.121	94.275	137.642

(In thousands of Reais, except when stated otherwise)

* quotation for last transaction of shares on the date stated, multiplied by total shares existing on this date.

Legal reserve

This is registered at the rate of 5% of net profit earned each year, in accordance with the terms of art. 193 of law 6.404/76, up to a limit of 20% of capital.

Statutory reserve and profit retention

Reserve for investments – constituted to cover investments to be made in subsequent years, based on the capital budget.

Equity evaluation adjustments

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

Accumulated conversion adjustments

Accumulated conversion adjustments include all of the foreign currency differences arising from conversion of the financial statements of foreign operations

Earnings per share

Earnings per basic share were calculated based on the profit for the period attributable to controlling and non controlling shareholders of the Company to December31, 2011,and the respective average number of ordinary shares in circulation during this period, compared to the year ended December 31, 2010, as presented below:

Date	History	Number of shares	Weighted average
31-12-2009	Opening balance for shares	106.861.800	106.861.800
30-04-2010	Increase in capital and in number of shares – weighted average	21.372.360	14.345.831
31-12-2010	Closing balance for shares	128.234.160	121.207.631

(In thousands of Reais, except when stated otherwise)

Date	History	Number of shares	Weighted average
31-12-2010	Opening balance for shares	128.234.160	128.234.160
30-04-2011	Increase in capital and in number of shares – weighted average	12.823.416	8.607.498
01-07-2011	Purchase of own shares (Note 2.b)	(9.965.702)	(4.996.503)
04-07-2011	Effect of breaking down the shares (Note 2.b)	355.041	178.007
31-12-2011	Closing balance for shares	131.446.915	132.023.163

	2011	**2010**
Results for the period from continued operations	58.688	94.108
Net results for the period from discontinued operations	(21.373)	(23.832)
Profit attributable to shareholders	37.315	70.276
Balance at the start of the period	128.234.160	106.861.800
Increase in capital and in number of shares – weighted average	8.607.498	14.345.831
Effect of purchase of own shares – weighted average	(4.996.503)	-
Effect of break down of shares – weighted average	178.007	-
Weighted average shares	132.023.163	121.207.631
Earnings per basic and diluted shares in R$	0,2826	0,5798
Earnings per basic and diluted shares from continued operations in R$	0,4445	0,7764

Basic earnings per share are calculated based on the results for the period attributable to the Company's shareholders and the weighted average number of shares in circulation in the respective period. At December 31, 2011, the Company reported diluted earnings per share equal to basic earnings per share, given that there were no financial instruments with share conversion rights and its ordinary shares did not have preference in profit sharing.

The Company's Statutes provide for the distribution of a minimum compulsory dividend of 35% of profit for the period, adjusted in accordance with legislation. Dividends payable were disclosed in shareholders' equity at the end of the year and registered as a liability.

(In thousands of Reais, except when stated otherwise)

Dividends were calculated as follows:

	2011	**2010**
Results for the period	37.315	70.276
(-) legal reserve	(1.866)	(3.514)
(+) Realization of equity evaluation adjustments (subsidiaries)	1.866	3.691
(+)Realization of equity evaluation adjustments (Parent)	2.066	4.342
Adjusted profit to calculate dividends	39.381	74.795
Minimum compulsory dividends	13.783	18.699
(-) Dividends and interest on own capital	(16.767)	(22.056)
(+) Withholding tax	2.515	1.591
Dividends to allocate	469	1.766

25 Operational income

	Consolidated		Parent	
	2011	2010	2011	2010
Sales of products	744.974	733.051	467.383	517.183
Services rendered	6.341	2.503	139	172
Total income	751.315	735.554	467.522	517.355

The reconciliation between gross sales for tax purposes and income reported in the statements of income is presented below:

	Consolidated		Parent	
	2011	2010	2011	2010
Gross tax income	751.315	735.554	467.522	517.355
Sales taxes	(118.864)	(123.802)	(62.756)	(77.601)
Returns and discounts	(14.483)	(2.633)	(13.806)	(4.872)
Total book income	617.968	609.119	390.960	434.882

(In thousands of Reais, except when stated otherwise)

26 Other operational expenses, net

	Consolidated		Parent	
	2011	2010	2011	2010
Other operational expenses				
Research and development	(3.254)	(3.563)	(3.254)	(3.411)
Cost of fixed assets sold	(1.414)	(423)	(1.385)	-
Amortization of intangible assets	(824)	(452)	(811)	(465)
Employee profit sharing Other	(3.779)	(8.295)	(2.331)	(6.455)
Other	(4.004)	(1.904)	(1.893)	(5.517)
	(13.275)	(14.637)	(9.674)	(15.848)
Other operational income				
Tax incentives	1.817	-	-	-
Other operational income	2.459	1.385	1.985	488
	4.276	1.385	1.985	488
Other operational expenses, net	(8.999)	(13.252)	(7.689)	(15.360)

27 Financial income and expenses

	Consolidated		Parent	
	2011	2010	2011	2010
Financial expenses				
Interest	(38.220)	(30.058)	(33.817)	(21.943)
Capitalized interest on fixed assets	1.667	988	1.614	901
Exchange variations	(49.035)	(9.062)	(48.876)	(9.044)
IOF	(365)	(37)	(350)	(30)
Swap on financial operations	(5.681)	(992)	(5.681)	-
Other expenses	(5.190)	(3.332)	(3.915)	(3.832)
	(96.824)	(42.493)	(91.025)	(33.948)
Financial income				
Interest	15.289	21.165	13.575	16.388
Exchange variations	13.954	15.982	13.847	15.924
Swap on financial operations	19.023	2.566	18.539	-
Other income	919	949	619	3.077
	49.185	40.662	46.580	35.389
Net financial results	(47.639)	(1.831)	(44.445)	1.441

(In thousands of Reais, except when stated otherwise)

28 Income tax and social contribution expense

The reconciliation of the expense calculated using the combined tax rates and the income tax and social contribution expense debited to profit and loss is demonstrated below:

	Consolidated		Parent	
	2011	2010	2011	2010
Book profit before income tax and social contribution	53.336	102.909	57.740	103.164
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution:				
At the combined tax rate	(18.134)	(34.989)	(19.632)	(35.076)
Permanent additions:				
Non deductible expenses	(147)	(2.450)	(140)	(2.369)
Permanent exclusions:				
Tax exempt income – equity in income	648	5.416	16.291	18.601
Other – Law 11.196/05	116	3.920	-	3.867
Interest on own capital	5.701	7.412	5.701	7.412
Tax loss recognized to assets (Note 13.b)	37.448	-	-	-
Statutory participation	(1.498)	(2.374)	(1.498)	(2.374)
Other items	(4.467)	(2.212)	226	883
Income tax and social contribution on the results for the year	19.667	(25.277)	948	(9.056)
Composition of income tax and social contribution on the results for the year:				
Current	(13.935)	(27.279)	-	(10.299)
Deferred	33.602	2.002	948	1.243
	19.667	(25.277)	948	(9.056)
Effective rate	-36,87%	24,56%	-1,64%	8,78%

29 Insurance coverage

The Company adopts the policy to contract insurance coverage for assets subject to risks for amounts considered sufficient to cover claims, considering the nature of its activities. The risk premises adopted, given their nature, are not part of the scope of an audit of the financial statements, consequently, they were not analyzed by our independent auditors.

At December 31, 2011, the Company's insurance coverage was as follows:

	2011	
	Consolidated	**Parent**
Material damage	188.935	122.165
Civil liability	25.951	7.200
Lost profits	3.100	-

30 Subsequent events

During the last quarter of 2011, the Company has been negotiating with Companhia Lupatech S.A., A Brazilian public company (LUPA3), located in the city of Caxias do Sul – RS, to acquire the Steelinject division, Injeção de Aços Ltda., to complement its segment that manufactures products using the M.I.M method (*Metal Injection Molding*).

After completing the *Due Diligence*, and approval by the Company's management board on January 01, 2012, the transaction was concluded for the sum of R$ 14 million, paid in five monthly installments of R$ 2.8 million.