Contents

Company information / Capital composition

Quantity of shares (Units)	Current quarter 03/31/2015
Paid-in capital	
Common	8,439,322
Preferred	7,704,716
Total	16,144,038
Treasury	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet – Assets

(In thousands of reais)

Code of account	Account description	Current quarter 03/31/2015	Prior year 12/31/2014
1	Assets Total	714,663	787,849
1.01	Current assets	225,948	222,402
1.01.01	Cash and cash equivalents	13,973	25,161
1.01.01.01	Cash and banks	13,973	14,906
1.01.01.02	Marketable securities	0	10,255
1.01.02	Interest earning bank deposits	8,288	12,347
1.01.03	Accounts receivable	70,127	50,876
1.01.03.01	Trade accounts receivable	70,127	50,876
1.01.04	Inventories	63,488	67,054
1.01.06	Recoverable taxes	8,433	9,719
1.01.06.01	Current taxes recoverable	8,433	9,719
1.01.07	Prepaid expenses	7,796	3,582
1.01.08	Other current assets	53,843	53,663
1.01.08.03	Other	53,843	53,663
1.01.08.03.01	Financial instruments	35,924	36,098
1.01.08.03.03	Related parties	10,409	9,814
1.01.08.03.04	Other accounts receivable	7,510	7,751
1.02	Non-current assets	488,715	565,447
1.02.01	Long term assets	21,690	117,772
1.02.01.01	Interest earning bank deposits measured at fair value	11,308	21,592
1.02.01.01.01	Trading securities	11,308	21,592
1.02.01.06	Deferred taxes	0	4,746
1.02.01.06.01	Income tax and social contribution	0	4,746
1.02.01.08	Related party credits	7,623	88,647
1.02.01.08.04	Other related party credits	7,623	88,647
1.02.01.09	Other non-current assets	2,759	2,787
1.02.01.09.03	Recoverable taxes	366	450
1.02.01.09.04	Other	2,393	2,337
1.02.02	Investments	419,714	396,214
1.02.02.01	Equity interest	419,714	396,214
1.02.02.01.02	Interest in subsidiaries	419,524	396,024
1.02.02.01.04	Other equity interest	190	190
1.02.03	Property, plant and equipment	43,786	47,731
1.02.03.01	Fixed assets in operation	39,826	44,431
1.02.03.03	Constructions in progress	3,960	3,300
1.02.04	Intangible assets	3,525	3,730
1.02.04.01	Intangible assets	3,525	3,730

Individual financial statements/ Balance sheet – Liabilities

(In thousands of reais)

Code of account	Account description	Current quarter 03/31/2015	Prior year 12/31/2014
2	Total liabilities	714,663	787,849
2.01	Current liabilities	443,864	412,656
2.01.01	Social and labor obligations	12,613	14,878
2.01.01.01	Social charges	2,596	2,900
2.01.01.02	Labor obligations	10,017	11,978
2.01.02	Suppliers	60,717	40,988
2.01.02.01	Domestic suppliers	58,995	39,703
2.01.02.02	Foreign suppliers	1,722	1,285
2.01.03	Tax liabilities	3,753	3,684
2.01.03.01	Federal tax liabilities	2,341	2,452
2.01.03.01.01	Income and social contribution tax payable	342	1,040
2.01.03.01.02	Other taxes	1,999	1,412
2.01.03.02	State tax liabilities	1,386	1,223
2.01.03.03	Municipal tax liabilities	26	9
2.01.04	Loans and financing	194,371	208,920
2.01.04.01	Loans and financing	174,859	192,987
2.01.04.01.01	In domestic currency	42,972	74,147
2.01.04.01.02	In foreign currency	131,887	118,840
2.01.04.02	Debentures	19,512	15,933
2.01.05	Other liabilities	162,412	136,217
2.01.05.02	Other	162,412	136,217
2.01.05.02.01	Dividends and interest on own capital	7	6
2.01.05.02.04	Related parties	19,301	32,609
2.01.05.02.05	Foreign exchange withdrawals	118,497	57,856
2.01.05.02.06	Derivative financial instruments	0	23,163
2.01.05.02.08	Other liabilities	24,607	22,583
2.01.06	Provisions	9,998	7,969
2.01.06.01	Tax, social security, labor and civil provisions	3,888	3,902
2.01.06.01.02	Social security and labor provisions	3,671	3,685
2.01.06.01.04	Civil provisions	217	217
2.01.06.02	Other provisions	6,110	4,067
2.01.06.02.01	Provisions for guarantees	6,110	4,067
2.02	Non-current liabilities	327,182	323,078
2.02.01	Loans and financing	264,787	265,448
2.02.01.01	Loans and financing	158,584	155,550
2.02.01.01.01	In domestic currency	26,527	45,011
2.02.01.01.02	In foreign currency	132,057	110,539
2.02.01.02	Debentures	106,203	109,898
2.02.02	Other liabilities	59,047	56,650
2.02.02.01	Liabilities from Related parties	14,791	0
2.02.02.01.02	Debits with subsidiaries	14,791	0
2.02.02.02	Other	44,256	56,650
2.02.02.02.03	Taxes payable	1,009	1,098
2.02.02.02.04	Provision for uncovered liability	38,490	51,853
2.02.02.02.05	Other liabilities	4,757	3,699
2.02.03	Deferred taxes	2,392	0

Individual financial statements/ Balance sheet – Liabilities

(In thousands of reais)

Code of account	Account description	Current quarter 03/31/2015	Prior year 12/31/2014
2.02.03.01	Income tax and social contribution	2,392	0
2.02.04	Provisions	956	980
2.02.04.01	Tax, social security, labor and civil provisions	956	980
2.02.04.01.02	Social security and labor provisions	956	980
2.03	Equity	-56,383	52,115
2.03.01	Realized capital	324,876	324,876
2.03.02	Capital reserves	-40,996	-40,996
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-462,958	-317,290
2.03.06	Equity evaluation adjustments	32,458	36,685
2.03.07	Accumulated translation adjustments	90,237	48,840

Individual financial statements / Statement of income

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
3.01	Income from sales of goods and/or services	84,419	75,870
3.02	Cost of goods and/or services sold	-64,836	-62,132
3.03	Gross income	19,583	13,738
3.04	Operating expenses/income	-102,441	-14,391
3.04.01	Sales expenses	-7,817	-8,070
3.04.02	General and administrative expenses	-7,355	-6,707
3.04.04	Other operating income	2,620	744
3.04.05	Other operating expenses	-3,652	-1,947
3.04.06	Equity income (loss)	-86,237	1,589
3.05	Income (loss) before financial income and taxes	-82,858	-653
3.06	Financial income (loss)	-59,897	-7,966
3.06.01	Financial income	35,564	32,863
3.06.02	Financial expenses	-95,461	-40,829
3.07	Income (loss) before income tax	-142,755	-8,619
3.08	Income and social contribution taxes	-7,138	4,079
3.08.01	Current	0	-1,306
3.08.02	Deferred assets	-7,138	5,385
3.09	Net income (loss) of continued operations	-149,893	-4,540
3.11	Income/loss for the period	-149,893	-4,540
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	ON	-9.28473	-0.03210
3.99.01.02	PN	-9.28473	-0.03210
3.99.02	Diluted earnings per share		
3.99.02.01	ON	-9.28473	-0.03210
3.99.02.02	PN	-9.28473	-0.03210

Individual financial statements / Statement of comprehensive income

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
4.01	Net income for the period	-149,893	-4,540
4.02	Other comprehensive income	41,395	-6,711
4.02.01	Period conversion adjustments	41,395	-6,711
4.03	Comprehensive income for the period	-108,498	-11,251

Individual financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
6.01	Net cash from operational activities	-17,987	121,459
6.01.01	Cash generated in operations	-8,508	2,207
6.01.01.01	Income (loss) before income and social contribution taxes	-142,755	-8,619
6.01.01.02	Depreciation and amortization	2,607	2,845
6.01.01.03	Cost of permanent assets written-off	2,502	683
6.01.01.04	Allowance for doubtful accounts	-1,028	-496
6.01.01.05	Equity pickup	86,237	-1,589
6.01.01.07	Provision for derivative financial instruments	-10,026	7,766
6.01.01.08	Provision for interest on loans and financing	51,915	1,341
6.01.01.09	Change in interest in subsidiaries	35	36
6.01.01.11	Provision for legal risks	-38	0
6.01.01.12	Provision for contingencies	2,043	240
6.01.02	Changes in assets and liabilities	-9,479	119,252
6.01.02.01	(Increase) decrease in trade accounts receivable	-18,223	119,630
6.01.02.02	(Increase) in inventories	3,566	4,365
6.01.02.03	(Increase) decrease in other accounts receivable	-16,245	4,480
6.01.02.04	(Decrease) increase in suppliers	19,729	-7,550
6.01.02.05	(Decrease) in accounts payable and provisions	1,694	-1,673
6.02	Net cash used in investment activities	12,694	-13,212
6.02.01	Receivables with related companies	-204	-12,236
6.02.02	Other long-term credits	28	133
6.02.03	In investments	-514	-458
6.02.04	In property, plant and equipment	-939	-622
6.02.05	In intangible assets	-20	-29
6.02.06	Accumulated translation adjustments	14,343	0
6.03	Net cash from financing activities	-5,895	-31,074
6.03.01	Payment of interest on own capital and dividends	1	0
6.03.02	Loans obtained	128,634	32,367
6.03.03	Payments of loans	-124,309	-52,812
6.03.06	Payment of interest on loans	-10,809	-10,629
6.03.10	Other	588	0
6.05	Increase (decrease) in cash and cash equivalents	-11,188	77,173
6.05.01	Opening balance of cash and cash equivalents	25,161	27,874
6.05.02	Closing balance of cash and cash equivalents	13,973	105,047

Individual financial statements / Statement of changes in shareholders’ equity / DMPL – 01/01/2015 to 03/31/2015

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	324,876	-40,996	0	-317,290	85,525	52,115
5.03	Adjusted opening balances	324,876	-40,996	0	-317,290	85,525	52,115
5.05	Total comprehensive income	0	0	0	-145,668	37,170	-108,498
5.05.01	Net income for the period	0	0	0	-149,893	0	-149,893
5.05.02	Other comprehensive income	0	0	0	4,225	37,170	41,395
5.05.02.04	Translation adjustments in the period	0	0	0	0	41,395	41,395
5.05.02.06	Realization of equity evaluation adjustments	0	0	0	4,225	-4,225	0
5.07	Closing balances	324,876	-40,996	0	-462,958	122,695	-56,383

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2014 to 03/31/2014

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	257,797	-73,891	0	-99,659	61,746	145,993
5.03	Adjusted opening balances	257,797	-73,891	0	-99,659	61,746	145,993
5.05	Total comprehensive income	0	0	0	-4,355	-6,896	-11,251
5.05.01	Net income for the period	0	0	0	-4,540	0	-4,540
5.05.02	Other comprehensive income	0	0	0	185	-6,896	-6,711
5.05.02.04	Translation adjustments in the period	0	0	0	0	-6,711	-6,711
5.05.02.06	Realization of equity evaluation adjustments	0	0	0	185	-185	0
5.07	Closing balances	257,797	-73,891	0	-104,014	54,850	134,742

Individual financial statements or Statement of added value

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
7.01	Income	106,936	90,122
7.01.01	Sale of merchandise, products and services	103,288	89,560
7.01.02	Other income	2,620	66
7.01.04	Allowance for/reversal of doubtful accounts	1,028	496
7.02	Inputs acquired from third parties	-71,600	-57,003
7.02.01	Cost of products, merchandise and services sold	-32,086	-46,334
7.02.02	Materials, Energy, Third-party services and other	-39,514	-10,669
7.03	Gross added value	35,336	33,119
7.04	Retentions	-2,607	-2,845
7.04.01	Depreciation, amortization and depletion	-2,607	-2,845
7.05	Net added value produced	32,729	30,274
7.06	Added value received as transfer	-50,673	34,452
7.06.01	Equity income (loss)	-86,237	1,589
7.06.02	Financial income	35,564	32,863
7.07	Total added value payable	-17,944	64,726
7.08	Distribution of added value	-17,944	64,726
7.08.01	Personnel	18,551	22,590
7.08.01.01	Direct remuneration	15,184	18,801
7.08.01.02	Benefits	2,036	2,351
7.08.01.03	Severance Pay Fund (FGTS)	1,331	1,438
7.08.02	Taxes, duties and contributions	16,378	4,259
7.08.02.01	Federal	12,729	3,239
7.08.02.02	State	3,648	1,019
7.08.02.03	Municipal	1	1
7.08.03	Third-party capital remuneration	97,020	42,417
7.08.03.01	Interest	95,461	40,829
7.08.03.02	Rents	1,559	1,588
7.08.04	Remuneration of own capital	-149,893	-4,540
7.08.04.03	Retained earnings / Loss for the period	-149,893	-4,540

Consolidated financial statements or Balance sheet – Assets

(In thousands of reais)

Code of account	Account description	Current quarter 03/31/2015	Prior year 12/31/2014
1	Assets Total	1,000,406	979,763
1.01	Current assets	597,573	574,283
1.01.01	Cash and cash equivalents	67,961	104,536
1.01.01.01	Cash and banks	64,067	59,337
1.01.01.02	Marketable securities	3,894	45,199
1.01.02	Interest earning bank deposits	29,573	33,632
1.01.03	Accounts receivable	193,541	139,720
1.01.03.01	Trade accounts receivable	193,541	139,720
1.01.04	Inventories	201,595	200,524
1.01.06	Recoverable taxes	26,236	23,419
1.01.06.01	Current taxes recoverable	26,236	23,419
1.01.07	Prepaid expenses	15,628	11,533
1.01.08	Other current assets	63,039	60,919
1.01.08.01	Non-current assets held for sale	4,417	4,417
1.01.08.03	Other	58,622	56,502
1.01.08.03.01	Derivative financial instruments	35,926	36,106
1.01.08.03.02	Other accounts receivable	22,696	20,396
1.02	Non-current assets	402,833	405,480
1.02.01	Long term assets	52,788	66,807
1.02.01.01	Interest earning bank deposits measured at fair value	11,308	21,592
1.02.01.01.01	Trading securities	11,308	21,592
1.02.01.06	Deferred taxes	35,811	39,627
1.02.01.06.01	Income tax and social contribution	35,811	39,627
1.02.01.09	Other non-current assets	5,669	5,588
1.02.01.09.03	Recoverable taxes	998	1,048
1.02.01.09.04	Other	4,671	4,540
1.02.02	Investments	13,227	13,401
1.02.02.01	Equity interest	13,227	13,401
1.02.02.01.01	Interest in associated companies	12,878	13,052
1.02.02.01.04	Other equity interest	349	349
1.02.03	Property, plant and equipment	264,294	257,222
1.02.03.01	Fixed assets in operation	252,284	247,180
1.02.03.03	Constructions in progress	12,010	10,042
1.02.04	Intangible assets	72,524	68,050
1.02.04.01	Intangible assets	72,524	68,050

Consolidated financial statements or Balance sheet – Liabilities

(In thousands of reais)

Code of account	Account description	Current quarter 03/31/2015	Prior year 12/31/2014
2	Total liabilities	1,000,406	979,763
2.01	Current liabilities	633,097	560,708
2.01.01	Social and labor obligations	23,701	25,095
2.01.01.01	Social charges	7,131	6,485
2.01.01.02	Labor obligations	16,570	18,610
2.01.02	Suppliers	42,312	36,321
2.01.02.01	Domestic suppliers	32,856	27,013
2.01.02.02	Foreign suppliers	9,456	9,308
2.01.03	Tax liabilities	20,402	17,621
2.01.03.01	Federal tax liabilities	13,840	12,326
2.01.03.01.01	Income and social contribution tax payable	11,004	9,710
2.01.03.01.02	Other taxes	2,836	2,616
2.01.03.02	State tax liabilities	6,497	5,254
2.01.03.03	Municipal tax liabilities	65	41
2.01.04	Loans and financing	239,662	274,798
2.01.04.01	Loans and financing	220,150	258,865
2.01.04.01.01	In domestic currency	83,115	118,740
2.01.04.01.02	In foreign currency	137,035	140,125
2.01.04.02	Debentures	19,512	15,933
2.01.05	Other liabilities	212,869	158,111
2.01.05.02	Other	212,869	158,111
2.01.05.02.01	Dividends and interest on own capital	7	6
2.01.05.02.04	Derivative financial instruments	1,026	23,898
2.01.05.02.05	Foreign exchange withdrawals	118,497	57,856
2.01.05.02.06	Advance on real estate credits	5,431	8,548
2.01.05.02.08	Advance of receivables	36,900	25,114
2.01.05.02.09	Other liabilities	51,008	42,689
2.01.06	Provisions	94,151	48,762
2.01.06.01	Tax, social security, labor and civil provisions	83,005	37,734
2.01.06.01.01	Tax provisions	318	0
2.01.06.01.02	Social security and labor provisions	9,647	10,253
2.01.06.01.04	Civil provisions	73,040	27,481
2.01.06.02	Other provisions	11,146	11,028
2.01.06.02.01	Provisions for guarantees	11,146	11,028
2.02	Non-current liabilities	423,692	366,940
2.02.01	Loans and financing	361,492	341,719
2.02.01.01	Loans and financing	255,289	231,821
2.02.01.01.01	In domestic currency	57,318	83,585
2.02.01.01.02	In foreign currency	197,971	148,236
2.02.01.02	Debentures	106,203	109,898
2.02.02	Other liabilities	6,747	6,178
2.02.02.02	Other	6,747	6,178
2.02.02.02.04	Taxes payable	1,944	2,469
2.02.02.02.05	Other liabilities	4,803	3,709
2.02.03	Deferred taxes	14,095	9,803
2.02.03.01	Income tax and social contribution	14,095	9,803

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Consolidated financial statements or Balance sheet – Liabilities

(In thousands of reais)

Code of account	Account description	Current quarter 03/31/2015	Prior year 12/31/2014
2.02.04	Provisions	41,358	9,240
2.02.04.01	Tax, social security, labor and civil provisions	38,206	9,240
2.02.04.01.01	Tax provisions	5,690	5,567
2.02.04.01.02	Social security and labor provisions	1,244	1,273
2.02.04.01.04	Civil provisions	31,272	2,400
2.02.04.02	Other provisions	3,152	0
2.02.04.02.01	Provisions for guarantees	3,152	0
2.03	Consolidated shareholders' equity	-56,383	52,115
2.03.01	Realized capital	324,876	324,876
2.03.02	Capital reserves	-40,996	-40,996
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-462,958	-317,290
2.03.06	Equity evaluation adjustments	32,458	36,685
2.03.07	Accumulated translation adjustments	90,237	48,840

Consolidated financial statements / Statement of income

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
3.01	Income from sales of goods and/or services	173,538	168,126
3.02	Cost of goods and/or services sold	-138,378	-122,418
3.03	Gross income	35,160	45,708
3.04	Operating expenses/income	-110,258	-41,171
3.04.01	Sales expenses	-22,245	-22,448
3.04.02	General and administrative expenses	-18,656	-16,085
3.04.04	Other operating income	3,842	1,759
3.04.05	Other operating expenses	-73,025	-4,075
3.04.06	Equity income (loss)	-174	-322
3.05	Income (loss) before financial income and taxes	-75,098	4,537
3.06	Financial income (loss)	-68,326	-9,884
3.06.01	Financial income	38,284	37,081
3.06.02	Financial expenses	-106,610	-46,965
3.07	Income (loss) before income tax	-143,424	-5,347
3.08	Income and social contribution taxes	-6,469	807
3.08.01	Current	-383	-4,656
3.08.02	Deferred assets	-6,086	5,463
3.09	Net income (loss) of continued operations	-149,893	-4,540
3.11	Income/loss for the period	-149,893	-4,540
3.11.01	Attributed to the Parent company's partners	-149,893	-4,540
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	ON	-9.28473	-0.03210
3.99.01.02	PN	-9.28473	-0.03210
3.99.02	Diluted earnings per share		
3.99.02.01	ON	-9.28473	-0.03210
3.99.02.02	PN	-9.28473	-0.03210

Consolidated financial statements or Statement of comprehensive income

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
4.01	Consolidated net income for the period	-149,893	-4,540
4.02	Other comprehensive income	41,395	-6,711
4.02.01	Translation adjustments for the period	41,395	-6,711
4.03	Consolidated comprehensive income for the period	-108,498	-11,251
4.03.01	Attributed to the Parent company's partners	-108,498	-11,251

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
6.01	Net cash from operational activities	-35,036	12,973
6.01.01	Cash generated in operations	-2,280	11,865
6.01.01.01	Income (loss) before income and social contribution taxes	-143,424	-5,347
6.01.01.02	Depreciation and amortization	8,503	8,078
6.01.01.03	Cost of fixed assets written-off	859	1,116
6.01.01.05	Equity pickup	174	322
6.01.01.06	Provision for derivative financial instruments	-9,550	7,969
6.01.01.07	Allowance for doubtful accounts	-2,097	-665
6.01.01.10	Provision for interest on loans and financing	65,748	254
6.01.01.19	Provision for contingencies	74,237	138
6.01.01.20	Provision for guarantees	3,270	0
6.01.02	Changes in assets and liabilities	-29,953	2,212
6.01.02.01	(Increase) decrease in trade accounts receivable	-51,724	30,241
6.01.02.02	(Increase) decrease in inventories	-1,071	-4,555
6.01.02.03	Decrease (increase) in other accounts receivable	2,724	-3,338
6.01.02.04	(Decrease) increase in suppliers	5,991	-11,523
6.01.02.05	Increase (decrease) in accounts payable and provisions	14,127	-8,613
6.01.03	Other	-2,803	-1,104
6.01.03.04	Income and social contribution taxes paid	-2,803	-1,104
6.02	Net cash used in investment activities	9,673	-2,675
6.02.02	Other receivables	-81	397
6.02.04	In property, plant and equipment	-4,389	-2,566
6.02.05	In intangible assets	-200	-506
6.02.06	Interest earning bank deposits	14,343	0
6.03	Net cash from financing activities	-11,212	-58,608
6.03.01	Payment of interest on own capital and dividends	1	0
6.03.02	Loans obtained	129,067	34,339
6.03.03	Payment of loans	-128,029	-77,279
6.03.07	Interest paid for real estate credit	0	-626
6.03.08	Real estate credits	0	-2,591
6.03.10	Payment of interest on loans	-12,839	-12,451
6.03.11	Other	588	0
6.05	Increase (decrease) in cash and cash equivalents	-36,575	-48,310
6.05.01	Opening balance of cash and cash equivalents	104,536	281,119
6.05.02	Closing balance of cash and cash equivalents	67,961	232,809

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2015 to 03/31/2015

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	324,876	-40,996	0	-317,290	85,525	52,115	0	52,115
5.03	Adjusted opening balances	324,876	-40,996	0	-317,290	85,525	52,115	0	52,115
5.05	Total comprehensive income	0	0	0	-145,668	37,170	-108,498	0	-108,498
5.05.01	Net income for the period	0	0	0	-149,893	0	-149,893	0	-149,893
5.05.02	Other comprehensive income	0	0	0	4,225	37,170	41,395	0	41,395
5.05.02.04	Translation adjustments in the period	0	0	0	0	41,395	41,395	0	41,395
5.05.02.06	Realization of equity evaluation adjustments	0	0	0	4,225	-4,225	0	0	0
5.07	Closing balances	324,876	-40,996	0	-462,958	122,695	-56,383	0	-56,383

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2014 to 03/31/2014

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	257,797	-73,891	0	-99,659	61,746	145,993	0	145,993
5.03	Adjusted opening balances	257,797	-73,891	0	-99,659	61,746	145,993	0	145,993
5.05	Total comprehensive income	0	0	0	-4,355	-6,896	-11,251	0	-11,251
5.05.01	Net income for the period	0	0	0	-4,540	0	-4,540	0	-4,540
5.05.02	Other comprehensive income	0	0	0	185	-6,896	-6,711	0	-6,711
5.05.02.04	Translation adjustments in the period	0	0	0	0	-6,711	-6,711	0	-6,711
5.05.02.06	Realization of equity evaluation adjustments	0	0	0	185	-185	0	0	0
5.07	Closing balances	257,797	-73,891	0	-104,014	54,850	134,742	0	134,742

Consolidated financial statements or Statement of added value

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2015 to 03/31/2015	Accumulated of the prior year 01/01/2014 to 03/31/2014
7.01	Income	215,451	200,413
7.01.01	Sale of merchandise, products and services	210,466	198,773
7.01.02	Other income	2,888	975
7.01.04	Allowance for/reversal of doubtful accounts	2,097	665
7.02	Inputs acquired from third parties	-205,610	-126,710
7.02.01	Cost of products, merchandise and services sold	-112,582	-84,610
7.02.02	Materials, Energy, Third-party services and other	-93,028	-42,100
7.03	Gross added value	9,841	73,703
7.04	Retentions	-8,503	-8,078
7.04.01	Depreciation, amortization and depletion	-8,503	-8,078
7.05	Net added value produced	1,338	65,625
7.06	Added value received as transfer	38,110	36,759
7.06.01	Equity income (loss)	-174	-322
7.06.02	Financial income	38,284	37,081
7.07	Total added value payable	39,448	102,384
7.08	Distribution of added value	39,448	102,384
7.08.01	Personnel	46,314	40,927
7.08.01.01	Direct remuneration	39,841	33,549
7.08.01.02	Benefits	4,218	5,070
7.08.01.03	Severance Pay Fund (FGTS)	2,255	2,308
7.08.02	Taxes, duties and contributions	33,071	18,724
7.08.02.01	Federal	27,163	16,791
7.08.02.02	State	5,885	1,932
7.08.02.03	Municipal	23	1
7.08.03	Third-party capital remuneration	109,956	47,273
7.08.03.01	Interest	106,610	46,965
7.08.03.02	Rents	3,346	308
7.08.04	Remuneration of own capital	-149,893	-4,540
7.08.04.03	Retained earnings / Loss for the period	-149,893	-4,540

Performance comment

RELEASE

1Q15

Performance comment

Porto Alegre, May 15, 2015 - Forjas Taurus S.A. (**BM&FBOVESPA:** FJTA3, FJTA4), a company in the segments of (i) Defense and Security – as the largest firearm manufacturer in Latin America and one of the largest in the world; and of (ii) Metallurgy and Plastics – as market leader in the production of helmets for motorcyclists, and in the production of bulletproof vests, antiriot shields, plastic containers and forged and molded parts (M.I.M – Metal Injection Molding), informs hereby the results for the **1st quarter of 2015 (1Q15).**

1. Highlights for the 1st quarter of 2015 (1Q15)

- ✓ **Consolidated net revenue** amounts to R$ 173.5 million, 3.2% up as compared with 1Q14 and 4.0% up as compared with 4Q14;
- ✓ **Breakdown of net revenue in 1Q15:** 35% - domestic market; 57% - US market; and 8% - other countries;
- ✓ **Exports amounting to R$ 113.0 million in the quarter**, 14.1% up as compared with 4Q14 with signs of US market recovery and strong performance of sales to other countries, reaching 11% of participation in Taurus firearms sales in 1Q15;
- ✓ **Revenue from the firearms segment amounts to R$ 132.9 million in 1Q15**, as compared with R$ 124.0 million in 4Q14, increasing participation to 77% of new revenue in 1Q15;
- ✓ **Net sales of firearms in 1Q15 in the domestic market.** In this quarter, the performance of sales in the Southeast region is noteworthy, having grown 179.8% and 4.3% respectively, as compared with 4Q14.
- ✓ **Revenue from helmets amounts to R$ 31.0 million** in 1Q15, as compared with R$ 33.3 million in 4Q14 and R$ 32.6 million in 1Q14, reducing the its share to 18% of net revenue in the first three months of the year;
- ✓ **Market share of helmets** remained stable as compared with the prior quarter, around 45% in Mar/15;
- ✓ **Consolidated gross profit amounted to R$ 35.2 million**, having presented operating income both in the firearms segment and in the helmets segment, with margins of 16.4% and 33.1%, respectively;
- ✓ O**perating expenses, adjusted** (net of non-recurring expenses for the periods) decreased by 24.2% in 1Q15 as compared with 4Q14, and increased by 6.6% as compared with 1Q14;
- ✓ **Significant improvement** (i) in the firearms/man/year productivity index both for pistols and revolvers; mainly in the last month of first quarter (Mar/15); (ii) in quality reflected in products compliance; and (iii) in production levels; and
- ✓ **Visible recovery of arms sales to the US,** with the Company's sales (+ 6.5%) growing above the market (+ 1.9%), compared to the same period of last year.

Performance comment

2. Consolidated Economic and Financial Performance

The table below shows the consolidated economic and financial performance of the Company in the first months of 2015 compared with the performance recorded in 4Q14 and 1Q14.

Consolidated Economic and Financial Performance

In millions of Brazilian reais, unless otherwise stated

				Variation %	
Indicators	**1Q15**	**4Q14**	**1Q14**	**1Q15/1Q14**	**1Q15/4Q14**
Net revenue	**173.5**	**166.9**	**168.1**	**3.2%**	**4.0%**
Domestic market	60.5	67.9	62.4	-2.9%	-10.8%
Foreign market	113.0	99.1	105.8	6.8%	14.1%
COGS	138.4	115.8	122.4	13,0°%	19.5%
Gross profit	35.2	51.1	45.7	-23,1°%	-31.2%
Gross margin -%	**20.3%**	**30.6%**	**27.2%**	**-6.9 p.p.**	**-10.4 p.p.**
Operating expenses	-110.3	-69.2	-41.2	167.8%	59.2%
Operating profit (EBIT)	-75.1	-18.1	4.5	-1755.2%	314.7%
EBIT Margin - %	**-43.3%**	**-10.8%**	**2.7%**	**-46.0 p.p.**	**-32.4 p.p.**
Net financial income	-68.3	-35.6	-9.9	591.3%	91.9%
(1) Depreciation and amortization	8.5	8.4	8.1	5.2%	0.9%
Net Income/loss - Consolidated	-149.9	-60.7	-4.5	3201.6%	147.1%
Net Income Margin - Consolidated	**-86.4%**	**-36.3%**	**-2.7%**	**-83.7 p.p.**	**-50.0 p.p.**
Adjusted EBITDA (2)	9.0	2.3	29.2	-69.0%	293.3%
Adjusted EBITDA Margin - %	**5.2%**	**1.4%**	**17.3%**	**-12.1 p.p.**	**3.8 p.p.**
Total assets	1,000.9	979.8	1,089.2	-8.1%	2.2%
Equity	-56.4	52.1	134.7	-141.8%	-208.2%
Investments (CAPEX)	4.6	3.4	3.1	49.3%	35.3%

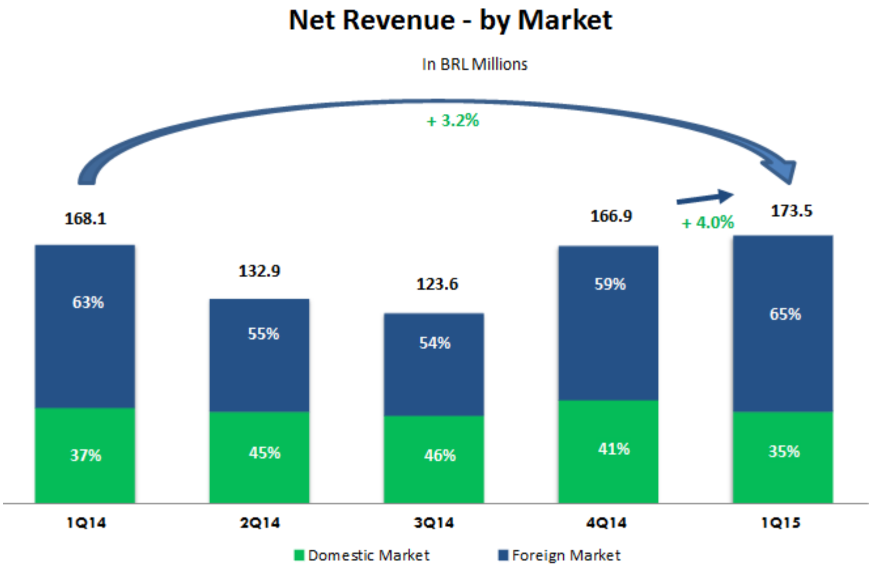
(1) Depreciation and amortization: these amounts include total depreciation and amortization based on cash flow for ITR.

(2) Adjusted EBITDA: Earnings before interests, tax, depreciation and amortization and net earnings from non-recurring operations. The computing process was developed according the CVM nº 527 instruction of October 04, 2012.

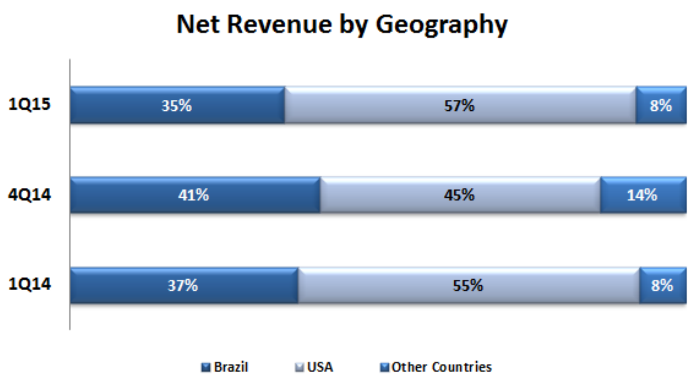
Net revenue

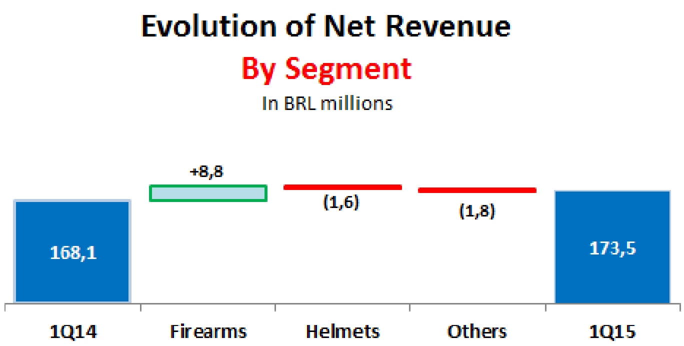
In 1Q15, Forjas Taurus S.A. presented consolidated net revenue of R$ 173.5 million, which represented an increase of 3.2% as compared to the R$ 168.1 million in the same period of 2014, and of 4.0% in relation to the prior quarter, underscored by the return of growth trend of the Company's largest consumer market, the US.

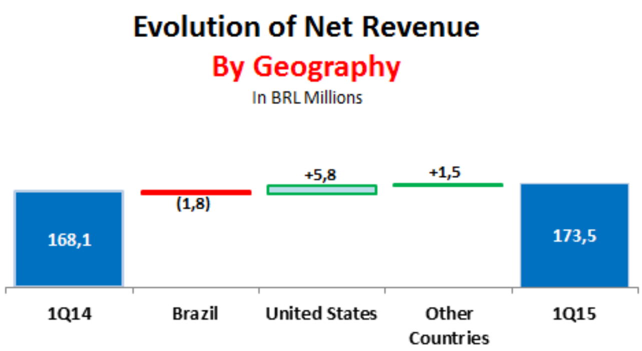
Performance comment



As a consequence, the geographic distribution of Company sales was significantly changed. Brazil's participation in net revenue returned to early 2014 levels, around 35%. Sales in the Brazilian market amounted to R$ 60.5 million in 1Q15, approximately R$ 7.4 million below prior quarter. However, the sales of firearms in the domestic market increased in 1Q15 over 1Q14, which was negatively offset by the decrease in revenue from helmets and other products, such as Metal Injection Molding (M.I.M.) parts.



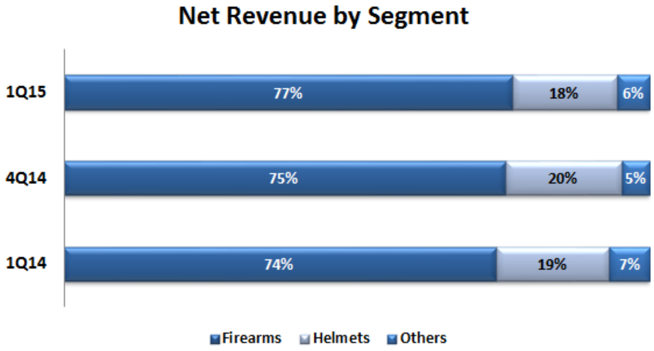




Performance comment

Sales to other countries for which the Taurus exports grew 11.5% over the same period of last year, and decreased by 39.1% compared to 4Q14, due to strong sales in Nov/14. This market reached 8% participation in consolidated net revenue and confirms the strategy of diversifying markets which aims at diversifying Company export markets.

Consolidated net revenue per business segment is distributed as follows and shows that the segment of hand guns and long guns continues to represent the largest market share of Taurus (77%), followed by helmets (18%) and other products (6%) such as containers, motorcycle trucks, M.I.M. (Metal Injection Molding) and vests.



Segment information

The table below sets out consolidated financial highlights by segment:

RESULTS BY BUSINESS SEGMENT

Consolidated amount in millions of reais

Comparative Quarter - Year over Year

	Net revenue					Gross income			Gross margin		
	1Q15	Part. %	1Q14	Part. %	Var.	1Q15	1Q14	Var.	1Q15	1Q14	Var.p.p
Firearms	132.9	76.6%	124.0	73.8%	7.1%	21.8	30.2	-27.8%%	16.4%	24.3%	-7.9
Helmets	31.0	17.9%	32.6	19.4%	-4.9%	10.3	11.6	-11.4%	33.1%	35.6%	-2.5
Other	9.6	5.6%	11.5	6.8%	-16.1%	3.1	3.9	-21.0%%	32.0%	34.0%	-2.0
Total	**173.5**	**100.0%**	**168.1**	**100.0%**	3.2%	**35.2**	**45.7**	-23.1%%	**20.3%**	**27.2%**	**-6.9**

Comparative Quarter - Current Quarter x Previous Quarter

	Net revenue					Gross income			Gross margin		
	1Q15	Part. %	4Q14	Part. %	Var.	1Q15	4Q14	Var.	1Q15	4Q14	Var.p.p
Firearms	132.9	76.6%	125.7	75.3%	5.7%	21.8	41.8	-47.9% %	16.4%	33.3%	-16.9
Helmets	31.0	17.9%	33.3	20.0%	-6.9%	10.3	11.2	-7.9%	33.1%	33.5%	-0.4
Other	9.6	5.6%	7.9	4.7%	22.5%	3.1	(1.9)	NS	32.0%	-23.7%	55.7
Total	**173.5**	**100.0%**	**166.9**	**100.0%**	4.0%	**35.2**	**51.1**	-31.2% %	**20.3%**	**30.6%**	**-10.4**

I. Firearms

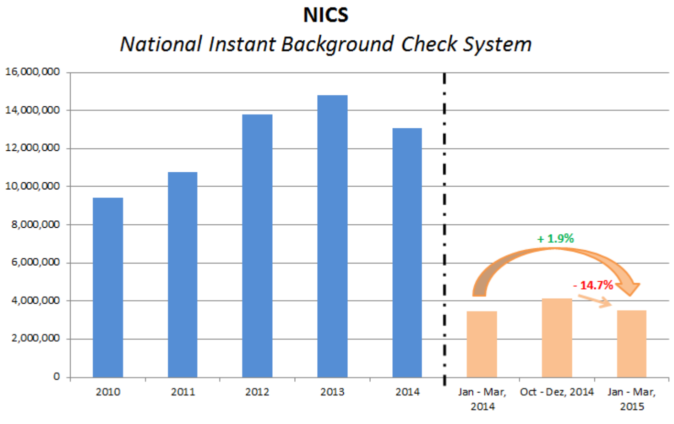
This segment includes handguns (revolvers and pistols for public and private security, and for military and civil restricted use), long guns (rifles and carbines) and submachine guns. Operations in this segment are conducted by Forjas Taurus S.A. in Porto Alegre/RS, Polimetal Metalurgia e Plásticos Ltda.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

Performance comment

NET REVENUE	1Q15	4Q14	1Q14	Variation % 1Q15/1Q14	Variation % 1Q15/4Q14
Firearms	**132.9**	**125.7**	**124.0**	**7.1%**	**5.7%**
Brazil	**20.8**	**27.9**	**19.4**	**7.1%**	**-25.5%**
Southeast	9.7	9.3	3.5	179.8%	4.3%
South	3.8	5.7	7.6	-49.3%	-33.2%
Northeast	3.1	7.0	4.2	-25.3%	-55.4%
North	0.9	1.9	2.8	-69.5%	-55.5%
Midwest	3.3	3.9	1.4	132.9%	-17.0%
United States	**98.0**	**74.6**	**92.0**	**6.5%**	**31.3%**
Other countries	**14.1**	**23.1**	**12.6**	**11.6%**	**-39.2%**
Exports	**112.1**	**97.8**	**104.6**	**7.1%**	**14.6%**

Net sales of firearms in 1Q15 amounted to R$ 132.9 million, 5.7% above the R$ 124.0 million in the prior quarter and 7.1% above the same period of prior year. In the domestic market, it is worth mentioning the Southeast region, which increased both as compared with 4Q14 (+4.3%) and as compared with 1Q14 (+179.8%), reaching participation of 47% in the sales of firearms in Brazil in 1Q15. Also in relation to the domestic market, it is important to highlight this duality in the macroeconomic environment that makes the announced cuts in the public budget decrease the availability of resources to equip the states, but, on the other hand, there is an increase of social movements and in crime rates, which increases the need for investment in public security in the country and, consequently, in the products we manufacture, such as Firearms, vests, shields and helmets for the Brazilian police.

In the foreign market, the main highlight is the resumption of sales to the US market, showing evidence of recovery, increasing 6.5% compared to 1Q14 and 31.3% compared to 4Q14. These increases are even more significant when compared to the ratios of the American arms market. The NICS index, which measures the firearm purchasing intentions in the US fell by 14.7% in relation 4Q14, and grew 1.9% compared to 1Q14, which shows a significant recovery in Taurus' market share earlier this year.



Gross profit amounted to R$ 21.8 million, approximately R$ 8.4 million down as compared with the same period of previous year, which represents a decrease of 27.8%. Consequently, gross margin was 7.9 p.p. down, from 24.3% in 1Q14 and 33.3% in 4Q14 to %16.4% in 1Q15. Pre-tax income was strongly impacted by the recognition of Carter Case agreement in other operating expenses, according to item 7.1 of Subsequent events, and the exchange rate for the period impacting net financial expenses.
Despite total income for 1Q15 has been below expectations, the monthly evolution of profitability and increased operational efficiency are visible. January and February, since they are traditionally the lower sales volume months, and due to the Company's high operating cycle, were important in

Performance comment

the development of operational efficiency, but without generating immediate impact in income. On the other hand, March 2015 managed to record significant productivity gain effects and positive operating income generation. Productivity increase reached approximately 54% in March 2015 when compared to the production of December 2014, and 30% compared with February 2015, the immediately preceding month.

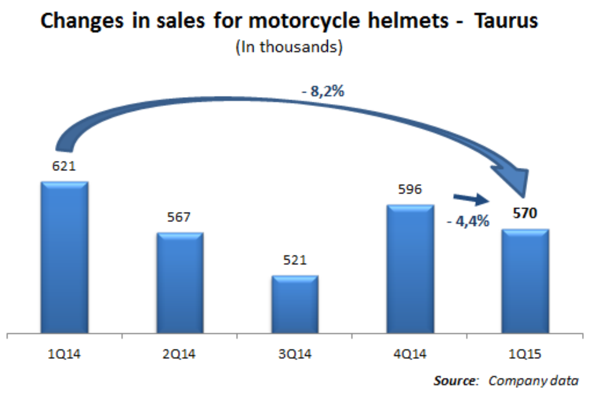
II. Helmets

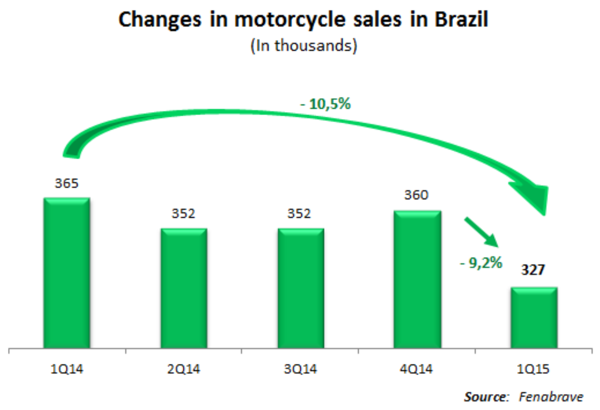
The helmet segment is Company's second largest, accounting for 18% of net sales in the first months of 2015. Taurus helmets are produced by Taurus Blindagens Ltda. in Mandirituba/PR, as well as in the unit which serves the Northern and Northeastern regions of Brazil, Taurus Blindagens Nordeste Ltda. in Simões Filho/BA. Taurus supplies basically the domestic market and sells to Latin American countries from time to time.

				Variation %	
NET REVENUE	**1Q15**	**4Q14**	**1Q14**	**1Q15/1Q14**	**1Q15/4Q14**
Helmets	**31.0**	**33.3**	**32.6**	**-4.9%**	**-6.9%**
Brazil	**31.0**	**33.3**	**32.6**	**-4.9%**	**-7.0%**
Southeast	9.2	8.7	8.5	8.5%	5.2%
South	1.5	1.7	1.5	2.6%	-10.3%
Northeast	10.0	11.1	11.8	-15.2%	-10.0%
North	5.4	5.9	5.9	-9.3%	-8.3%
Midwest	4.9	5.9	4.9	0.1%	-16.9%
Exports	**0.04**	**0.03**	**0.05**	**-12.8%**	**57.7%**

Net sales of helmets in 1Q15
amounted to R$ 31.0 million, 6.9% down as compared with R$ 33.3 million of the prior quarter and 4.9% down as compared with the same period of the prior year. In this quarter, the performance of sales in the Southeast and South region is noteworthy, having grown 8.5% and 2.6%, respectively, as compared with 1Q14. Additionally, gross profit of the segment in 1Q15 amounted to R$ 10.3 million, below the R$ 11.2 million of the prior quarter and 11.4% below the R$ 11.6 million as compared with the same period of the prior year. This performance decreased gross margin of the segment by 0.4 p.p. as compared with 4Q14 and by 2.5 p.p. as compared with 1Q14.
This segment was heavily affected by the decrease in the demand for motorcycles in Brazil, which is obviously highly correlated with the results of this business unit. The margin decrease may be explained by the following factors: (i) decrease in the number of working days from January to March 2015 compared to the same period of prior year and compared to the previous quarter; (ii) decrease in sale prices in order to increase volume, maintenance of market share and inventory turnover; and (iii) decrease in the average price of helmets also due to the mix sold.
We illustrate below evolution of motorcycle sales and helmet for motorcyclists sales in Brazil by Taurus:

Performance comment





In the charts above, it may be noted that the decrease in the number of helmets sold in the beginning of 2015 (-4.4%) was lower than the slowdown in the Brazilian motorcycle market (-9.2%), which caused Company market share, which was 45% at period-end, to be maintained.

III. Other

In addition to firearms and helmets, Taurus also has other segments such as manufacture of bulletproof vests, anti-riot shields, plastic containers, motorcycle trucks and M.I.M. (Metal Injection Molding) pieces. Polimetal Metalurgia e Plásticos Ltda. em São Leopoldo/RS is exclusively dedicated to metal injecting molding (M.I.M.). All the other products are manufactured in the Paraná units – Taurus Blindagens Ltda. and TaurusPlast Produtos Plásticos Ltda.

				Variation %	
NET REVENUE	**1Q15**	**4Q14**	**1Q14**	**1Q15/1Q14**	**1Q15/4Q14**
Other	**9.6**	**7.9**	**11.5**	**-16.1%**	**22.5%**
BRAZIL	**8.7**	**6.6**	**10.4**	**-15.7%**	**32.1%**
EXPORTS	**0.9**	**1.2**	**1.1**	**-19.3%**	**-28.5%**

In 1Q15, the other Company segments, represented by aforementioned products, recorded net sales amounting to R$ 9.6 million, representing an increase of 22.5% as compared with prior quarter. Regarding 1Q14, there was a decrease of 16.1% explained by the winding up of the forging to third parties business at the beginning of 2014. Currently forging services are provided only to meet Company internal demand relating to firearms manufacturing.

Gross profit amounted to R$ 3.1 million and gross margin was 32.0% in 1Q15, which represents a decrease of 2.0 p.p. as compared with the same period of prior year. This decrease in profitability results from the product mix sold in 2014, which was less favorable to the Company.

Performance comment

Operating expenses

Operating expenses totaled R$ 110.3 million in 1Q15, 59.2 above expenses in 4Q14, and 167.8% above 1Q14. In order to maintain the degree of comparability, the following table presents the operating expenses eliminating those considered non-recurring by the Company, and in the first quarter of 2015 they are mainly represented by the provision recognized in relation to contingencies of Carter Case. When performing this adjustment, there was a reduction in the share of operating expenses in net revenue, from 31.0% in 4Q14 to 22.6% in 1Q15.

SG&A	1Q15	4Q14	1Q14	1Q15/4Q14	1Q15/1Q14
Total operating expenses	110.3	69.2	41.2	59.2%	167.8%
Non-recurring operating expenses	71.0	17.5	4.4	305.6%	1527.9%
Operating expenses, adjusted	39.9	51.7	36.8	-24.2%	6.6%
Net revenue	173.5	166.9	168.1	4.0%	3.2%
% Operating expenses	**63.5%**	**41.5%**	**24.5%**	22.1 p.p.	39.0 p.p.
% Operating expenses, adjusted	***22.6%***	**31.0%**	**21.9%**	-8.4 p.p.	0.7 p.p.

It is worth highlighting that the main increase in operating expenses is recorded in “Other operating expenses” account. This increase is explained by the provision formed due to the Carter Case agreement, according to item 7.1 of the Subsequent Events. In essence, approved agreement proposal results from intense negotiations and, based on the opinion of its North-American legal advisors, Taurus management understands that this agreement is the most effective measure to end said lawsuit, as well as that lawsuit involving a lower financial and cash flow impact to the Company, avoiding risks and possible additional adverse effects to which it would be exposed in case dispute continues. Impact of this provision in the Company’s income for 1Q15 was R$67.3 million and refers to insurance, fees and disclosure expenses. Of this total, 58% was accounted for in the short term and 42% in the long term.

ADJUSTED EBITDA

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), defined by CVM Ruling No. 527/12, was calculated eliminating nonrecurring expenses, as well as P&L of subsidiary Taurus Máquinas-Ferramenta Ltda., since it is a non-operating company. Nonrecurring expenses basically include severance pay, inventory adjustments, expenses with technical consulting and legal advisory related to atypical events, not related to the Company’s business.

Performance comment

PERIOD:	1Q14	1Q15
= LOSS FOR THE YEAR	(4,540)	(149,893)
(+) IR/CSLL	(807)	6,470
(4) Net financial expense	46,965	106,610
(-) Ne financial income	(37,081)	(38,284)
(4) Depreciation/Amortization	8,078	8,503
= EBITIDA FOR THE PERIOD CVM Reg. 527/12	12,615	(66,594)
(4) Operating income of TMFL	2,047	1,503
(+) Non-Recurring costs and expenses	14,492	74,120
(+) Carter Proceeding (Total)	-	69,354
(+) Employee terminations	3,563	3,808
(+) Advisoryi and Consulting services	513	958
(+) Improductivity and Idle Capacity	7,796	-
(+) Other	2,620	-
= ADJUSTED EBITDA	29,154	9,029

(1) The Company's management considered the operating income of the subsidiary Taurus Máquinas-Ferramenta Ltda. as non-recurring in view of its operational divestment.

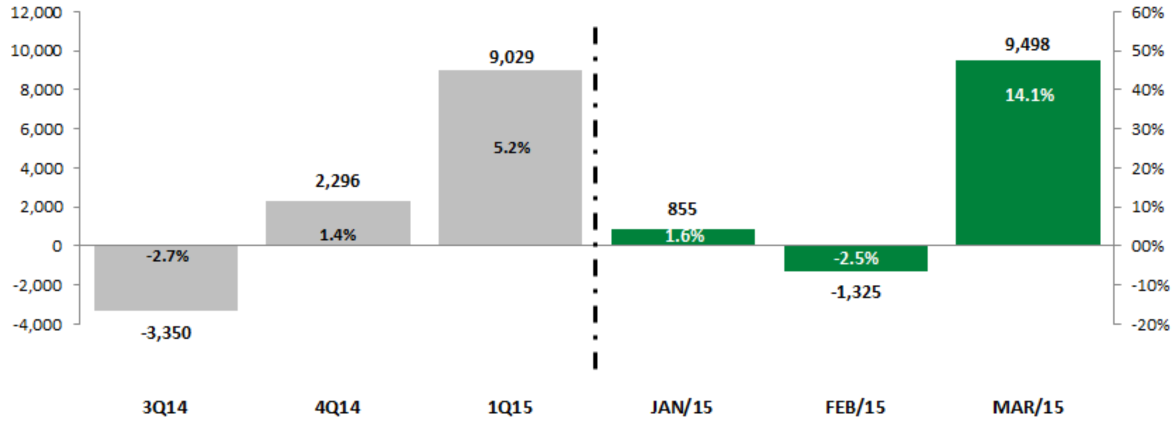
Consolidated cash generation in 1Q15,

measured by adjusted EBITDA, amounted to R$ 9.0 million, reaching a margin of 5.2%. This performance was in excess of adjusted EBITDA for prior quarter (R$ 2.3 million and margin of 1.4%) and below that of 1Q14 (R$ 29.2 million and margin of 17.3%).

In this quarter, exceptionally, the Company's management decided to monthly disclose Adjusted EBITDA and adjusted EBITDA margin to allow the market to understand effects from projects in progress for improving productivity, reduce level of loss in production process, increase the number of Firearms/man/day and positive consequences that may been seen in the Company's income.

Adjusted EBITDA and Adjusted EBITDA Margin

In thousands of R$



Accordingly, it is possible to verify that the Company's performance in the first three months was built in March 2015, with adjusted EBITDA margin of 14.1%, corresponding to 105% of Adjusted EBITDA for the quarter. No doubt that, in addition to operating improvement impacts, rise of foreign exchange rate, which went from US$1.00 to R$3.20 (quotation on March 31, 2015) greatly contributed to improve operating results. Concomitantly to highlight of the month, it is clear that operating resumption occurred beginning as of 3Q14. Taurus' management understands that this resumption is essential for accomplishment of the Company's business plan and, accordingly, reduce leverage level.

Financial income (loss)

In 1Q15 there was net financial expenses of R$ 68.3 million compared to R$ 35.6 million in 4Q14 and R$ 9.9 million in 1Q14, an 19% increase in the exchange rate in Mar/15 compared to Dec/14. In addition, there was SELIC rate increase from 11.75% in Dec/14 to 12.75% in Mar/15. Therefore, this increase is due to the increase in the basic interest rate and the net negative exchange variation from Taurus' asset and liability exposure.

Approximately 55% of the Company's gross indebtedness is related to the US dollar, mostly protected by hedge operations. Thus, mark-to-market of these operations results in the recording of financial expenses, even if there are no disbursements. On the other hand, approximately 65% of net revenue results from exports, which positively influences in a scenario of Brazilian currency devaluation.

Consolidated income (loss)

In 1Q15, Forjas Taurus S.A. and subsidiaries posted loss of R$ 149.9 million, compared to loss of R$ 60.7 million in 4Q14, and loss of R$ 4.5 million in the same quarter of prior year. The reasons for posting such result were described and detailed in the previous items of this report, the main being as follows: (i) costs and non-recurring expenses of R$74.1 million referring to effects from Carter lawsuit, labor rescissions and advisories, and (ii) financial expenses of R$68.3 with the highlight of net foreign exchange variation of R$54.3 million and loan interest of R$14.3 million.

3. Financial position

Total cash and cash equivalents and financial investments was R$108.8 million on March 31, 2015 - 32% below the balance of R$159.8 million as of March 31, 2014 and 53% lower than the R$232.8 million on March 31, 2014 – mostly remunerated by rates varying from 98% to 103% of CDI (interbank deposit certificates) contracted from prime financial institutions.

Short- and long term consolidated loans and financing totaled R$727.1 million on March 31, 2015, which means a reduction of 6% in relation to position on March 31, 2014 and an increase of 4% in relation to prior year final position, in line with the Company's operating moment that requires turnover investment to support production increase. Accordingly, net debt after cash and cash equivalents was R$618.2 million, representing an increase of 15% over balance as of December 31, 2014 and of 14% in relation to March 31, 2014. The Company's financial position on March 31, 2015 compared to balances as of December 31, 2014 and March 31, 2014, as well as main covenants are as follows:

Performance comment

	03/31/2015	12/31/2014	03/31/2014	Var. Mar 2015 x Dec 2014	Var. Mar/15 x Mar/14
					In millions of BRL
Short-term indebtedness	**220.2**	**258.9**	**358.6**	**-15%**	**-39%**
Short term indebtedness	**255.3**	**231.8**	**250.5**	**10%**	**2%**
Foreign exchange withdrawals	**118.5**	**57.9**	**62.3**	**105%**	**90%**
Debentures	**125.7**	**125.8**	**54.4**	**0%**	**131%**
Advance on real estate credits	**5.4**	**8.5**	**17.0**	**-36%**	**-68%**
Advance of receivables	**36.9**	**25.1**	**53.9**	**47%**	**-32%**
Derivatives	**-34.9**	**-12.2**	**-19.7**	**186%**	**78%**
Gross indebtness	**727.1**	**695.8**	**777.1**	**4%**	**-6%**
(-) Cash and cash equivalents and interest earning bank deposits	**108.8**	**159.8**	**232.8**	**-32%**	**-53%**
Net indebtedness	**618.2**	**536.1**	**544.3**	**15%**	**14%**
Adjusted EBITDA	**22.0**	**42.1**	**82.2**	**-48%**	**-73%**
Net Indebtedness/Adjusted EBITDA	**28.15x**	**12.74x**	**6.62x**		
Adjusted EBITDA/Financial Expenses Net	**0.15x**	**0.46x**	**1.17x**		

Debentures totaled R$ 125.7 million at 03/31/15, adding the 2nd and 3rd issues. From 2010 to 2014, Taurus issued three series of debentures of R$ 103 million, R$ 50 million and R$ 100 million, respectively:

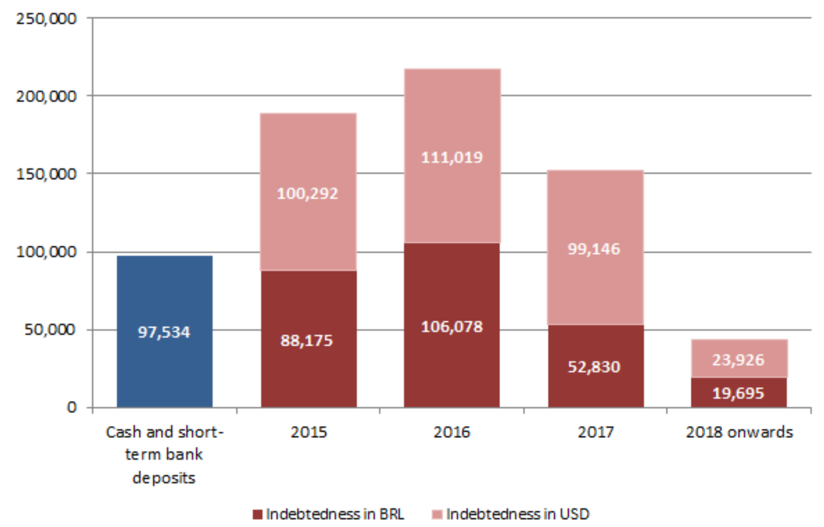
- The 1st issue, in April 2010 bearing DI + 4.1%, was settled in April 2014 (balance of R$ 15.7 million);
- The 2nd issue, in August 2011 bearing DI + 2.8%, still has 7 remaining quarterly installments, started in August 2013 and the balance of R$ 23.4 million at 03/31/15; and
- The 3rd issue in June 2014 bearing DI + 3.25% and market financial covenants, measured annually. The total period is of three years, with grace period of two years, in connection with the process of extending debt payment term, with balance of R$ 102.3 million at 03/31/15.

During the first quarter of 2015, the Company held meetings with debenture holders to decide for waiver of accelerated maturity due to the noncompliance with financial ratios. The Company succeeded in the negotiations, reflecting in the financial position proper classification of maturity of its debts. The graph below sets out the maturity schedule of the consolidated debt.

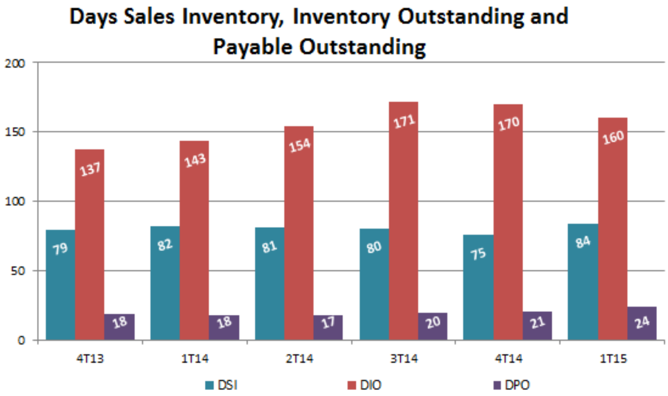
Performance comment

Maturity of Consolidated Debt

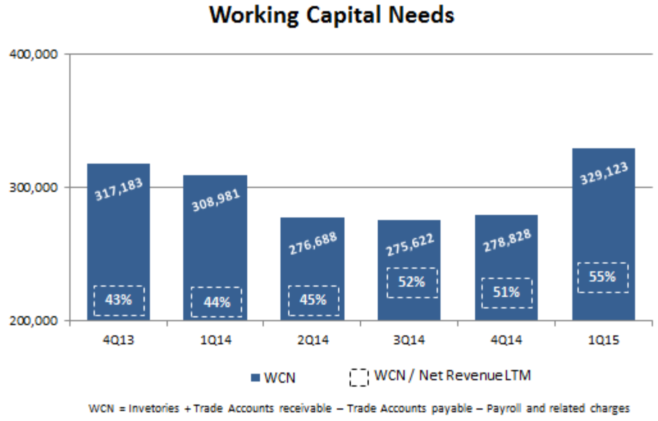
In thousands of reais



4. Working Capital



Company operating cycle in 1Q15 was 244 days, 160 days of which referred to inventories and 84 days to day sales outstanding (DSO). As compared to the end of 2014, inventory days decreased by 6% (170 days in 4Q14) and DSO increased by 12% (75 days in 4Q14). Regarding the financial cycle, represented by the operating cycle less supplier payment terms, advances in average payment to suppliers over 21 days in 2014 to 24 days in 1Q15 allowed the reduction of 2% in the Company's financial cycle as compared to 224 days recorded in 4Q14.



The funds which the Company needs to finance its operations, measured by the Working Capital Investment Needs (NIG), amounted to R$ 329.1 million in 1Q15, an increase of 18% over the last quarter. When compared with annualized net revenue, NIG 17 represented 55 in 1Q15, whereas in 4Q14 and 1Q14, it represented 51 and 44%, respectively. This increase in Company NIG is represented mainly by the significant increase in consolidated Accounts receivable, from R$ 139.7 million in Dec/14 to R$ 193.5 million in Mar/15. This increase originates from greater sales volume in this quarter, especially in March

Performance comment

2015, which, on the other hand, represents a cash challenge, given operating and financial cycles practiced by the Company and presented above. Certainly, Management's work in managing these deadlines, as well as capital increase in progress, will be essential for success of ongoing operating resumption.

5. Cash flow

In 1Q15, the Free Cash Flow (FCF) generated after investing and financing activities was negative by R$ 36.6 million, whereas in 1Q14 FCF was negative by R$ 48.3 million. Detailed information on cash flow and the changes in major accounts for 1Q15 and 1Q14 are as follows:

CASH FLOW – CONSOLIDATED	1Q15	1Q14	VAR %
CASH AT THE BEGINNING OF THE PERIOD	**104,536**	**281,119**	**-62.8%**
CASH FLOW FROM OPERATING ACTIVITIES	**-35,036**	**12,973**	**-370.1%**
Loss before income and social contribution taxes	-143,423	-5,347	2582.3%
Depreciation and amortization	8,503	8,078	5.3%
Cost of fixed assets written-off	859	1,116	-23.0%
Equity pickup	174	322	-46.0%
Provision for financial charges	56,198	8,223	583.4%
Provision for contingencies	74,237	138	53694.9%
Allowance for doubtful accounts	-2,097	-665	215.3%
Provision for guarantees	3,270	-	-
Changes in assets and liabilities	-29,954	2,212	-1454.2%
Income and social contribution taxes paid	-2,803	-1,104	153.9%
INVESTMENT ACTIVITIES	**9,673**	**-2,675**	**-461.6%**
In property, plant and equipment	-4,389	-2,566	71.0%
In intangible assets	-200	-506	-60.5%
Interest earning bank deposits	14,343		-
Other receivables	-81	397	-
FINANCING ACTIVITIES	**-11,212**	**-58,608**	**-80.9%**
Borrowings	129,067	34,339	275.9%
Payments of loans	-128,029	-77,279	65.7%
Payment of interest on loans	-12,839	-12,451	3.1%
Other	589	-3,217	-118.3%
INCREASE (DECREASE) IN CASH	**-36,575**	**-48,310**	**-24.3%**
CASH AT END OF THE PERIOD	**67,961**	**232,809**	**-70.8%**

Performance comment

Performance comment

6. Capital market and corporate governance

Forjas Taurus S.A. is Brazilian publicly-traded company that has been listed on BM&FBOVESPA for more than 30 years and since July 2011 has been listed at Corporate Governance Level 2 on BM&FBOVESPA. The Company closed March 2015 with 16,144,038 issued shares, being 8,439,322 common shares and 7,704,716 preferred shares.

6.1 Capital increase

In order to strengthen the capital structure of the Company and reduce its level of indebtedness, a call for capital increase was proposed by the Executive Board and approved by the Board of Directors Meeting on April 28, 2015. Proposed capital increase is R$100,000,000.00 and was carried out through private issuance of 20,028,798 new common shares and 18,285,379 new preferred shares at issuance price of R$2.61 per share; also, a subscription bonus issued by the Company is assigned as additional benefit to subscribers of each new share.

Funds from capital increase are intended to strengthen the Company's capital structure, improve its financial ratios and permit compliance with short-term commitments for working capital, management of financial indebtedness, and payments due to contingent agreements, especially the amount related to lawsuit filed by Hunter Douglas N.V. and possible agreement in lawsuit by Chris Carter v. Forjas Taurus, S.A. et. al., as described in item 7.1 of Subsequent Events.

6.2 Performance of shares

Evolution of main liquidity indicators of shares issued by the Company, such as number of deals, financial volume and number of negotiated shares, as well as Taurus market value, are show below. Devaluation is due to operating and market aspects, together with events that generated extraordinary expenses already evidenced in this report, thus expanding risk perception by the market, reflected in share prices.

Performance comment

Performance of shares

		1Q15		4Q14		1Q14	1Q15 x 4Q14	1Q15 x 1Q14
1. Stock Price								
ON - FJTA3*	R$	4.20	R$	8.36	R$	20.13	-50%	-79%
PN - FJTA4*	R$	3.10	R$	5.17	R$	16.61	-40%	-81%
IBOVESPA*		51,150		50,007		50,415	2%	1%
* last quotation for the period								
2. Market Cap - in thousands of BRL								
ON - FJTA3	R$	35,445	R$	70,553	R$	169,884	-50%	-79%
PN - FJTA4	R$	23,885	R$	39,833	R$	127,975	-40%	-81%
TOTAL	R$	59,330	R$	110,386	R$	297,859	-46%	-80%

7.Subsequent events

7.1 Carter Case

The Board of Directors' meeting held on April 17, 2015 approved the execution of a preliminary agreement to end lawsuit proposed in the U.S. District Court for the Southern District of Florida against Taurus and its subsidiaries in the USA, Taurus Holdings. Inc. and Taurus International Manufacturing, Inc. (together the, "Companies"). Said preliminary agreements results from individual lawsuit by Chris Carter v. Forjas Taurus, S.A. et. al., related to alleged faults presented by some pistol models manufactured by the Companies, and classified as possible risk of loss by its legal advisors. However, possible developments of this lawsuit led to the decision, in April 2015, of entering such an agreement for the purpose of minimizing possible future risks related to change in lawsuit level and considering specific characteristics of the US legal environment, even though the history of faults reported by the Company's customers is not very long. Updated agreement value is R$68,775, referring to expenses with insurance, fees, and disclosure. Of this total, 58% were accounted for in the short term and 42% in the long term. Agreement is pending approval by the court and accounted for amounts represent the best Management's estimate regarding probable disbursements for this lawsuit.

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

Performance comment

7.2 Capital increase approved by Management

The Board of Directors' meeting held on April 28, 2015 approved proposal presented by the Executive Board to increase the Company's capital in up to R$100,000,000.00 through private issuance of 20,028,798 new common shares and 18,285,379 new preferred shares, at issuance price of R$2.61 per share; a subscription bonus issued by the Company is assigned as an additional benefit to subscribers of each new share. Detailed information on capital increase and issuance of subscription bonus may be found in the minutes of the Board of Directors' meeting and in communication provided for in Appendix 30 - XXXII of CVM (Brazilian exchange and securities commission) Instruction no. 480/2009, which were made available in CVM website and in website for the Company's investor relations.

Notes to the financial statements

1. Operations

Forjas Taurus S.A. (“Company”) is a Brazilian stock corporation, with its registered office in Porto Alegre (RS), primarily engaged in the manufacture and sale of revolvers, military and civilian pistols, ammunition and investing in other companies. The subsidiary companies produce and sell civilian pistols, glasses, metal parts to order, bullet proof vests, motorcycle 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. Company shares, ON (FJTA3) and PN (FJTA4), have been listed on Bovespa since March 1982.

At March 31, 2015, the Company and its subsidiaries operated with six industrial plants, three 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 made by the Company and its subsidiaries are directed mainly to private customers in the foreign market, particularly those located in North America, and also public bodies in the domestic market, mainly the state, civil and military police.

Restructuring

In the first quarter of 2015, the Company continued recording operating losses and negative cash flows, mainly due to significant extraordinary expenses incurred in the period and high current debts.

Management plans to reverse this scenario and return to profitability include various actions, such as reviewing production processes, increasing productivity and manufacturing efficiency, reducing expenses and costs, increasing the volume of sales with recovery of the US market, as well as growing in other export markets, reprofiling maturity of short-term debt. These actions, as well as capital increase mentioned in note 28, will provide to the Company necessary short- and long-term funds to maintain its operating activities.

Company’s management anticipates that these actions, some already implemented and others which are under way, will result in enough momentum for the resumption of its growth and fulfillment of its business plan.

2. Presentation of financial statements

2.1. Preparation basis

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

Notes to the financial statements

The authorization for conclusion of these quarter information was given in a Board of Directors meeting held on May 12, 2015.

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

2.2. Basis of consolidation

		Equity interest	
	Country	03/31/2015	12/31/2014
Taurus Blindagens Ltda.*	Brazil	**100.00%**	100.00%
Taurus Blindagens Nordeste Ltda.*	Brazil	**100.00%**	100.00%
Taurus Holdings, Inc.	United States	**100.00%**	100.00%
Taurus Security Ltda.	Brazil	**100.00%**	100.00%
Taurus Máquinas-Ferramenta Ltda.*	Brazil	**100.00%**	100.00%
Taurus Investimentos Imobiliários Ltda.*	Brazil	**100.00%**	100.00%
Famastil Taurus Ferramentas S.A.**	Brazil	**35.00%**	35.00%
Polimetal Metalurgia e Plásticos Ltda.	Brazil	**100.00%**	100.00%

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

(**) Non-consolidated.

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

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

2.3. Functional currency and presentation currency

The individual and consolidated financial statements are presented in Brazilian Reais, which is the functional currency of the Company and its subsidiaries located in Brazil. The functional currency of subsidiary Taurus Holdings, Inc., located in the United States, is the US dollar, its assets and liabilities are translated into reais at the exchange rate effective at balance sheet date and the related statements of operations are translated at the monthly average exchange rate.

Notes to the financial statements

Exchange differences arising from the translation process of foreign subsidiary are recognized in other comprehensive income and presented in equity.

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

3. Significant accounting judgments and sources of uncertainties in estimates

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

Information on key judgments referring to accounting policies adopted that affect the amounts recognized in the individual and consolidated financial statements and information about uncertainties, assumptions and estimates is included in the following notes: 12 – Income and social contribution taxes, 16 – Intangible Assets, 19 – Provision for civil, labor and tax contingencies and 20 – Financial instruments.

4. Significant accounting policies

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

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

a) Financial instruments

(i) *Non-derivative financial assets*

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

Notes to the financial statements

These assets are classified under loans and receivables.

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

(ii) *Non-derivative financial liabilities*

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

(iii) *Derivative financial instruments*

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

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

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

(iv) *Impairment*

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

b) Statements of value added

Notes to the financial statements

The statement of value added (SVA) is not required under IFRS and is being provided as supplementary information for purposes of Brazil's Corporation Law in order to evidence the wealth created by the Company over the year and demonstrate its distribution among the various agents.

c) New standards, amendments and interpretations of standards

i) New or amended standards adopted for the first time in 2014

The Company and its subsidiaries are of the understanding that the amendments and revised standards issued by the IASB in effect as from January 1, 2014 had no significant impacts on the financial statements.

ii) New standards early applied in 2015

The IASB issued Amendment to IAS 27 – Equity method in separate financial statements, in effect as from January 01, 2016. This amendment allows adoption of the equity method for investments in subsidiaries in the separate financial statements. The Company already adopts the equity method for purposes of its separate financial statements, as mentioned in tem 2.1 b.

iii) New or revised standards in effect as from the next years:

IFRS 9 Financial Instruments (Effective as from 01/01/2018)	This standard ultimately aims at replacing IAS 39. Major changes are as follows: (i) upon initial recognition, all financial assets are recorded at fair value; (ii) the standard divides all financial assets into: amortized cost and fair value; and (iii) the concept of embedded derivatives was extinguished.
IFRS 15 Revenue from Contracts with Customers (in effect as from 01/01/2017)	Its main purpose is to provide clear principles for revenue recognition and simplify the reporting process.
Amended IFRS 11 Interests in Joint Operations (Effective as from 01/01/2016)	Entities participating in a joint venture must apply the principles referring to business combinations, including as regards disclosure requirements.
Amendment to IAS 16 and IAS 38 Acceptable Depreciation and Amortization Methods (effective as from 01/01/2016)	Depreciation and amortization methods must be based on the economic benefits obtained through use of the asset.
Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entities - consolidation exceptions (effective as from 01/01/2016)	Among other clarifications, this amendment establishes that a non-investment entity may maintain, in applying the equity method, measurement at fair value through profit or loss used by its investments.
Amendment to IAS 1 (effective as from 01/01/2016)	The purpose of this amendment is to emphasize that financial and accounting information must be objective and easy to understand.

Notes to the financial statements

Amendments to existing pronouncements

IFRS 7 Third-party service agreements	Service agreements usually characterize continuing involvement in a financial asset transferred for disclosure purposes. This continuing involvement will be confirmed if its characteristics meet the definitions described in the standard (paragraphs B30 and 42C). Effective as from 01/01/2016.
IFRS 5 Reclassification of non-current assets held for sale and maintained for distribution to partners/shareholders	This standard clarifies, through the guidance issued, the circumstances in which an entity reclassifies assets held for sale into assets maintained for distribution to partners/shareholders (and vice-versa) and the cases in which assets maintained for distribution to partners/shareholders no longer meet the criterion for referred to classification. Effective as from 01/01/2016.

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

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

5. Financial risk management

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

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

5.1 Credit risk

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

Trade accounts receivable and other receivables

The Company and its subsidiaries adopt the practice to analyze the financial situation of counterparties, and also define credit limits and permanently accompany outstanding balances.

Notes to the financial statements

The Company's sales revenue is not concentrated on a single client and there is no credit risk concentration.

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

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

Credit risk exposure

The maximum credit risk exposure on balance sheet date was:

	Consolidated		**Parent company**	
	Book value		**Book value**	
	03/31/2015	**12/31/2014**	**03/31/2015**	**12/31/2014**
Financial assets held to maturity				
Trade accounts receivable	**216,247**	163,477	**76,436**	57,925
Other loans and receivables	**21,676**	19,586	**17,024**	16,755
Cash and cash equivalents	**67,961**	104,536	**13,973**	25,161
Interest earnings bank deposits	**40,881**	55,224	**19,596**	33,939
Foreign exchange forward and interest rate swap contracts used for asset hedging	**35,926**	36,106	**35,924**	36,098
Other accounts receivable	**33,087**	30,406	**15,442**	13,367
Total	**415,778**	409,335	**178,395**	183,245

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

	Consolidated			**Parent company**
	Book value			**Book value**
	03/31/2015	**12/31/2014**	**03/31/2015**	**12/31/2014**
Domestic - trade accounts receivable	**82,656**	80,104	**44,910**	29,316
United States – trade accounts receivable	**108,429**	67,026	**10,210**	9,077
Other	**25,162**	16,347	**21,316**	19,532
Total	**216,247**	163,477	**76,436**	57,925

Notes to the financial statements

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

	Consolidated		Parent company	
	Book value		Book value	
	03/31/2015	12/31/2014	03/31/2015	12/31/2014
Customers – public bodies	**44,978**	36,782	**38,405**	31,914
Customers - distributors	**153,028**	117,703	**33,396**	24,361
End customers	**18,241**	8,992	**4,635**	1,650
Total	**216,247**	163,477	**76,436**	57,925

Impairment losses

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

				Consolidated
	Gross 03/31/2015	Gross 12/31/2014	Impairment 03/31/2015	Impairment 12/31/2014
Falling due	**179,667**	135,921	-	
Overdue between 0-30 days	**3,462**	7,890	-	(4,184)
Overdue between 31-360 days(1)	**15,640**	5,330	**(5,228)**	(5,237)
Overdue for more than one year	**17,478**	14,336	**(17,478)**	(14,336)
Total	**216,247**	163,477	**(22,706)**	(23,757)

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

				Parent company
	Gross	Gross	*Impairment*	*Impairment*
	03/31/2015	12/31/2014	03/31/2015	12/31/2014
Falling due	**62,659**	45,660	-	
Overdue between 0-30 days	**570**	3,995	**-**	(594)
Overdue between 31-360 days(1)	**8,407**	4,758	**(1,509)**	(2,943)
Overdue for more than one year	**4,800**	3,512	**(4,800)**	(3,512)
Total	**76,436**	57,925	**(6,309)**	(7,049)

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

5.2.Liquidity risk

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

Notes to the financial statements

Company and subsidiaries monitor their operating cash flow requirements, excluding the potential impact from extreme circumstances that cannot be reasonably forecast, such as natural disasters. Additionally, subsidiary Taurus Holdings, Inc. has credit facilities amounting to USD 75,000,000, USD 21,129,000 of which has been used. Therefore, it is possible to guarantee that these companies have balances in treasury which are sufficient to meet their operating working capital requirements, including compliance with financial obligations.

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					
	03/31/2015					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-derivative financial liabilities						
Suppliers	**42,312**	**42,312**	**42,312**	**-**	**-**	**-**
Loans and financing	**475,439**	**536,882**	**234,253**	**107,351**	**171,806**	**23,472**
Debentures	**125,715**	**166,043**	**21,736**	**93,352**	**50,955**	**-**
Advance on real estate credits	**5,431**	**6,025**	**6,025**	**-**	**-**	**-**
Advances on foreign exchange contracts	**118,497**	**123,514**	**123,514**	**-**	**-**	**-**
Advance on receivables	**36,900**	**36,900**	**36,900**	**-**	**-**	**-**
Other accounts payable	**38,309**	**38,309**	**38,309**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(35,926)**	**(35,926)**	**(35,926)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**1,026**	**1,026**	**1,026**	**-**	**-**	**-**
	807,703	**915,085**	**468,149**	**200,703**	**222,761**	**23,472**

	Consolidated					
	12/31/2014					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-derivative financial liabilities						
Suppliers	36,321	36,321	36,321	-	-	-
Loans and financing	490,686	552,133	279,784	141,391	128,208	2,750
Debentures	125,831	169,769	17,497	100,623	51,649	-
Advance on real estate credits	8,548	9,817	9,817	-	-	-
Advances on foreign exchange contracts	57,856	60,849	60,849	-	-	-
Advance of receivables	25,114	25,114	25,114	-	-	-
Other accounts payable	30,142	30,142	30,142			
Derivative financial instruments						
Derivative instruments (assets)	(36,106)	(36,106)	(36,106)	-	-	-
Derivative instruments (liabilities)	23,898	23,898	23,898	-	-	-
	762,290	871,937	447,316	242,014	179,857	2,750

Notes to the financial statements

	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
						Parent company
						03/31/2015
Non-derivative financial liabilities						
Suppliers	**60,717**	**60,717**	**60,717**	**-**	**-**	**-**
Loans and financing	**333,443**	**378,101**	**186,414**	**91,192**	**98,363**	**2,132**
Debentures	**125,715**	**166,043**	**21,736**	**93,352**	**50,955**	**-**
Advances on foreign exchange contracts	**118,497**	**123,514**	**123,514**	**-**	**-**	**-**
Other accounts payable	**13,253**	**13,253**	**13,253**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(35,924)**	**(35,924)**	**(35,924)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**-**	**-**	**-**	**-**	**-**	**-**
	615,701	**705,704**	**369,710**	**184,544**	**149,318**	**2,132**

	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
						Parent company
						12/31/2014
Non-derivative financial liabilities						
Suppliers	40,988	40,988	40,988	-	-	-
Loans and financing	348,537	395,968	209,230	117,160	66,868	2,710
Debentures	125,831	169,769	17,497	100,623	51,649	-
Advance on foreign exchange contracts	57,856	60,849	60,849	-	-	-
Other accounts payable	12,197	12,197	12,197			
Derivative financial instruments						
Derivative instruments (assets)	(36,098)	(36,098)	(36,098)	-	-	-
Derivative instruments (liabilities)	23,163	23,163	23,163	-	-	-
	572,474	666,836	327,826	217,783	118,517	2,710

5.3 Market risk

This is the risk that variation in market prices, such as foreign exchange rates and interest rates, will affect the results of Company and subsidiaries or the amount of their investment in financial instruments. This is the risk that variation in market prices, such as foreign exchange rates and interest rates, will affect the results of Company and subsidiaries or the amount of their investment in financial instruments.

The objective of market risk management is to manage and control exposures to market risks, within acceptable parameters and, at the same time, optimize return. Company and subsidiaries use derivative financial instruments and also fulfill their financial obligations to manage market risks.

(i) Currency risk

(i) Currency risk

Notes to the financial statements

Company and subsidiaries are subject to currency risk from sales, purchases and loans denominated in a currency other than the respective functional currencies of Company entities, which in the majority of cases is the Real (R$), but also 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 months. When necessary, future market contracts are renewed on maturity.

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

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

		Company exposure to currency risk was as follows (in nominal values):		**Parent company**
		USD thousand		**USD thousand**
	USD thousand	**12/31/2014**	**03/31/2015**	**12/31/2014**
Accounts receivable	**39,687**	32,873	**7,464**	7,353
Accounts receivable from foreign related parties				
Accounts receivable from foreign related parties	Advances on foreign exchange contracts	(21,781)	**(36,938)**	(21,781)
Loans and financing	**(89,888)**	(108,561)	**(82,277)**	(86,356)
Suppliers no exterior	**(2,984)**	(3,504)	**(537)**	(484)
Net balance sheet exposure	**(90,123)**	(100,973)	**(109,925)**	(97,851)

The exposure to consolidated currency risk includes the guaranteed bank loans from Taurus Holdings, Inc. for the amount of USD 21,124 on March 31, 2015 (USD 21,180 on December 31, 2014).

The following exchange rates were used in 2014 and 2013:

	Average rate		Spot rate	
	03/31/2015	**12/31/2014**	**03/31/2015**	**12/31/2014**
R$/USD	**2.9162**	2.3599	**3.2080**	2.6562

Sensitivity analysis

The impact on the devaluation of the Real to the US dollar on March 31, 2015 in equity and P&L is presented below. This analysis is based on the expected exchange rate of year end, which is of R$3.23 (probable scenario), based on the Focus report of March 27, 2015, issued by the Central Bank of Brazil. The analysis considers that all the remaining variables, especially interest rates, are kept constant.

Notes to the financial statements

	Consolidated		Parent company	
	Shareholders' equity	Income (loss) for the year	Shareholders' equity	Income (loss) for the year
March 31, 2015				
R$/USD (forecast rate 3.23)	**(2,257)**	**(2,257)**	**(2,418)**	**(2,418)**
R$/USD (25% - forecast rate 4.04)	**(85,100)**	**(85,100)**	**(91,182)**	**(91,182)**
R$/USD (50% - forecast rate 4,85)	**(167,942)**	**(167,942)**	**(179,946)**	**(179,946)**

(i) Interest rate risk

Company and subsidiaries adopt the policy of maintaining a combination of internal and external interest rates on loans, thus keeping 63% of debt in US dollar and 37% in Brazilian reais.

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

	Consolidated		Parent company	
	03/31/2015	12/31/2014	03/31/2015	12/31/2014
Financial assets	**76,807**	136,530	**55,520**	80,292
Financial liabilities	**636,185**	609,940	**555,741**	529,917

A variation of 10 percentage points in interest rates, on the reporting date of the financial statements, would increase (reduce) equity and net income for the year on the balance for interest not settled, by the amounts presented below. The analysis considers that all the remaining variables, especially regarding foreign currency, are kept constant. The analysis was made considering the same base for March 31, 2015 and December 31, 2014.

	Consolidated		Parent company	
	03/31/2015	12/31/2014	03/31/2015	12/31/2014
Change in interest rate on financing	**(3,145)**	(2,914)	**(2,798)**	(2,461)
Change in interest rate on short-term investments	**257**	579	**123**	255

5.4 Capital management

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

	Consolidated	
	03/31/2015	12/31/2014
Total liabilities	**1,056,789**	927,648
Less: Cash and cash equivalents and interest earning bank deposits	**(108,842)**	(159,760)
Net debt (A)	**947,947**	767,888
Total unsecured liability (B)	**(56,383)**	52,115
Net debt to equity ratio at March 31, 2015 and December 31, 2014 (A/B)	**(16.81)**	14.73

Notes to the financial statements

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

6. Operating segments

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

Firearms – the Firearms production process, since it 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 Molding, 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 assembly; these operations are undertaken by Taurus Blindagens Ltda., Taurus Blindagens Nordeste Ltda. and Taurus Helmets Indústria Plástica Ltda., which was merged into Taurus Blindagens Ltda. at December 30, 2014.

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

Other – the result of the forging segment (Polimetal Metalurgia e Plásticos Ltda.); bulletproof vests 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. These segments were added, since they do not fall into the quantitative limits for separated disclosure as a reportable segment.

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

Notes to the financial statements

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

		Firearms		Helmets		Machinery (discontinued)		Other		Total
	03/31/2015	03/31/2014	03/31/2015	03/31/2014	03/31/2015	03/31/2014	03/31/2015	03/31/2014	03/31/2015	03/31/2014
External income	**132,878**	124,029	**31,023**	32,612	**-**	_	**9,637**	11,485	**173,538**	168,126
Inter-segment income	**13,548**	12,744	**-**	-	**-**	-	**3,010**	1,020	**16,558**	13,764
Cost of sales	**(111,082)**	(93,834)	**(20,741)**	(21,002)	**-**	-	**(6,555)**	(7,582)	**(138,378)**	(122,418)
Gross income (loss)	**35,344**	42,939	**10,282**	11,610	**-**	-	**6,092**	4,923	**51,718**	59,472
Sales expenses	**(17,544)**	(16,733)	**(4,162)**	(4,973)	**(121)**	(63)	**(393)**	(655)	**(22,220)**	(22,424)
General and administrative expenses	**(15,019)**	(13,053)	**(1,268)**	(625)	**(267)**	(924)	**(296)**	(202)	**(16,850)**	(14,804)
Depreciation and amortization	**(2,103)**	(1,255)	**(43)**	(44)	**-**	-	**(399)**	(339)	**(2,545)**	(1,638)
Other operating income (expenses), net	**(68,206)**	(1,278)	**754**	378	**(1,115)**	(1,060)	**99**	(23)	**(68,468)**	(1,983)
Equity in income of subsidiaries	_	_	_	_	_	_	**(174)**	(322)	**(174)**	(322)
	(102,872)	(32,319)	**(4,719)**	(5,264)	**(1,503)**	(2,047)	**(1,163)**	(1,541)	**(110,257)**	(41,171)
Operating income (loss)	**(67,528)**	10,620	**5,563**	6,346	**(1,503)**	(2,047)	**4,929**	3,382	**(58,539)**	18,301
Financial income Financial expenses	**35,037 (98,408)**	33,705 (43,927)	**1,730 (1,217)**	2,049 (1,134)	**1,119 (6,172)**	1,047 (702)	**398 (813)**	280 (1,202)	**38,284 (106,610)**	37,081 (46,965)
Net financial income (loss)	**(63,371)**	(10,222)	**513**	915	**(5,053)**	345	**(415)**	(922)	**(68,326)**	(9,884)
Profit (loss) per reportable segment before income and social contribution taxes	**(130,899)**	398	**6,076**	7,261	**(6,556)**	(1,702)	**4,514**	2,460	**(126,865)**	8,417
Elimination of inter-segment income	**(13,548)**	(12,744)					**(3,010)**	(1,020)	**(16,558)**	(13,764)
Income (loss) before income and social contribution taxes	**(144,447)**	(12,346)	**6,076**	7,261	**(6,556)**	(1,702)	**1,504**	1,440	**(143,423)**	(5,347)
Income and social contribution taxes	**(4,692)**	2,294	**(1,258)**	(1,160)			**(520)**	(327)	**(6,470)**	807
Net income for the year	**(149,139)**	(10,052)	**4,818**	6,101	**(6,556)**	(1,702)	**984**	1,113	**(149,893)**	(4,540)
Assets of reportable segments	**593,980**	647,675	**149,171**	160,288	**1,370**	4,128	**255,885**	277,075	**1,000,406**	1,089,166
Liabilities of reportable segments	**897,706**	759,439	**42,618**	52,653	**(4,635)**	(4,192)	**121,100**	146,524	**1,056,789**	954,424

Notes to the financial statements

Geographical information

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

	Firearms		Helmets	
	03/31/2015	03/31/2014	03/31/2015	03/31/2014
Domestic market				
Southeast	**9,736**	3,480	**9,201**	8,482
South	**3,835**	7,558	**1,518**	1,479
Northeast	**3,110**	4,166	**9,998**	11,795
North	**860**	2,818	**5,366**	5,915
Midwest	**3,275**	1,406	**4,899**	4,894
	20,816	19,428	**30,982**	32,565
Foreign market				
United States	**97,992**	91,996		
Argentina	**165**	-	-	-
Germany	**152**	-	-	-
Bolivia	**-**	-	**41**	-
Chile	**-**	1,134	-	-
Russia	**558**	-	**-**	-
Peru	**-**	444	-	-
El Salvador	**-**	1,192	-	-
Ukraine	**1626**	-	-	-
South Africa	**8**	280	-	-
France	**311**	-	-	-
Philippines	**-**	2,889	-	-
Italy	**119**	-	-	-
Lebanon	**1,418**	-	-	-
Pakistan	**649**	215	-	-
New Zealand	**219**	-	-	-
Nicaragua	**427**	-	-	-
Paraguay	**2,018**	-	-	47
Thailand	**345**	-	-	-
Jordan	**3,192**	-	-	-
Dominican Republic	**-**	584	-	-
Honduras	**-**	1,138	-	-
Djibuti	**930**	2,845	-	-
Other countries	**1,933**	1,884	-	-
	112,062	104,601	**41**	47
	132,878	124,029	**31,023**	32,612

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

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

Notes to the financial statements

7. Assets and liabilities held for sale and discontinued operations

Noncurrent assets held for sale and result from discontinued operations

The Company classifies noncurrent assets as held for sale if their book value will be recovered through a sale transaction considered probable.
For the sale to be highly probable, management must be committed to the asset sale plan and must have started a firm program to find a buyer and conclude the plan. In addition, the asset held for sale should be effectively put for sale for a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to be concluded within up to one year as from the date of its classification.

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

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

a) Disposal of asset TMFL – Taurus Máquinas-Ferramenta Ltda.

In 2012, the Company sold SM Metalurgia Ltda. to Renill Participações Ltda. In 2013, after total price renegotiation of the contract, the principal balance decreased from R$115,350 to R$ 57,520 subject to TJLP and interest of 1.8% p.a. as from agreement execution, payable as follows:

Number of installments	**Principal installment amounts**	**Maturities**
1	1,960	Parts supply
2	2,055	06/30/2014 and 12/30/2014, not received to date.
14	3,675	as from 06/30/2015, biannual installments.

The balance receivable is as follows:

	03/31/2015	**12/31/2014**
Sales amount (renegotiated)	**57,520**	57,520
Contractual monetary restatement	**11,809**	10,693
Amount received	**(873)**	(873)
Balance receivable	**68,456**	67,340
Provision for loss	**(68,456)**	(67,340)
Total*	**-**	-

(*) Amount recorded in other accounts receivable in current assets.

Notes to the financial statements

The Company maintained a provision for loss recorded in 2014 and restated this provision as at December 31, 2015 in the amount of R$ 68,456, since the Company: i) believes that there has been deterioration of the credit conditions; ii) has not yet concluded full formalization of guarantees of the operation; iii) and since buyer is a limited liability company and is undergoing in-court reorganization.

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

At the end of 2013, Company management, aligned with the structural changes in the strategies of focusing on higher value added segments, decided to decommission the production line and forging services to third parties of subsidiary Polimetal. The machines and equipment were made available for sale and recorded as “assets held for sale”. At December 31, 2015, this balance amounts to R$ 4,417 (R$ 4,417 at December 31, 2014). Revenues from forging services to third parties, when in operation, represented less than 5% of Company sales. The other industrial activities of Polimetal continue being normally carried out.

8. Cash and cash equivalents and interest earning bank deposits

Cash and cash equivalents

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

	Consolidated		Parent company	
	03/31/2015	**12/31/2014**	**03/31/2015**	**12/31/2014**
Cash balance	**3,576**	5,420	**3,414**	4,565
Demand deposits	**60,491**	53,917	**10,559**	10,341
Interest earnings bank deposits	**3,894**	45,199	**0**	10,255
Cash and cash equivalents	**67,961**	104,536	**13,973**	25,161

Short-term investments classified as cash and cash equivalents are remunerated at rates that vary between 100% and 103% of CDI o March 31, 2015 (98% to 104% of CDI on December 31, 2014), having as counterparties financial institutions considered top-tier by management.

Interest earnings bank deposits

	Consolidated		Parent company	
	03/31/2015	**12/31/2014**	**03/31/2015**	**12/31/2014**
Short-term investments - CDB	**40,881**	55,224	**19,596**	33,939
Total	**40,881**	55,224	**19,596**	33,939
Current	**29,573**	33,632	**8,288**	12,347
Non-current	**11,308**	21,592	**11,308**	21,592

Notes to the financial statements

Short-term investments are remunerated at rates of 99.96% of CDI on March 31, 2015, and are held in guarantee for short-term financing. Redemption thereof is programmed to occur in conjunction with financing amortization and such investments are presented in current and non-current assets based on their planned redemption dates.

9. Trade accounts receivable

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

Present value calculation is made for each transaction based on an interest rate that reflects the term, currency and risk of each transaction. In the period, the average rate used by the Company was of approximately 0.93% p.m. The balancing entry of present value adjustments of accounts receivable is posted to gross revenue in P&L. The difference between present value of a transaction and the face value on billing is considered financial income.

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

	Consolidated		Parent company	
	03/31/2015	12/31/2014	03/31/2015	12/31/2014
Customers - domestic	**91,130**	78,023	**34,333**	22,438
Customers – domestic related parties	**-**	-	**11,255**	7,543
Customers - foreign	**127,293**	87,318	**21,346**	19,532
Customers – foreign related parties	**-**	-	**10,180**	9,077
Adjustment to present value	**(2,176)**	(1,864)	**(678)**	(665)
	216,247	163,477	**76,436**	57,925
Allowance for doubtful accounts - domestic	**(15,144)**	(17,508)	**(3,356)**	(4,294)
Allowance for doubtful accounts - foreign	**(7,562)**	(6,249)	**(2,953)**	(2,755)
	(22,706)	(23,757)	**(6,309)**	(7,049)
Total	**193,541**	139,720	**70,127**	50,876

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

	Consolidated	Parent company
Balance at December 31, 2014	(23,757)	(7,049)
Additions	**(17)**	**(13)**
Reversal of allowance for doubtful accounts	**2,114**	**1,041**
Realization of allowance for doubtful accounts	**23**	**-**
Foreign exchange	**(1,069)**	**(288)**
Balance at March 31, 2015	**(22,706)**	**(6,309)**

Notes to the financial statements

10. Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted moving average (WMA) principle and includes expenses incurred in the acquisition of inventories, production and processing costs (based on normal operating capacity) and other costs incurred to place them in their current site and conditions.

Provision for inventory loss is recorded for slow moving products and for items with sales price lower than build-up cost.

	Consolidated		Parent company	
	03/31/2015	**12/31/2014**	**03/31/2015**	**12/31/2014**
Finished goods	**105,813**	106,929	**21,558**	22,997
Work in process	**32,177**	34,123	**17,286**	24,595
Raw material	**56,104**	51,586	**22,018**	16,246
Auxiliary and maintenance materials	**7,501**	7,886	**2,626**	3,216
	201,595	200,524	**63,488**	67,054

11. Recoverable taxes

	Consolidated		Parent company	
	03/31/2015	**12/31/2014**	**03/31/2015**	**12/31/2014**
ICMS	**8,748**	7,970	**943**	1,033
IPI	**1,841**	1,411	**320**	294
PIS	**560**	708	**494**	613
COFINS	**2,618**	3,299	**2,277**	2,825
Income and social contribution taxes	**13,467**	11,079	**4,765**	5,404
Total	**27,234**	24,467	**8,799**	10,169
Current	**26,236**	23,419	**8,433**	9,719
Non-current	**998**	1,048	**366**	450

12. Current and deferred income and social contribution taxes

Current and deferred income and social contribution taxes for the year are calculated at the rate of 15% and surtax of 10% on taxable income in excess of R$120 for income tax and 9% on taxable income for social contribution tax, and consider offset of income and social contribution tax losses, limited to 30% of annual taxable profit. Companies which compute income and social contribution taxes as a percentage of their deemed profit use aforementioned rates, however on billing percentages of 8% and 12%, respectively. The income tax rate for the subsidiary located in the USA is 35%.

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

Notes to the financial statements

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

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

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

a) Breakdown of deferred tax assets and liabilities

	Consolidated		Parent company	
	03/31/2015	**12/31/2014**	**03/31/2015**	**12/31/2014**
On temporary asset differences and income and social contribution tax losses				
Provision for sales commissions	**1,629**	1,534	**1,579**	1,495
Adjustment to present value	**1,085**	870	**559**	446
Provision for judicial claims	**3,985**	4,358	**1,314**	1,660
Provision for losses on insurance claims	**782**	782	**782**	782
Allowance for doubtful accounts	**2,774**	2,702	**459**	459
Provision for product warranty	**4,790**	3,627	**2,078**	1,383
Adjustment of deferred revenues	**-**	-	-	-
Derivative financial instruments	**353**	8,167	**-**	7,875
Income and social contribution tax losses (i)	**35,268**	35,506	**7,000**	7,000
Inventories – unrealized profits	**3,900**	2,633	-	-
Other items	**1,572**	1,568	**124**	137
	56,138	61,747	**13,895**	21,237
On temporary liability differences				
Equity evaluation adjustment	**(1,653)**	(1,788)	**(1,052)**	(1,146)
Depreciation base difference	**(9,394)**	(8,090)	**(1,746)**	(1,758)
Goodwill allocation	**(9,798)**	(8,397)	-	-
Average interest rate	**(1,362)**	(1,372)	**(1,275)**	(1,314)
Derivative financial instruments	**(12,215)**	(12,276)	**(12,214)**	(12,273)
	(34,422)	(31,923)	**(16,287)**	(16,491)
Total asset (liability) balance, net	**21,716**	29,824	**(2,392)**	4,746
Classified as noncurrent assets	**35,811**	39,627	**-**	4,746
Classified in the non-current liabilities	**(14,095)**	(9,803)	**(2,392)**	-

Changes in deferred taxes:

	Consolidated	**Parent company**
Opening balance of deferred taxes, net	29,824	4,746
Posted to P&L (Note 12.b)	**(6,086)**	**(7,138)**
Allocated to consolidation goodwill	**(1,401)**	**-**
Effect of exchange variation	**(621)**	**-**
Closing balance of deferred taxes, net	**21,716**	**(2,392)**

Notes to the financial statements

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

The projections indicate that the balance of tax credits recorded by Forjas Taurus S.A. and subsidiaries Polimetal Metalurgia e Plásticos Ltda., Taurus Blindagens Ltda. and Taurus Holdings Inc. will be absorbed by taxable income estimated for the next 10 years, as set out below:

	Consolidated		Parent company	
Year	**Total**	**% of interest**	**Total**	**% of interest**
2015	900	2.53%	-	-
2017	612	1.72%	-	-
2018	1,887	5.31%	-	-
2019	2,661	7.49%	213	3.04%
2020	4,183	11.78%	644	9.20%
2021	5,936	16.72%	1,244	17.77%
2022	7,413	20.88%	2,099	29.99%
2023	8,481	23.89%	2,728	38.97%
2024	3,433	9.68%	72	1.03%
Total	35,506	100.00%	7,000	100.00%

The amount of income and social contribution tax losses on which deferred taxes are not recorded totaled R$564,548 - Consolidated (R$416,752 in 2014) and R$141,182 – Company (R$84,665 in 2014).

The main balances of income and social contribution tax losses refer to subsidiary Taurus Máquinas-Ferramenta Ltda. Tax credits arising from income and social contribution tax losses not recognized by this subsidiary totaled R$ 83,601 (R$ 76,224 in 2014).

Notes to the financial statements

b) Reconciliation between the tax expense and the result from the multiplication of book profit by the local tax rate

	Consolidated		Parent company	
	03/31/2015	**03/31/2014**	**03/31/2015**	**03/31/2014**
Accounting loss before income and social contribution taxes	**(143,424)**	(5,347)	**(142,755)**	(8,619)
Combined statutory rate	**34%**	34%	**34%**	34%
Income and social contribution taxes:				
Calculated at combined statutory rate	**48,764**	1,818	**48,536**	2,930
Permanent additions:				
Non-deductible expenses	**(50)**	(27)	**(31)**	(27)
Permanent exclusions:				
Tax exempt income – equity pickup	**(59)**	(109)	**(29,321)**	540
Other - Law no. 11,196/05	**-**	32	**-**	-
Unrecognized tax loss	**(31,127)**	(3,264)	**(26,597)**	-
Non-deductible provisions	**(23,384)**	572	**-**	572
Effects from different rates of subsidiaries taxed based on profit computed as a percentage of gross revenue (“lucro presumido”)	**(32)**	1,264	-	-
Other items	**(581)**	521	**274**	64
Income tax and social contribution in income for the year	**(6,469)**	807	**(7,138)**	4,079
Breakdown of Income and social contribution taxes in P&L for the year:				
Current	**(383)**	(4,656)	**-**	(1,306)
Deferred assets	**(6,086)**	5,463	**(7,138)**	5,385
	(6,469)	807	**(7,138)**	4,079
Effective rate	**4.51%**	-15.09%	**5.00%**	-47.33%

13. Payment of real estate credits

On August 11, 2008, 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.

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 last falling due on July 15, 2015. At March 31, 2015, total restated balance amounts to R$ 5,431 (R$ 8,548 at December 31, 2014).

Notes to the financial statements

14. Investments

	Taurus Blindagens Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Holdings, Inc.	Taurus Security Ltda. (1)	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-Ferramenta Ltda.(1)	Famastil Taurus Ferramentas S.A. (2)	Parent company 03/31/2015	Parent company 12/31/2014
Current assets	100,158	25,317	293,550	60	6,237	82,731	2,739	63,485		
Non-current assets	61,113	16,410	94,118	241	67,313	258,920	1,104	33,375		
Current liabilities	22,784	7,030	98,585	3	21,760	100,243	54,825	33,396		
Non-current liabilities	13,925	7,666	109,641	547	11,588	29,318	12,435	32,981		
Capital	80,209	9,400	978	100	39,917	250,589	273,639	20,000		
Shareholders' equity	124,552	27,031	179,442	(249)	40,202	212,090	(63,417)	30,484		
Net revenue	26,406	9,249	98,246	-	3,010	15,275	-	10,961		
Net income (loss) for the year	4,399	2,454	(70,104)	-	555	(9,929)	(7,377)	(498)		
Number of shares/quotas	648	9,400	302,505	100,000	30,752,186	250,589,337	165,007,117	_		
Direct ownership interest (%)	0.01%	0.10%	100%	100%	76.45%	100%	60.30%	-		
Opening balances	1	28	208,184	„	20,712	164,884	„	2,215	**396,024**	430,287
Capital payment (4)	**-**	**-**	**-**	**-**	**514**	**40,589**	**40,639**	**-**	**81,742**	9,017
Equity income (loss) (3)	**-**	**2**	**(72,753)**	**-**	**653**	**(9,930)**	**(4,209)**	**-**	**(86,237)**	(88,426)
Loss on investments	**-**	**-**	**-**	**-**	**(35)**	**-**	**-**	**-**	**(35)**	(137)
Exchange variation over investments	**-**	**-**	**41,395**	**-**	**-**	**-**	**-**	**-**	**41,395**	24,577
Profit distribution	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	-
Capital transactions	**-**	**-**	**-**	**-**	**8,117**	**14,949**	**(23,066)**	**-**	**-**	-
Equity valuation adjustments (5)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(112)
Reclassified to provision for capital deficiency (1)	**-**	**-**	**-**	**-**	**-**	**-**	**(13,364)**	**-**	**(13,364)**	20,818
Closing balances (3)	**1**	**27**	**176,828**		**29,961**	**210,492**		**2,215**	**419,524**	396,024

(1) Capital deficiency of subsidiary Taurus Security Ltda. in the amount of R$ 249 and of subsidiary Taurus Máquinas-Ferramenta Ltda. in the amount of R$38,241 is recorded in “Other accounts payable” in current liabilities.

(2) On December 20, 2011, the investment in subsidiary Famastil Taurus Ferramentas S.A. was transferred to subsidiary Polimetal Metalurgia e Plásticos Ltda. as part of the corporate restructuring occurred in 2011. The amount of R$ 2,215 refers to goodwill on the investment in Famastil Taurus Ferramentas S.A. which remains with Forjas Taurus S.A.

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

(4) Capital increase in subsidiary Taurus Investimentos Imobiliários Ltda. amounting to R$ 514 and capital payment in Polimetal Metalurgia e Plásticos Ltda. amounting to R$ 40,589 were made in cash with the capitalization of the loan account.

(5) Equity valuation adjustment referring to deferred taxes upon merger of subsidiary Taurus Helmets Ltda. into parent company Taurus Blindagens

Notes to the financial statements

Foreign operations

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

	Taurus Holdings, Inc.	
	Consolidated	
	03/31/2015	12/31/2014
Assets	**387,668**	319,208
Liabilities	**208,225**	111,060
Net revenue	**98,246**	276,737
Income (loss) for the year	**(70,104)**	(9,430)

Affiliate

The Company has investments in affiliate Famastil Taurus Ferramentas S.A. that are not consolidated, since the Company has significant influence, but no control, over the affiliate's operating and financial policies. Investments in associated companies are stated by the equity method and initially recognized at cost. Such investments include goodwill on acquisition, net of any accumulated impairment losses (goodwill on associated companies is not separately tested for impairment).

The balances at March 31, 2015 are as follows:

	Famastil Taurus Ferramentas S.A.
	Consolidated
Current assets	63,485
Non-current assets	33,375
Current liabilities	33,396
Non-current liabilities	32,981
Capital	20,000
Shareholders' equity	30,484
Net revenue	10,961
Loss for the year	(498)
Number of shares/quotas	7,000,000
Direct ownership interest (%)	35%
Opening balances [1]	13,052
Equity income (loss)	**(174)**
Closing balances [1]	**12,878**

[1] Includes goodwill paid on acquisition of the investment of R$2,215.

Notes to the financial statements

15. Property, plant and equipment

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

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

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

Gains and losses on the disposal of a property, plant and equipment item are determined comparing the amounts resulting from asset disposal with the related carrying amount, and are recognized net in other revenues account in P&L.

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

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

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

Notes to the financial statements

								Consolidated
	Land, buildings and facilities	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	Property, plant and equipment in progress	Advances to suppliers	Total
Cost or deemed cost								
Balance at December 31, 2014	138,591	206,960	52,578	20,184	3,291	9,746	297	431,647
Additions	**74**	**1,581**	**74**	**298**	**92**	**2,271**	**-**	**4,390**
Disposals	**-**	**(45)**	**(2)**	**(13)**	**(400)**	**(4)**	**-**	**(464)**
Transfers of assets under construction	**-**	**195**	**101**	**4**	**-**	**(300)**	**-**	**-**
Effect of exchange variation	**9,427**	**7,181**	**-**	**1,234**	**32**	**-**	**-**	**17,874**
Transfers to other groups	**(5,396)**	**5,395**	**(2)**	**(121)**	**2**	**-**	**-**	**(122)**
Balance at March 31, 2015	**142,696**	**221,267**	**52,749**	**21,586**	**3,017**	**11,713**	**297**	**453,325**
Depreciation								
Balance at December 31, 2014	20,277	101,420	35,902	14,062	2,764	-	-	174,425
Depreciation for the year	**930**	**4,682**	**1,633**	**536**	**97**	**-**	**-**	**7,878**
Disposals	**-**	**(45)**	**(2)**	**(5)**	**(348)**	**-**	**-**	**(400)**
Effect of exchange variation	**1,855**	**4,285**	**-**	**1,065**	**45**	**-**	**-**	**7,250**
Transfers to other groups	**(1,320)**	**3,087**	**(1)**	**(1,808)**	**(80)**	**-**	**-**	**(122)**
Balance at March 31, 2015	**21,742**	**113,429**	**37,532**	**13,850**	**2,478**	**-**	**-**	**189,031**
Book value								
December 31, 2014	118,314	105,540	16,676	6,122	527	9,746	297	257,222
March 31, 2015	**120,954**	**107,838**	**15,217**	**7,736**	**539**	**11,713**	**297**	**264,294**

Notes to the financial statements

	Land, buildings and facilities	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	Property, plant and equipment in progress	Advances to suppliers	Parent company Total
Cost								
Balance at December 31, 2014	3,177	61,235	25,902	8,259	1,848	3,300	-	103,721
Additions	**-**	**118**	**-**	**57**	**92**	**672**	**-**	**939**
Disposals	**-**	**(3,202)**	**(13)**	**(31)**	**(118)**	**-**	**-**	**(3,364)**
Transfers of assets under construction	**-**	**7**	**5**	**-**	**-**	**(12)**	**-**	**-**
Transfers to other groups	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at March 31, 2015	**3,177**	**58,158**	**25,894**	**8,285**	**1,822**	**3,960**	**-**	**101,296**
Depreciation								
Balance at December 31, 2014	1,044	30,492	17,710	5,369	1,375	-	-	55,990
Depreciation for the period	**78**	**1,212**	**839**	**188**	**65**	**-**	**-**	**2,382**
Disposals	**-**	**(761)**	**(7)**	**(19)**	**(75)**	**-**	**-**	**(862)**
Balance at March 31, 2015	**1,122**	**30,943**	**18,542**	**5,538**	**1,365**	**-**	**-**	**57,510**
Book value								
December 31, 2014	2,133	30,743	8,192	2,890	473	3,300	-	47,731
March 31, 2015	**2,055**	**27,215**	**7,352**	**2,747**	**457**	**3,960**	**-**	**43,786**

Property, plant and equipment in progress

The balance of assets under construction of R$3,960 – Company and R$ 11,713 – Consolidated in 2015 (R$ 3,300 and R$9,746 in 2014, respectively) refers to machinery and equipment still in the phase of being implemented and construction in progress. These assets are expected to become operational in 2015.

Guarantee

Loans raised by the Company from financial institutions are guaranteed by its assets. Although a significant portion of fixed assets is used to guarantee loans and financings, historically the Company has settled its liabilities within the established contractual terms thus it was never necessary to enforce such guarantees. On March 31, 2015, guarantees provided by the Company amounted to R$60,045 (R$52,764 in 2014).

Notes to the financial statements

16. Intangible assets

Goodwill

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

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

Other intangible assets

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

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

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

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

Notes to the financial statements

						Consolidated
	Goodwill	Trademarks and patents	Development of products	Systems implementation	Other intangible assets	Total
Cost						
Balance at December 31, 2014	40,823	12,368	12,202	2,548	11,702	79,643
Acquisitions	**-**	**-**	**175**	**25**	**-**	**200**
Write-offs	**-**	**-**	**(796)**	**-**	**-**	**(796)**
Effect of exchange variation	**1,702**	**1,743**	**538**	**-**	**5,673**	**9,656**
Balance at March 31, 2015	**42,525**	**14,111**	**12,119**	**2,573**	**17,375**	**88,703**
Balance at December 31, 2014		275	6,328	2,011	2,979	11,593
Amortization for the period	**-**	**22**	**174**	**70**	**360**	**626**
Effect of exchange variation	**-**	**-**	**-**	**-**	**3,961**	**3,961**
Balance at March 31, 2015	**-**	**297**	**6,502**	**2,081**	**7,300**	**16,180**
Book value						
December 31, 2014	40,823	12,093	5,874	537	8,723	68,050
March 31, 2015	**42,525**	**13,814**	**5,617**	**492**	**10,075**	**72,524**

Impairment test for cash-generating units containing goodwill

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

Cash-generating unit	03/31/2015	12/31/2014
Forjas Taurus S.A.	**21,194**	21,194
Taurus Holdings, Inc.	**12,791**	11,089
Taurus Blindagens Ltda.	**7,868**	7,868
Famastil Taurus Ferramentas S.A.	**545**	545
Polimetal Metalurgia e Plásticos Ltda.	**127**	127
Total	**42,525**	40,823

The impairment testing of the aforementioned CGUs is performed annually based on fair value less selling expenses, estimated based on discounted cash flows. At March 31, 2015, there is no indication of the need to record a provision. The assumptions adopted by the Company are disclosed in the annual financial statements as of December 31, 2014.

Notes to the financial statements

17. Loans and financing

The terms and conditions of outstanding loans were as follows:

				Consolidated			
				03/31/2015		12/31/2014	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	82,000	**57,227**	128,939	107,222
FINAME	R$	2.50% to 8.70% p.a.	2021	9,600	**5,923**	17,675	5,950
FINEP	R$	4.00% to 5.25% p.a.	2020	64,240	**31,137**	64,240	33,826
BNDES	R$	3.50% p.a.	2020	9,995	**10,072**	9,995	10,074
BNDES Progeren	R$	TJLP + 4.40 to 4.50% p.a.	2016	63,977	**29,374**	63,977	38,202
FNE	R$	9.50% p.a.	2019	9,806	**6,698**	9,806	7,051
Working capital	USD	*Libor* + 1.55% to 5.60% p.a.	2017	106,400	**129,715**	115,300	120,893
Working capital	USD	3.05% to 5.20% p.a.	2016	25,037	**71,927**	76,995	107,446
Working capital	USD	80 to 90% of CDI	2016	31,390	**98,502**	10,619	25,889
Investments	USD	5.33% p.a.	2017	6,035	**16,756**	6,035	14,028
Investments	USD	*Libor* + 2.25% p.a.	2017	1,731	**4,114**	1,731	3,454
FINIMP	USD	*Libor* + 2.23% to 4.41% p.a.	2016	4,178	**13,651**	7,055	16,323
Dell financing	USD	Cost 0%	2016	201	**343**	201	328
Total					**475,439**		490,686
Current liabilities					**220,150**		258,865
Non-current liabilities					**255,289**		231,821

				Parent company			
				03/31/2015		12/31/2014	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	82,000	**57,227**	128,939	107,222
FINAME	R$	2.50% to 5.50% p.a.	2021	3,389	**2,197**	11,464	1,862
BNDES	R$	3.50% p.a.	2020	9,995	**10,072**	9,995	10,074
Working capital	USD	*Libor* + 3.41% to 5.60% p.a.	2017	31,400	**84,230**	40,300	83,643
Working capital	USD	3.05% to 3.91% p.a.	2016	21,891	**70,859**	73,849	106,248
Working capital	USD	85 to 90% of CDI	2016	31,390	**98,502**	10,619	25,889
FINIMP	USD	*Libor* + 2.23% to 4.41% p.a.	2016	3,170	**10,356**	6,047	13,599
Total					**333,443**		348,537
Current liabilities					**174,859**		192,987
Non-current liabilities					**158,584**		155,550

Maturity dates of noncurrent liabilities are as follows:

Year of maturity	Consolidated		Parent company	
	03/31/2015	12/31/2014	03/31/2015	12/31/2014
2016	**92,673**	122,695	**79,129**	101,443
2017	**118,085**	83,825	**62,468**	37,509
2018	**18,624**	16,528	**13,127**	12,139
2019 onwards	**25,907**	8,773	**3,860**	4,459
	255,289	231,821	**158,584**	155,550

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

Notes to the financial statements

Loan and financing contracts agreed between the Company and its subsidiaries include covenants that limit certain corporate alterations, as under: change in direct or indirect controlling interest in the Company, reduction of capital of the Company and/or its subsidiary, distribution of dividends, payment of interest on equity or any other payments to shareholders of the Company and/or its controlling company in case of delay to fulfill any obligation and reduction of Company capital. In addition to these points, they require maintenance of certain financial ratios: indebtedness (net financial debt/EBITDA) lower than 3.5; interest coverage index (EBITDA/net financial expenses) equal to or higher than 2.75 times. If such restrictions are not met, creditors may claim accelerated maturity. All the above ratios are calculated quarterly, or annually (according to the contract) based on the last twelve months. The Company did not comply with aforementioned covenants; however, the Company received a waiver from the bank on March 31, 2015, informing that they do not intend to claim accelerated maturity.

18. Debentures

Company-issued debentures, in a single series, are not convertible into shares distributed on the secondary market through the National Debenture system, with restrictions on the placing allocated to the 1st and 2nd issue, exclusively to qualified investors and the 3rd issue allocated to banks.

Debentures	Principal R$	Issuing Date	Outstanding debentures	Financial charges	03/31/2015	12/31/2014
2nd issuance (a)	50,000	09/06/2011	200	DI rate + 2.8%	**23,425**	27,302
3rd issue (b)	100,000	06/13/2014	10,000	DI rate + 3.25%	**102,290**	98,529
				Total - Principal	**125,715**	125,831
				Current liabilities	**19,512**	15,933
				Non-current liabilities	**106,203**	109,898
				Transaction costs incurred	**1,965**	1,956
				Transaction costs appropriated	**475**	316
				Transaction costs to appropriate	**1,490**	1,640

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

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

Covenants

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

Notes to the financial statements

These ratios are duly monitored by management. The contract for the 2nd issue establishes that the ratios must be met quarterly. These ratios were not met in the current year; however, a waiver was obtained from the financial institutions in March 2015 and formalized at the General Debenture-holders Meeting.

19. Provision for civil, labor and tax contingencies

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

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

				Consolidated
			03/31/2015	12/31/2014
	Provision	Judicial deposit	Net	Net
Labor	**10,893**	**3,478**	**7,415**	7,901
Civil	**104,310**	**-**	**104,310**	29,881
Tax	**6,008**	**1,184**	**4,824**	4,663
	121,211	**4,662**	**116,549**	42,445
Classified in current liabilities	**83,005**			
Classified in noncurrent liabilities	**38,206**			

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

Changes in provisions are as follows:

			Consolidated	Parent company
	Civil and labor	Tax	Total	Civil and labor
Balance at December 31, 2014	41,127	5,847	46,974	4,882
Provisions recorded in the year	**74,430**	**161**	**74,591**	**-**
Provisions used in the period	**(354)**	**-**	**(354)**	**(37)**
Balance at March 31, 2015	**115,203**	**6,008**	**121,211**	**4,845**

Notes to the financial statements

On March 31, 2015, the major proceeding for which a provision was accrued by the Company refers to the claim filed by Hunter Douglas N.V. (company organized under the laws of Curacao, with main office in Rotterdam, Holland) against Wotan Máquinas Ltda. in connection with the collection originating from the loan agreement for export financing purposes executed by these parties in 2001. Subsidiary Taurus Máquinas-Ferramenta Ltda. figures as defendant due to the rent of industrial facilities to Wotan Máquinas Ltda. in 2004. The updated case amount is of R$ 65,510.

Due to a decision lower court handed down on which appeals may be filed, the Company decided to begin negotiations with Hunter Douglas, which resulted in the execution of a Commitment Agreement referring to the Credit Assignment Sale and Purchase Agreement on March 11, 2015, by means of which the Company or another entity belonging to the Taurus Group will acquire credits from Hunter Douglas N.V. in face of Wotan Máquinas Ltda. and other rights for USD 10,250 thousand (R$ 32,882 at the exchange rate of March 31, 2015). Materialization of this commitment, which is dependent upon agreement formalization ("definitive documents"), will result in the following effects, i.e. the Company shall acquire: i) the credits owned by Hunter Douglas N.V. in face of Wotan Máquinas Ltda.; ii) all rights linked or accessory to these credits, especially referring to mortgages; and iii) all rights deriving from the proceeding, whether or not directly linked to the credits. Additionally, the parties agreed to establish an express resolutory clause, which shall extinguish any obligation in connection with the commitment should the definitive documents relating to the credit assignment and payment not be finalized on May 18, 2015 and June 18, 2015.

In financial statements for the first quarter of 2015, the main lawsuit for which the Company recorded a provision relates to execution of a preliminary agreement to end lawsuit filed with the U.S. District Court for the Southern District of Florida against Taurus and its subsidiaries in the USA, Taurus Holdings. Inc. and Taurus International Manufacturing, Inc. (together, the "Companies"). Said preliminary agreements results from individual lawsuit by Chris Carter v. Forjas Taurus, S.A. et. al., related to alleged faults presented by some pistol models manufactured by the Companies, and classified as possible risk of loss by its legal advisors. However, possible developments of this lawsuit led to the decision, in April 2015, of entering such an agreement for the purpose of minimizing possible future risks related to change in lawsuit level and considering specific characteristics of the US legal environment, even though the history of faults reported by the Company's customers is not very long. Updated agreement value is R$68,775, referring to expenses with insurance, fees, and disclosure. Of this total, 58% were accounted for in the short term and 42% in the long term. Agreement is pending homologation by the court and accounted for amounts represent the best Management's estimate regarding probable disbursements for this lawsuit.

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

Notes to the financial statements

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

	Consolidated				Parent company			
	03/31/2015		12/31/2014		03/31/2015		12/31/2014	
	Possible	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**
Tax	**10,864**	**11,280**	10,568	10,973	**787**	**10,840**	766	10,545
Civil	**31,326**	**4,462**	30,473	4,340	**7,551**	**545**	7,345	530
Labor	**26,666**	**2,002**	25,940	1,947	**16,575**	**-**	16,124	-
	68,856	**17,744**	66,981	17,260	**24,913**	**11,385**	24,235	11,075

20. Financial instruments

a) Derivatives

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

We summarize below our positions with derivative instruments:

	Consolidated		Parent company	
	03/31/2015	**12/31/2014**	**03/31/2015**	**12/31/2014**
Derivative financial instruments assets	**35,926**	36,106	**35,924**	36,098
Derivative financial instruments liabilities	**(1,026)**	(23,898)	**-**	(23,163)
	34,900	12,208	**35,924**	12,935

Notes to the financial statements

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

		Consolidated			
		03/31/2015		12/31/2014	
Instrument	**Contract currency with respect to notional value**	**Notional – in thousands**	**Fair value**	**Notional – in thousands**	**Fair value**
Swap Fixed x Libor (i)	US dollars - USD	**5,711**	**(1,026)**	5,711	(735)
Swap Pre x CDI (ii)	Reais - BRL	**51,363**	**16**	14,007	54
Swap Interest + EV USD x CDI + R$ (iii)	Reais - BRL	**100,000**	**35,910**	163,200	24,844
Nondeliverable forward (exports) (iv)	US dollars - USD	-	-	49,801	(16,000)
Nondeliverable forward (debt in foreign currency) (v)	US dollars - USD	-	-	73,000	4,045
			34,900		12,208

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

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

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

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

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

Fair value does not represent the obligation for immediate cash disbursement or receipt, given that this effect will only occur on the contractual dates or maturity dates of each operation. It should be noted that all contracts outstanding on March 31, 2015 refer to operations on the over the counter market, registered with the CETIP, without any type of guarantee margin or accelerated maturity clause forced by Mark to Market (MtM) variations.

Notes to the financial statements

b) Fair value versus book value

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

				Consolidated
		03/31/2015		12/31/2014
	Book value	Fair value	Book value	Fair value
Assets measured at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	**35,926**	**35,926**	36,106	36,106
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**64,067**	**64,067**	104,536	104,536
Short-term investments (ii)	**40,881**	**40,881**	55,224	55,224
Accounts receivable (iii)	**196,139**	**196,139**	139,718	139,718
	301,087	**301,087**	299,478	299,478
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	**1,026**	**1,026**	23,898	23,898
Liabilities measured by the amortized cost				
Loans and financing (iv)	**475,437**	**361,123**	490,686	521,514
Debentures (iv)	**125,715**	**111,714**	125,831	160,486
Advances on foreign exchange contracts (iv)	**118,497**	**105,237**	57,856	54,539
Trade accounts payable and advances on receivables (ii)	**81,810**	**81,810**	61,435	61,435
Advance on real estate credits (iv)	**5,431**	**4,824**	8,548	8,799
	806,891	**664,708**	744,356	806,773

				Parent company
		03/31/2015		12/31/2014
Assets measured at fair value	Book value	Fair value	Book value	Fair value
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	**35,924**	**35,924**	36,098	36,098
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**13,973**	**13,973**	25,161	25,161
Short-term investments (ii)	**19,596**	**19,596**	33,939	33,939
Accounts receivable and other receivables (iii)	**70,127**	**70,127**	53,721	53,721
	103,696	**103,696**	112,821	112,821
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	-	-	23,163	23,163
Liabilities measured by the amortized cost				
Loans and financing (iv)	**333,443**	**284,451**	348,537	364,049
Debentures (iv)	**125,715**	**111,714**	125,831	160,486
Advances on foreign exchange contracts (iv)	**118,497**	**105,237**	57,856	54,539
Trade accounts payable and advances on receivables (ii)	**60,717**	**60,717**	40,988	40,988
	638,372	**562,119**	573,212	620,062

Notes to the financial statements

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

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

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

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

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

Notes to the financial statements

21. Related parties

	Outstanding balances of related parties with the parent company						Effect from result of related-party transactions with the parent company	
	Current assets (iii)	Noncurrent assets (receivables from related parties)		Total assets	Current liabilities (i)	Total liabilities	Income	Expense
December 31, 2014								
Taurus Blindagens Ltda.	36	_		36	_	_	_	_
Taurus Holdings, Inc.	9,077	-		9,077	32,781	32,781	130,360	1,728
Taurus Security Ltda.	-	547		547	-	-	-	-
Taurus Investimentos Imobiliários Ltda. (ii)	5,811	-		5,811	-	-	-	5,125
Taurus Maquinas-Ferramenta Ltda.	648	37,556	(iv)	38,204	-	-	1,777	-
Polimetal Metalurgia e Plásticos Ltda.	10,862	50,544	(iv)	61,406	24,118	24,118	3,794	40,386
	26,434	88,647		115,081	56,899	56,899	135,931	47,239
March 31, 2015								
Taurus Blindagens Ltda.	_	_		_	_	_	_	_
Taurus Holdings, Inc.	**7,582**	**-**		**7,582**	**34,496**	**34,496**	**46,094**	**254**
Taurus Security Ltda.	**-**	**547**		**547**	**-**	**-**	**-**	**-**
Taurus Investimentos Imobiliários Ltda. (ii)	**5,811**	**-**		**5,811**	**-**	**-**	**-**	**1,319**
Taurus Maquinas-Ferramenta Ltda.	**847**	**1,502**	**(iv)**	**2,349**	**-**	**-**	**821**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**15,006**	**5,574**	**(iv)**	**20,580**	**36,883**	**36,883**	**1,662**	**13,548**
Companhia Brasileira de Cartuchos	**132**	**-**		**132**	**3,497**	**3,497**	**2,939**	**2,168**
	29,378	**7,623**		**37,001**	**74,876**	**74,876**	**51,516**	**17,289**

(i) This refers to amounts recorded under trade accounts payable - R$ 37,324 and related parties R$ 34,055.

(i) Disposal of property, plant and equipment to the parent company.

(ii) This refers to amounts recorded under trade accounts payable - R$18,837 and related parties R$ 10,409.

(ii) These refer to loan agreement executed with parent company Forjas Taurus S.A. and are restated at 100% of CDI (Interbank Deposit Certificates).

Notes to the financial statements

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

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

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

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With the approval of capital increase at the Special Meeting held on August 20, 2014, Companhia Brasileira de Cartuchos – "CBC", started to hold 52.51% of the common shares issued, becoming the controlling company of Forjas Taurus S.A. (see note 28).

The operations involving Forjas Taurus S.A. and CBC mainly refer to sale of Firearms to be traded and the purchase of ammunition.

Remuneration of key management staff

This includes salaries, fees and benefits, as follows:

	Consolidated		Parent company	
	03/31/2015	**03/31/2014**	**03/31/2015**	**03/31/2014**
Compensation and benefits of statutory directors and board members	**2,116**	1,734	**961**	1,734
Key personnel compensation	**2,375**	2,258	**1284**	1,029
Total	**4,491**	3,992	**2,245**	2,763

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

Operations of directors and key management personnel

The directors and key management personnel directly control 0.11% of Company voting capital.

Notes to the financial statements

Sureties between related parties

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

	03/31/2015	12/31/2014
Polimetal Metalurgia e Plásticos Ltda.	**94,633**	106,616
Forjas Taurus S.A.	**71,062**	8,354
	165,695	114,970

22. Quotaholders' equity (parent company)

a) Capital

The Special Shareholders' Meeting held on August 20, 2014 approved capital increase amounting to R$ 67,079, for the purpose of reinforcing Company capital structure and reducing debt level. As a result of the reverse split of shares and cancelation of treasury shares, capital is now comprised of 8,439,322 common shares and 7,704,716 preferred shares, totaling 16,144,038 shares amounting to R$ 324,876 (R$ 257,797 at December 31, 2013).

Preferred Stock

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

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

(i) Transformation, Take-over, Merger or Spin-off of the Company;

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

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

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

Notes to the financial statements

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

Authorized shares (in thousands of shares)

The Special Shareholders' Meeting held on December 19, 2014 approved the reverse split of the shares which comprise the capital of Forjas Taurus S.A.

On February 20, 2015, after a series of auctions, the result of this reverse split was materialized as follows: R$ 5.136013976 per common share and R$ 3.276770599 per preferred share.

	03/31/2015	**12/31/2014**
Common shares	**4,714**	4,714
Preferred shares	**9,427**	9,427
	14,141	14,141

Shares issued and fully paid up

	Common		**Preferred**	
	Number (in thousands)	**R$ thousand**	**Number (in thousands)**	**R$ thousand**
December 31, 2014				
Common shares R$8.36 - Preferred shares R$5.17*	8,439	70,553	7,705	39,835
March 31, 2015				
Common shares R$4.20 - Preferred shares R$3.10*	**B.439**	**35,445**	**7,705**	**23,886**

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

a) Treasury shares

When treasury shares are sold or subsequently re-issued, the amount received is recognized as an increase in equity, and the resulting excess or deficit is transferred to/from retained earnings/accumulated losses. The Company posted loss for 2014, 2013 and 2012, consequently does not have sufficient income reserve balance to keep treasury shares. On August 12, 2014, Company Board of Directors decided to cancel common and preferred treasury shares.

b) Equity evaluation adjustment

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

Notes to the financial statements

Accumulated translation adjustments

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

c) Earnings (loss) per share

	03/31/2015	03/31/2014
Loss attributable to shareholders	**(149,893)**	(4,540)
Balance of share at the beginning of the year	**16,144,039**	12,855,692
Total shares - March 31	**16,144,039**	12,855,692
Basic and diluted income per share R$ - balance of shares in March 31	**(9.2847)**	(0.3532)

Changes in Company shares already consider the effect from the reverse split of shares approved at the Special Shareholders' Meeting of December 19, 2014.

On December 31, 2015 and 2014, Company basic and diluted earnings per share have the same amount since there are no financial instruments convertible into shares and its common shares are not entitled to differentiated participation in profits.

e) Capital transactions

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

23. Operating income

Sale of goods

Operating income is recognized when:

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

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

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

Notes to the financial statements

Sales taxes

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

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

	Consolidated		Parent company	
	03/31/2015	03/31/2014	03/31/2015	03/31/2014
Sales of goods	**204,778**	193,605	**95,840**	83,568
Rendering of services	**13**	12	**13**	12
Adjustment to present value	**(2,799)**	(1,668)	**(887)**	(338)
Total gross revenue	**201,992**	191,949	**94,966**	83,242
Sales tax	**(26,226)**	(23,543)	**(8,824)**	(7,314)
Refunds and rebates	**(2,228)**	(280)	**(1,723)**	(58)
Total net operating income	**173,538**	168,126	**84,419**	75,870

24. Financial income and expenses

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

	Consolidated		Parent company	
	03/31/2015	03/31/2014	03/31/2015	03/31/2014
Financial expenses				
Interest	**(16,238)**	(13,120)	**(13,840)**	(9,498)
Exchange variation	**(78,916)**	(19,047)	**(71,921)**	(18,719)
IOF	**(389)**	(133)	**(17)**	(26)
Swap on financial operations	**(8,068)**	(10,216)	**(8,068)**	(10,216)
Adjustment to present value	**(1,744)**	(1,336)	**(1,499)**	(1,184)
Other expenses	**(1,255)**	(3,113)	**(116)**	(1,186)
	(106,610)	(46,965)	**(95,461)**	(40,829)
Financial income				
Interest	**1,896**	2,131	**2,484**	1,032
Exchange variation	**17,092**	25,592	**16,519**	24,833
Swap on financial operations	**15,656**	6,065	**15,654**	6,065
Adjustment to present value	**2,487**	2,147	**874**	895
Other income	**1,153**	1,146	**33**	38
	38,284	37,081	**35,564**	32,863
Net financial income (loss)	**(68,326)**	(9,883)	**(59,897)**	(7,966)

Notes to the financial statements

25. Expenses per type

	Consolidated		Parent company	
	03/31/2015	03/31/2014	03/31/2015	03/31/2014
Expenses according to the role				
Cost of goods sold	**(138,378)**	(122,418)	**(64,836)**	(62,132)
Sales expenses	**(22,245)**	(22,448)	**(7,817)**	(8,070)
General and administrative expenses	**(18,656)**	(16,085)	**(7,355)**	(6,707)
Other operating expenses	**(73,024)**	(4,075)	**(3,651)**	(1,947)
	(252,303)	(165,026)	**(83,659)**	(78,856)
Expenses per type				
Depreciation and amortization	**(8,503)**	(8,078)	**(2,607)**	(2,845)
Personnel expenses	**(60,965)**	(54,304)	**(29,068)**	(30,660)
Raw materials and use and consumption materials	**(66,757)**	(55,528)	**(16,404)**	(14,252)
Freight and commissions	**(9,712)**	(10,474)	**(3,442)**	(2,987)
Third party services	**(6,119)**	(4,061)	**(16,944)**	(11,950)
Advertising and publicity	**(4,183)**	(3,908)	**(300)**	(470)
Provision for loss on Renill notes	**(1,117)**	(1,047)	**-**	-
Product warranty expenses	**(3,539)**	(2,620)	**(2,214)**	(2,620)
Water and energy	**(3,465)**	(2,738)	**(1,874)**	(1,613)
Cost of write-off property, plant and equipment	**(2,621)**	(821)	**(2,502)**	(678)
Losses in the production process	**(5,629)**	(6,882)	**(4,303)**	(6,103)
Provision for contingencies	**(67,307)**	-	**-**	-
Other expenses	**(12,386)**	(14,565)	**(4,001)**	(4,678)
	(252,303)	(165,026)	**(83,659)**	(78,856)

26. Cost of goods sold

	Consolidated		Parent company	
	03/31/2015	03/31/2014	03/31/2015	03/31/2014
Allocated cost of goods sold	**132,748**	114,924	**60,533**	56,029
Unallocated costs	**5,630**	7,494	**4,303**	6,103
Total cost of goods sold	**138,378**	122,418	**64,836**	62,132

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

27. Insurance coverage

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

On March 31, 2015, Company insurance coverage was as follows:

	03/31/2015	
	Consolidated	Parent company
Material damages	260,710	73,701
Civil liability	43,139	8,000
Loss of profit	5,841	-

Notes to the financial statements

28. Subsequent events

a) Carter case

As described in note 19, the Board of Directors' meeting held on April 17, 2015 approved the execution of a preliminary agreement to end lawsuits filed with the U.S. District Court for the Southern District of Florida against Taurus and its subsidiary in the USA, Taurus Holdings. Inc. and Taurus International Manufacturing, Inc. (together the, "Companies"). Said agreement refers to lawsuit 'Chris Carter versus Forjas Taurus S.A. et. al.', related to alleged faults presented by certain pistol models manufactured by the Companies.

b) Capital increase

The Board of Directors' meeting held on April 28, 2015 approved the proposal presented by the Executive Board to increase the Company's capital by up to R$100,000,000.00 through private issuance of 20,028,798 new common shares and 18,285,379 new preferred shares, at issuance price of R$2.61 per share; a subscription bonus issued by the Company is assigned as additional benefit to subscribers of each new share. Detailed information on capital increase and issuance of subscription bonus may be found in the minutes of the Board of Directors' meeting and in communication provided for in Attachment 30 - XXXII of CVM Instruction no. 480/2009, which were made available in CVM website and in website for the Company's investor relations.

Opinions and Statements / Special Review Report - Unqualified

Report on the review of quarterly information - ITR

To the Shareholders, Board Members and Directors of

Forjas Taurus S.A.

Porto Alegre – RS

Introduction

We have reviewed the interim, individual and consolidated accounting information of Forjas Taurus S.A. ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended March 31, 2015, which comprise the balance sheet on March 31, 2015 and related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the quarter then ended, including explanatory notes.

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

Scope of the review

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

Conclusion on the interim information

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

Other issues

Statements of added value

We also reviewed the individual and consolidated value-added statements for the quarter ended on March 31, 2015, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities and Exchange Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Corresponding amounts

Corresponding amounts of individual and consolidated balance sheets as of December 31, 2014 were previously audited by other independent auditors that issued a non-qualified report dated March 26, 2015; and amounts of individual and consolidated financial statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the three-month period ended March 31, 2014 were previously reviewed by other independent auditors that issued an unqualified report dated May 13, 2014.

Porto Alegre, May 14, 2015.

KPMG Auditores Independentes

CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

Opinions and Statements / Fiscal Council opinion or equivalent body

Supervisory Board of Forjas Taurus S.A., in compliance with legal and bylaws’ provisions, reviewed information related to the first quarter of 2015. Based on this review and on information of Report on Review of Quarterly Information, issued without qualifications by KPMG Auditores Independentes and dated May 14, 2015, as well as information and clarifications received from the Company’s management, said documents have the conditions to be disclosed.

Porto Alegre, May 15, 2015.

Amoreti Franco Gibbon

Haroldo Zago

Mauro César Medeiros de Mello

Reinaldo Fujimoto

Juliano Puchalski Teixeira

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

REPRESENTATION OF FORJAS TAURUS S.A. BOARD MEMBERS ON FINANCIAL STATEMENTS FOR THE 1ST QUARTER OF 2015

Messrs. André Ricardo Balbi Cervino, Eduardo Ermida Moretti and Thiago Piovesan, Officers of Forjas Taurus S.A., company with head office at Avenida do Forte, 511, Vila Ipiranga, Porto Alegre, Rio Grande do Sul State (RS), enrolled in CNPJ under no. 92,781,335/0001-02, in compliance with provisions of items V and VI of Article 25 of CVM Instruction no. 480, of December 7, 2009, state that they have reviewed, discussed and agreed with Financial Statements of Forjas Taurus S.A. and consolidated companies for the period from January 1, 2015 to March 31, 2015.

Porto Alegre, May 12, 2015.

André Ricardo Balbi Cervino

CEO

Eduardo Ermida Moretti

Sales and Marketing Officer and Vice CEO

Thiago Piovesan

Administrative and Financial Officer and Vice CEO

Investor Relations Director

Opinions and Representations / Representation of the Board Members on the Independent auditors' report

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

Messrs. André Ricardo Balbi Cervino, Eduardo Ermida Moretti and Thiago Piovesan, Officers of Forjas Taurus S.A., company with head office at Avenida do Forte, 511, Vila Ipiranga, Porto Alegre, RS, enrolled in CNPJ under no. 92,781,335/0001-02, in compliance with provisions of items V and VI of Article 25 of CVM Instruction no. 480, of December 7, 2009, state that they have reviewed, discussed and agreed with opinions expressed by KPMG Auditores Independentes on Financial Statements for the period from January 1, 2015 to March 31, 2015, issued on May 14 2015.

Porto Alegre, May 15, 2015.

André Ricardo Balbi Cervino

CEO

Eduardo Ermida Moretti

Sales and Marketing Officer and Vice CEO

Thiago Piovesan

Administrative and Financial Officer and Vice CEO

Investor Relations Director