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Company information / Capital composition

Quantity of shares (Units)	Current quarter 09/30/2016
Paid-in capital	
Common	44,642,459
Preferred	13,636,110
Total	58,278,569
Treasury	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
1	Total assets	845,617	888,338
1.01	Current assets	264,530	244,727
1.01.01	Cash and cash equivalents	1,264	15,822
1.01.01.01	Cash and banks	1,202	15,822
1.01.01.02	Marketable securities	62	0
1.01.02	Interest earning bank deposits	2,470	3,495
1.01.03	Accounts receivable	68,346	71,152
1.01.03.01	Trade accounts receivable	68,346	71,152
1.01.04	Inventories	157,649	106,345
1.01.06	Recoverable taxes	8,311	16,031
1.01.06.01	Current taxes recoverable	8,311	16,031
1.01.07	Prepaid expenses	15,864	13,191
1.01.08	Others current assets	10,626	18,691
1.01.08.03	Others	10,626	18,691
1.01.08.03.01	Financial instruments	0	6,920
1.01.08.03.03	Related parties	3,901	81
1.01.08.03.04	Other accounts receivable	6,725	11,690
1.02	Non-current assets	581,087	643,611
1.02.01	Long-term assets	22,373	86,204
1.02.01.01	Interest earning bank deposits measured at fair value	363	12,586
1.02.01.01.01	Trading securities	363	12,586
1.02.01.06	Deferred taxes	8,404	9,149
1.02.01.06.01	Deferred income and social contribution taxes	8,404	9,149
1.02.01.08	Related party credits	8,218	62,602
1.02.01.08.04	Other related party credits	8,218	62,602
1.02.01.09	Other non-current assets	5,388	1,867
1.02.01.09.03	Recoverable taxes	293	293
1.02.01.09.04	Others	5,095	1,574
1.02.02	Investments	514,629	518,257
1.02.02.01	Ownership interest	514,629	518,257
1.02.02.01.02	Interest in subsidiaries	514,439	518,067
1.02.02.01.04	Other ownership interest	190	190
1.02.03	Property, plant and equipment	40,463	34,338
1.02.03.01	Fixed assets in operation	27,003	26,753
1.02.03.03	Construction in progress	13,460	7,585
1.02.04	Intangible assets	3,622	4,812
1.02.04.01	Intangible assets	3,622	4,812

Individual financial statements/ Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
2	Total liabilities	845,617	888,338
2.01	Current liabilities	821,318	720,243
2.01.01	Social and labor obligations	16,120	19,532
2.01.01.01	Social charges	3,825	3,844
2.01.01.02	Labor obligations	12,295	15,688
2.01.02	Suppliers	144,358	119,075
2.01.02.01	Domestic suppliers	135,214	112,017
2.01.02.02	Foreign suppliers	9,144	7,058
2.01.03	Tax liabilities	4,769	1,673
2.01.03.01	Federal tax liabilities	3,715	919
2.01.03.01.01	Income and social contribution tax payable	958	728
2.01.03.01.02	Other taxes	2,757	191
2.01.03.02	State tax liabilities	1,016	745
2.01.03.03	Municipal tax liabilities	38	9
2.01.04	Loans and financing	311,351	288,058
2.01.04.01	Loans and financing	180,127	193,168
2.01.04.01.01	In domestic currency	30,104	13,537
2.01.04.01.02	In foreign currency	150,023	179,631
2.01.04.02	Debentures	131,224	94,890
2.01.05	Other liabilities	320,844	271,528
2.01.05.02	Others	320,844	271,528
2.01.05.02.01	Dividends and interest on own capital	3	4
2.01.05.02.04	Related parties	22,970	25,120
2.01.05.02.05	Foreign exchange withdrawals	180,961	191,948
2.01.05.02.06	Derivative financial instruments	7,962	0
2.01.05.02.07	Advance of receivables	1,400	969
2.01.05.02.08	Advances from clients	94,079	39,610
2.01.05.02.09	Other liabilities	13,469	13,877
2.01.06	Provisions	23,876	20,377
2.01.06.01	Tax, social security, labor and civil provisions	16,706	13,314
2.01.06.01.02	Social security and labor provisions	16,158	12,589
2.01.06.01.04	Civil provisions	548	725
2.01.06.02	Other provisions	7,170	7,063
2.01.06.02.01	Provisions for guarantees	7,170	7,063
2.02	Non-current liabilities	157,533	228,211
2.02.01	Loans and financing	77,745	125,508
2.02.01.01	Loans and financing	77,745	92,535
2.02.01.01.01	In domestic currency	12,022	21,300
2.02.01.01.02	In foreign currency	65,723	71,235
2.02.01.02	Debentures	0	32,973
2.02.02	Other liabilities	78,004	99,910
2.02.02.01	Liabilities from Related parties	37,775	47,487
2.02.02.01.02	Debits with subsidiaries	5,229	6,290
2.02.02.01.04	Debts with other related parties	32,546	41,197
2.02.02.02	Others	40,229	52,423
2.02.02.02.03	Taxes payable	1,097	1,610

Individual financial statements/ Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
2.02.02.02.04	Provision for unsecured liability	36,069	46,704
2.02.02.02.05	Other liabilities	3,063	4,109
2.02.04	Provisions	1,784	2,793
2.02.04.01	Tax, social security, labor and civil provisions	1,784	2,793
2.02.04.01.02	Social security and labor provisions	1,784	2,793
2.03	Shareholders’ equity	-133,234	-60,116
2.03.01	Realized capital	393,977	364,735
2.03.02	Capital reserves	-40,996	-29,295
2.03.02.06	Advances for future capital increase	0	11,701
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained earnings/losses	-609,317	-566,155
2.03.06	Equity valuation adjustments	30,749	31,739
2.03.07	Accumulated translation adjustments	92,353	138,860

Individual financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current quarter 07/01/2016–09/30/2016	Accumulated of the current year - 01/01/2016–09/30/2016	Same quarter of the prior year - 07/01/2015–09/30/2015	Accumulated of the prior year - 01/01/2015–09/30/2015
3.01	Income from sales of goods and/or services	146,257	334,036	139,840	319,663
3.02	Cost of goods and/or services sold	-145,074	-288,618	-96,093	-236,144
3.03	Gross income	1,183	45,418	43,747	83,519
3.04	Operating expenses/income	-33,883	-112,188	-35,599	-148,640
3.04.01	Sales expenses	-13,949	-27,173	-8,332	-22,075
3.04.02	General and administrative expenses	-13,415	-50,863	-10,302	-30,778
3.04.04	Other operating income	1,834	3,312	5,502	8,585
3.04.05	Other operating expenses	-14,626	-18,750	-3,986	-7,957
3.04.06	Equity income (loss)	6,273	-18,714	-18,481	-96,415
3.05	Income (loss) before financial income and taxes	-32,700	-66,770	8,148	-65,121
3.06	Financial income	-22,743	23,363	-121,337	-188,491
3.06.01	Financial income	-4,581	89,861	17,728	101,945
3.06.02	Financial expenses	-18,162	-66,498	-139,065	-290,436
3.07	Income (loss) before income tax	-55,443	-43,407	-113,189	-253,612
3.08	Income and social contribution taxes	0	-745	9,910	5,160
3.08.02	Deferred	0	-745	9,910	5,160
3.09	Net revenue from continued operations	-55,443	-44,152	-103,279	-248,452
3.11	Income/loss for the period	-55,443	-44,152	-103,279	-248,452
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	-0.95134	-0.75760	-2.55336	-6.14247
3.99.01.02	Preferred shares	-0.95134	-0.75760	-2.55336	-6.14247
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	-0.95027	-0.75675	-2.45662	-5.90975
3.99.02.02	Preferred shares	-0.95027	-0.75675	-2.45662	-5.90975

Individual financial statements / Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current quarter 07/01/2016–09/30/2016	Accumulated of the current year - 01/01/2016–09/30/2016	Same quarter of the prior year - 07/01/2015–09/30/2015	Accumulated of the prior year - 01/01/2015–09/30/2015
4.01	Net revenue for the period	-55,443	-44,152	-103,279	-248,452
4.02	Other comprehensive income	2,956	-46,507	58,211	94,192
4.02.01	Period conversion adjustments	2,956	-46,507	58,211	94,192
4.03	Comprehensive income for the period	-52,487	-90,659	-45,068	-154,260

Individual financial statements / Statement of cash flows - Indirect method (In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2016–09/30/2016	Accumulated of the prior year - 01/01/2015–09/30/2015
6.01	Net cash from operating activities	36,861	83,336
6.01.01	Cash generated in operations	39,594	22,223
6.01.01.01	Net revenue for the year before income and social contribution taxes	-43,407	-253,612
6.01.01.02	Depreciation and amortization	4,990	7,606
6.01.01.03	Cost of written-off permanent assets	4,306	6,170
6.01.01.04	Allowance for doubtful accounts	2,654	-2,930
6.01.01.05	Equity income (loss)	18,714	96,415
6.01.01.07	Provision for derivative financial instruments	8,139	-17,449
6.01.01.08	Provision for interest on loans	42,043	40,927
6.01.01.09	Change in interest in subsidiaries	0	48
6.01.01.10	Provision for inventory loss	35,000	0
6.01.01.11	Provision for contingencies	2,383	3,577
6.01.01.12	Provision for guarantees	107	2,372
6.01.01.13	Foreign exchange rate on loans	-37,550	139,099
6.01.01.14	Write-off of goodwill on investment	2,215	0
6.01.02	Changes in assets and liabilities	-2,733	61,113
6.01.02.01	(Increase) decrease in trade accounts receivable	152	-5,781
6.01.02.02	(Increase) in inventories	-86,304	-23,882
6.01.02.03	Decrease (increase) in other accounts receivable	9,414	46
6.01.02.04	Increase in Suppliers	25,283	59,714
6.01.02.05	Increase in accounts payable and provisions	48,722	31,016
6.02	Net cash from investment activities	-20,790	-56,631
6.02.01	Receivables with related companies	-19,807	-38,547
6.02.02	Other long-term credits	0	-139
6.02.03	In investments	0	-32,803
6.02.04	In property, plant and equipment	-12,372	-2,250
6.02.05	In intangible assets	-1,859	-372
6.02.06	Interest earning bank deposits	13,248	17,480
6.03	Net cash from financing activities	-30,629	-39,498
6.03.01	Payment of interest on own capital and dividends	0	-2
6.03.02	Loans obtained	222,399	209,642
6.03.03	Payments of loans	-239,436	-262,258
6.03.05	Capital increase	17,541	39,859
6.03.06	Payment of interest on loans	-22,482	-29,251
6.03.07	Debts with related companies	-8,651	2,512
6.05	Increase (decrease) in cash and cash equivalents	-14,558	-12,793
6.05.01	Opening balance of cash and cash equivalents	15,822	25,161
6.05.02	Closing balance of cash and cash equivalents	1,264	12,368

Individual financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2016–09/30/2016

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	364,735	-29,295	0	-566,155	170,599	-60,116
5.03	Adjusted opening balances	364,735	-29,295	0	-566,155	170,599	-60,116
5.04	Capital transactions with partners	29,242	-11,701	0	0	0	17,541
5.04.01	Capital increases	29,242	-11,701	0	0	0	17,541
5.05	Total comprehensive income	0	0	0	-43,162	-47,497	-90,659
5.05.01	Net revenue for the period	0	0	0	-44,152	0	-44,152
5.05.02	Other comprehensive income	0	0	0	990	-47,497	-46,507
5.05.02.04	Translation adjustments in the period	0	0	0	0	-46,507	-46,507
5.05.02.06	Realization of equity valuation adjustments	0	0	0	990	-990	0
5.07	Closing balances	393,977	-40,996	0	-609,317	123,102	-133,234

Individual financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2015–09/30/2015

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	324,876	-40,996	0	-317,290	85,525	52,115
5.03	Adjusted opening balances	324,876	-40,996	0	-317,290	85,525	52,115
5.04	Capital transactions with partners	39,859	0	0	0	0	39,859
5.04.01	Capital increases	39,859	0	0	0	0	39,859
5.05	Total comprehensive income	0	0	0	-244,113	89,853	-154,260
5.05.01	Net revenue for the period	0	0	0	-248,452	0	-248,452
5.05.02	Other comprehensive income	0	0	0	4,339	89,853	94,192
5.05.02.04	Translation adjustments in the period	0	0	0	0	94,192	0
5.05.02.06	Realization of equity valuation adjustments	0	0	0	4,339	-4,339	0
5.07	Closing balances	364,735	-40,996	0	-561,403	175,378	-62,286

Individual financial statements / Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2016–09/30/2016	Accumulated of the prior year - 01/01/2015–09/30/2015
7.01	Income	362,331	381,337
7.01.01	Sale of merchandise, products and services	361,673	369,822
7.01.02	Other income	3,312	8,585
7.01.04	Formation/reversal of allowance for doubtful accounts	-2,654	2,930
7.02	Inputs acquired from third parties	-316,445	-246,225
7.02.01	Cost of products, goods and services sold	-150,039	-130,731
7.02.02	Materials, Energy, Third-party services and other	-166,406	-115,494
7.03	Gross added value	45,886	135,112
7.04	Retentions	-4,990	-7,606
7.04.01	Depreciation, amortization and depletion	-4,990	-7,606
7.05	Net added value produced	40,896	127,506
7.06	Added value received as transfer	71,147	5,531
7.06.01	Equity income (loss)	-18,714	-96,415
7.06.02	Financial income	89,861	101,946
7.07	Total added value payable	112,043	133,037
7.08	Distribution of added value	112,043	133,037
7.08.01	Personnel	46,022	69,048
7.08.01.01	Direct remuneration	38,921	57,645
7.08.01.02	Benefits	4,394	7,300
7.08.01.03	Severance Pay Fund (FGTS)	2,707	4,103
7.08.02	Taxes, duties and contributions	41,945	21,484
7.08.02.01	Federal	21,672	14,562
7.08.02.02	State	20,136	6,886
7.08.02.03	Municipal	137	36
7.08.03	Third-party capital remuneration	68,228	290,957
7.08.03.01	Interest	66,498	290,436
7.08.03.02	Rents	1,730	521
7.08.04	Remuneration of own capital	-44,152	-248,452
7.08.04.03	Retained earnings / Loss for the period	-44,152	-248,452

Consolidated financial statements or Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
1	Total assets	929,511	1,022,340
1.01	Current assets	538,394	591,905
1.01.01	Cash and cash equivalents	23,407	60,312
1.01.01.01	Cash and banks	23,320	60,312
1.01.01.02	Marketable securities	87	0
1.01.02	Interest earning bank deposits	6,659	22,040
1.01.03	Accounts receivable	145,421	192,076
1.01.03.01	Trade accounts receivable	145,421	192,076
1.01.04	Inventories	280,023	221,861
1.01.06	Recoverable taxes	33,831	36,546
1.01.06.01	Current taxes recoverable	33,831	36,546
1.01.07	Prepaid expenses	27,412	19,239
1.01.08	Others current assets	21,641	39,831
1.01.08.01	Non-current assets held for sale	3,908	4,286
1.01.08.03	Others	17,733	35,545
1.01.08.03.01	Derivative financial instruments	0	6,920
1.01.08.03.02	Other accounts receivable	17,733	28,625
1.02	Non-current assets	391,117	430,435
1.02.01	Long-term assets	55,190	63,796
1.02.01.01	Interest earning bank deposits measured at fair value	555	12,586
1.02.01.01.01	Trading securities	555	12,586
1.02.01.06	Deferred taxes	44,425	45,830
1.02.01.06.01	Deferred income and social contribution taxes	44,425	45,830
1.02.01.09	Other non-current assets	10,210	5,380
1.02.01.09.03	Recoverable taxes	873	870
1.02.01.09.04	Others	9,337	4,510
1.02.02	Investments	21,553	12,004
1.02.02.01	Ownership interest	349	12,004
1.02.02.01.01	Interest in associated companies	0	11,655
1.02.02.01.04	Other ownership interest	349	349
1.02.02.02	Investment property	21,204	0
1.02.03	Property, plant and equipment	240,035	273,189
1.02.03.01	Fixed assets in operation	214,317	251,655
1.02.03.03	Construction in progress	25,718	21,534
1.02.04	Intangible assets	74,339	81,446
1.02.04.01	Intangible assets	74,339	81,446

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
2	Total liabilities	929,511	1,022,340
2.01	Current liabilities	934,609	802,939
2.01.01	Social and labor obligations	37,539	33,075
2.01.01.01	Social charges	9,218	10,266
2.01.01.02	Labor obligations	28,321	22,809
2.01.02	Suppliers	147,611	81,224
2.01.02.01	Domestic suppliers	127,164	65,571
2.01.02.02	Foreign suppliers	20,447	15,653
2.01.03	Tax liabilities	22,592	26,562
2.01.03.01	Federal tax liabilities	19,485	22,564
2.01.03.01.01	Income and social contribution tax payable	16,120	19,763
2.01.03.01.02	Other taxes	3,365	2,801
2.01.03.02	State tax liabilities	3,046	3,947
2.01.03.03	Municipal tax liabilities	61	51
2.01.04	Loans and financing	388,636	307,546
2.01.04.01	Loans and financing	257,412	212,656
2.01.04.01.01	In domestic currency	42,058	27,118
2.01.04.01.02	In foreign currency	215,354	185,538
2.01.04.02	Debentures	131,224	94,890
2.01.05	Other liabilities	278,929	311,103
2.01.05.02	Others	278,929	311,103
2.01.05.02.01	Dividends and interest on own capital	3	4
2.01.05.02.04	Derivative financial instruments	8,818	956
2.01.05.02.05	Foreign exchange withdrawals	180,961	191,948
2.01.05.02.08	Advance of receivables	4,993	54,589
2.01.05.02.09	Advances from clients	56,146	16,442
2.01.05.02.10	Other liabilities	28,008	47,164
2.01.06	Provisions	59,302	43,429
2.01.06.01	Tax, social security, labor and civil provisions	47,021	30,516
2.01.06.01.01	Tax provisions	318	318
2.01.06.01.02	Social security and labor provisions	33,657	29,262
2.01.06.01.04	Civil provisions	13,046	936
2.01.06.02	Other provisions	12,281	12,913
2.01.06.02.01	Provisions for guarantees	12,281	12,913
2.02	Non-current liabilities	128,136	279,517
2.02.01	Loans and financing	106,090	232,159
2.02.01.01	Loans and financing	106,090	199,186
2.02.01.01.01	In domestic currency	21,827	39,065
2.02.01.01.02	In foreign currency	84,263	160,121
2.02.01.02	Debentures	0	32,973
2.02.02	Other liabilities	5,758	5,719
2.02.02.02	Others	5,758	5,719
2.02.02.02.04	Taxes payable	2,695	1,610
2.02.02.02.05	Other liabilities	3,063	4,109
2.02.03	Deferred taxes	156	717
2.02.03.01	Deferred income and social contribution taxes	156	717

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 09/30/2016	Prior year 12/31/2015
2.02.04	Provisions	16,132	40,922
2.02.04.01	Tax, social security, labor and civil provisions	11,793	35,702
2.02.04.01.01	Tax provisions	6,586	6,133
2.02.04.01.02	Social security and labor provisions	2,312	3,245
2.02.04.01.04	Civil provisions	2,895	26,324
2.02.04.02	Other provisions	4,339	5,220
2.02.04.02.01	Provisions for guarantees	4,339	5,220
2.03	Consolidated shareholders' equity	-133,234	-60,116
2.03.01	Realized capital	393,977	364,735
2.03.02	Capital reserves	-40,996	-29,295
2.03.02.06	Advances for future capital increase	0	11,701
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained earnings/losses	-609,317	-566,155
2.03.06	Equity valuation adjustments	30,749	31,739
2.03.07	Accumulated translation adjustments	92,353	138,860

Consolidated financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current quarter 07/01/2016–09/30/2016	Accumulated of the current year - 01/01/2016–09/30/2016	Same quarter of the prior year - 07/01/2015–09/30/2015	Accumulated of the prior year - 01/01/2015–09/30/2015
3.01	Income from sales of goods and/or services	222,951	606,785	212,225	561,240
3.02	Cost of goods and/or services sold	-174,695	-447,981	-136,750	-395,595
3.03	Gross income	48,256	158,804	75,475	165,645
3.04	Operating expenses/income	-77,171	-229,175	-56,685	-218,237
3.04.01	Sales expenses	-34,464	-88,339	-25,968	-71,038
3.04.02	General and administrative expenses	-29,304	-103,338	-30,051	-74,428
3.04.04	Other operating income	2,807	4,630	6,776	11,040
3.04.05	Other operating expenses	-15,907	-40,324	-7,192	-83,267
3.04.06	Equity income (loss)	-303	-1,804	-250	-544
3.05	Income (loss) before financial income and taxes	-28,915	-70,371	18,790	-52,592
3.06	Financial income	-24,417	25,317	-131,850	-203,682
3.06.01	Financial income	-5,115	96,610	21,894	118,221
3.06.02	Financial expenses	-19,302	-71,293	-153,744	-321,903
3.07	Income (loss) before income tax	-53,332	-45,054	-113,060	-256,274
3.08	Income and social contribution taxes	-2,111	902	9,782	7,822
3.08.01	Current	-3,274	1,869	-1,547	-2,459
3.08.02	Deferred	1,163	-967	11,329	10,281
3.09	Net revenue from continued operations	-55,443	-44,152	-103,278	-248,452
3.11	Consolidated income/loss for the period	-55,443	-44,152	-103,278	-248,452
3.11.01	Attributed to the Parent company's partners	-55,443	-44,152	-103,278	-248,452
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	-0.95134	-0.75760	-2.55334	-6.14244
3.99.01.02	Preferred shares	-0.95134	-0.75760	-2.55334	-6.14244
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	-0.95027	-0.75675	-2.45660	-5.90973
3.99.02.02	Preferred shares	-0.95027	-0.75675	-2.45660	-5.90973

Consolidated financial statements or Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current quarter 07/01/2016–09/30/2016	Accumulated of the current year - 01/01/2016–09/30/2016	Same quarter of the prior year - 07/01/2015–09/30/2015	Accumulated of the prior year - 01/01/2015–09/30/2015
4.01	Consolidated net revenue for the period	-55,443	-44,152	-103,279	-248,452
4.02	Other comprehensive income	2,956	-46,507	58,211	94,192
4.02.01	Translation adjustments for the period	2,956	-46,507	58,211	94,192
4.03	Consolidated comprehensive income for the period	-52,487	-90,659	-45,068	-154,260
4.03.01	Attributed to the Parent company's partners	-52,487	-90,659	-45,068	-154,260

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2016–09/30/2016	Accumulated of the prior year - 01/01/2015–09/30/2015
6.01	Net cash from operating activities	45,331	12,819
6.01.01	Cash generated in operations	17,240	59,736
6.01.01.01	Net revenue before income and social contribution taxes	-45,053	-256,274
6.01.01.02	Depreciation and amortization	25,363	26,907
6.01.01.03	Cost of written-off permanent assets	8,815	3,202
6.01.01.05	Equity income (loss)	1,804	544
6.01.01.06	Provision for derivative financial instruments	8,411	-16,547
6.01.01.07	Allowance for doubtful accounts	3,476	-4,511
6.01.01.10	Provision for interest on loans	45,038	47,922
6.01.01.11	Foreign exchange rate on loans	-50,107	173,293
6.01.01.13	Write-off of investments	2,636	0
6.01.01.14	Write-off of goodwill on investment	2,215	0
6.01.01.15	Write-off of assets held for sale	0	103
6.01.01.16	Provision for inventory loss	35,000	0
6.01.01.18	Provision for contingencies	-18,845	79,842
6.01.01.19	Provision for guarantees	-1,513	5,255
6.01.02	Changes in assets and liabilities	29,052	-44,731
6.01.02.01	Decrease in trade accounts receivable	43,545	-32,277
6.01.02.02	Decrease (increase) in inventories	-93,162	-37,804
6.01.02.03	Decrease (increase) in other accounts receivable	-16,042	-25,748
6.01.02.04	Increase in Suppliers	66,231	15,420
6.01.02.05	Increase (decrease) in accounts payable and provisions	28,480	35,678
6.01.03	Others	-961	-2,186
6.01.03.02	Payment of income and social contribution taxes	-961	-2,186
6.02	Net cash from investment activities	717	-15,219
6.02.01	Receivables with related companies	1	0
6.02.02	Other credits	0	-657
6.02.03	In investments	5,000	0
6.02.04	In property, plant and equipment	-28,651	-11,602
6.02.05	In intangible assets	-3,045	-2,048
6.02.06	Interest earning bank deposits	27,412	-912
6.03	Net cash from financing activities	-82,953	-44,782
6.03.01	Payment of interest on own capital and dividends	0	-2
6.03.02	Loans obtained	278,858	309,871
6.03.03	Payment of loans	-354,281	-360,268
6.03.05	Capital increase	17,541	39,859
6.03.10	Payment of interest on loans	-25,071	-34,232
6.03.12	Others	0	-10
6.05	Increase (decrease) in cash and cash equivalents	-36,905	-47,182
6.05.01	Opening balance of cash and cash equivalents	60,312	104,536
6.05.02	Closing balance of cash and cash equivalents	23,407	57,354

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2016–09/30/2016

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	364,735	-29,295	0	-566,155	170,599	-60,116	0	-60,116
5.03	Adjusted opening balances	364,735	-29,295	0	-566,155	170,599	-60,116	0	-60,116
5.04	Capital transactions with partners	29,242	-11,701	0	0	0	17,541	0	17,541
5.04.01	Capital increases	29,242	-11,701	0	0	0	17,541	0	17,541
5.05	Total comprehensive income	0	0	0	-43,162	-47,497	-90,659	0	-90,659
5.05.01	Net revenue for the period	0	0	0	-44,152	0	-44,152	0	-44,152
5.05.02	Other comprehensive income	0	0	0	990	-47,497	-46,507	0	-46,507
5.05.02.04	Translation adjustments in the period	0	0	0	0	-46,507	-46,507	0	-46,507
5.05.02.06	Realization of equity valuation adjustments	0	0	0	990	-990	0	0	0
5.07	Closing balances	393,977	-40,996	0	-609,317	123,102	-133,234	0	-133,234

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2015–09/30/2015

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	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
5.04	Capital transactions with partners	39,859	0	0	0	0	39,859	0	39,859
5.04.01	Capital increases	39,859	0	0	0	0	39,859	0	39,859
5.05	Total comprehensive income	0	0	0	-244,113	89,853	-154,260	0	-154,260
5.05.01	Net revenue for the period	0	0	0	-248,452	0	-248,452	0	-248,452
5.05.02	Other comprehensive income	0	0	0	4,339	89,853	94,192	0	94,192
5.05.02.04	Translation adjustments in the period	0	0	0	0	94,192	94,192	0	94,192
5.05.02.06	Realization of equity valuation adjustments	0	0	0	4,339	-4,339	0	0	0
5.07	Closing balances	364,735	-40,996	0	-561,403	175,378	-62,286	0	-62,286

Consolidated financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2016–09/30/2016	Accumulated of the prior year - 01/01/2015–09/30/2015
7.01	Income	689,452	848,917
7.01.01	Sale of merchandise, products and services	688,298	833,366
7.01.02	Other income	4,630	11,040
7.01.04	Formation/reversal of allowance for doubtful accounts	-3,476	4,511
7.02	Inputs acquired from third parties	-426,679	-651,157
7.02.01	Cost of products, goods and services sold	-260,280	-357,509
7.02.02	Materials, Energy, Third-party services and other	-166,399	-293,648
7.03	Gross added value	262,773	197,760
7.04	Retentions	-25,363	-26,907
7.04.01	Depreciation, amortization and depletion	-25,363	-26,907
7.05	Net added value produced	237,410	170,853
7.06	Added value received as transfer	94,806	111,732
7.06.01	Equity income (loss)	-1,804	-544
7.06.02	Financial income	96,610	112,276
7.07	Total added value payable	332,216	282,585
7.08	Distribution of added value	332,216	282,585
7.08.01	Personnel	169,774	136,631
7.08.01.01	Direct remuneration	146,765	115,413
7.08.01.02	Benefits	16,268	14,375
7.08.01.03	Severance Pay Fund (FGTS)	6,741	6,843
7.08.02	Taxes, duties and contributions	128,806	77,743
7.08.02.01	Federal	98,473	53,348
7.08.02.02	State	30,083	24,294
7.08.02.03	Municipal	250	101
7.08.03	Third-party capital remuneration	77,788	316,663
7.08.03.01	Interest	70,933	315,957
7.08.03.02	Rents	6,855	706
7.08.04	Remuneration of own capital	-44,152	-248,452
7.08.04.03	Retained earnings / Loss for the period	-44,152	-248,452

Performance comment

3Q16

FORJAS TAURUS S.A.

PRESS RELEASE

Performance comment

Porto Alegre, November 11, 2016 - Forjas Taurus S.A. listed on Level 2 of BM&FBOVESPA Corporate Governance (Symbols: **FJTA3, FJTA4**), one of the largest manufacturers of light firearm in the world and national leader in the market of helmets for motorcyclists, as well as operates in the sectors of *Containers,* Plastics and M.I.M. *(Metal Injection Molding),* announces its financial results for the **third quarter of 2016 (3Q16).**

1. Highlights for the 3rd quarter of 2016 (3Q16)

3Q16 Financial Results Conference Call*

Wednesday, November 16, 2016

Time: 10h (Brazil)
7 am (US-EST)

Accesses in Portuguese:
-55 11 3193-1001
-55 11 2820-4001

Access in English:
+1 786 924-6977 (USA)
+44 20 3514 0445 (GBR)

Password: Taurus

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

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- ✓ **Consolidated net revenue totaled R$ 223.0 million in the 3Q16, a growth of 12.5% in relation to the 2Q16;**
- ✓ **Consolidated gross margin recorded 21.7% in 3Q16,** strongly affected by the recognition of provision for *impairment* of inventories in the quarter. The consolidated gross margin without the effects of the provision reached 31.2% in 3Q16, 1.2p.p. lower in relation to 2Q16;
- ✓ **Adjusted EBITDA in the quarter reached R$ 14.5 million in 3Q16;**
- ✓ **Production of firearms presented new growth in 3Q16,** expanding 20% compared to 2Q16, with highlight for the month of August/2016, when the Company reached historical production record;
- ✓ **Process of renegotiation of debts with certain banks creditors at final phase of conclusion.** The conditions preceding the conclusion of the process have already been met by the Company and the process is at its final phase of legal and operating formalizations to reschedule approximately US$ 150 million of financial debts.

Performance comment

2. Consolidated Economic and Financial Performance

In table below, consolidated economic-financial performance of the Company in the 3Q16, compared to performance in the 2Q16 and 3Q15.

Consolidated Economic and Financial Summary

In millions of Reais

Indicators	3Q16	2Q16	3Q15	9M16	9M15	Variation		
						3Q16/2Q16	3Q16/3Q15	9M16/9M15
Net revenue	**223.0**	**198.3**	**212.2**	**606.8**	**561.2**	**12.5%**	**5.1%**	**8.1%**
Domestic market	62.4	48.3	62.2	156.7	172.0	29.2%	0.3%	-8.9%
Foreign market	160.6	150.0	150.0	450.1	389.2	7.1%	7.1%	15.6%
CGS	174.7	134.1	136.8	448.0	395.6	30.3%	27.8%	13.2%
Gross profit	48.3	64.2	75.5	158.8	165.6	-24.8%	-36.0%	-4.1%
Gross margin -%	**21.7%**	**32.4%**	**35.6%**	**26.2%**	**29.5%**	**-10.7 p.p.**	**-13.9 p.p.**	**-3.3 p.p.**
Adjusted gross margin -%	**31.2%**	**32.4%**	**35.6%**	**29.7%**	**29.5%**	**-1.2 p.p.**	**-4.4 p.p.**	**0.2 p.p.**
Operating expenses - SG&A	-77.2	-81.2	-56.7	-229.2	-218.2	-4.9%	36.2%	5.0%
Operating income (EBIT)	-28.9	-17.0	18.8	-70.4	-52.6	-	-253.8%	33.9%
EBIT Margin - %	**-13.0%**	**-8.6%**	**8.9%**	**-11.6%**	**-9.4%**	**-4.4 p.p.**	**-21.8 p.p.**	**-2.2 p.p.**
Net financial income	-24.4	29.9	-131.9	25.3	-203.7	-	-81.5%	-
Depreciation and amortization	8.4	5.0	10.0	25.4	26.9	68.0%	-16.0%	-5.6%
Income/loss - Consolidated	-55.4	14.6	-103.3	-44.2	-248.5	-	-46.3%	-82.2%
Net Consolidated Margin - %	**-24.9%**	**7.3%**	**-48.7%**	**-7.3%**	**-44.3%**	**-32.2 p.p.**	**23.8 p.p.**	**37.0 p.p.**
EBITDA (*)	-20.5	-11.9	28.8	-44.9	-25.7	72.3%	-	74.7%
EBITDA Margin – %	**-9.2%**	**-6.0%**	**13.6%**	**-7.4%**	**-4.6%**	**-3.2 p.p.**	**-22.8 p.p.**	**-2.8 p.p.**
Total assets	929.5	954.9	1,045.3	929.5	1,045.3	-2.7%	-11.1%	-11.1%
Provision for unsecured liability	-133.2	-80.7	-62.3	-133.2	-62.3	65.1%	113.9%	113.9%

(*) In the current quarter, there is a provision for *impairment* of inventories, in the amount of R$ 35.0 million. Not considering this value, the EBITDA for the quarter totaled R$ 14.5 million.

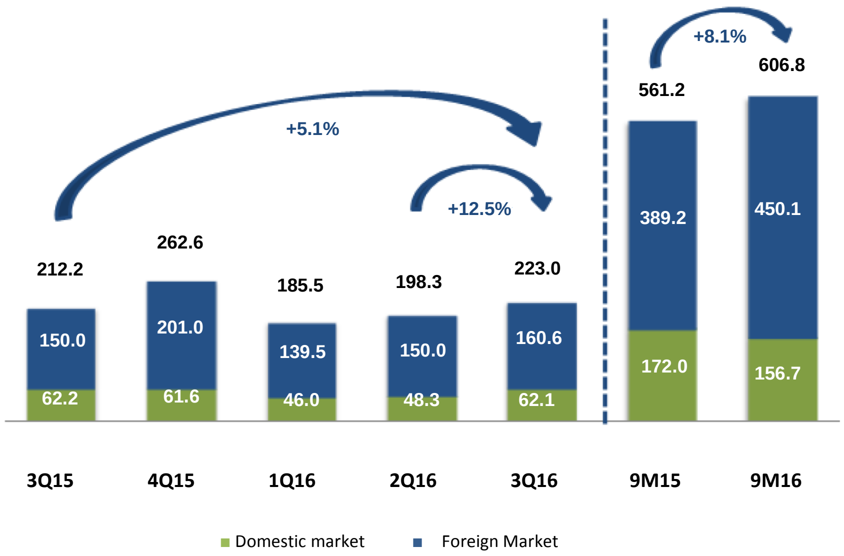
Net revenue

The continuity of the movement of depreciation of the U.S. dollar had strong impact on the net revenue and on the margins of the Company. In 3Q16, the average quotation of the U.S. dollar depreciated 7.3% against the Real in relation to the average rate of 2Q16, restricting the improvement of the Company’s net revenue, which grew 12.5% in 3Q16 compared to 2Q16, since exports continue to represent the major part of the Company’s net sales, accounting for 72% of income in this quarter. In the accumulated for the first nine months of this year, the Company’s net revenue is 8.1% higher than in the same period of 2015, totaling R$ 606.8 million.

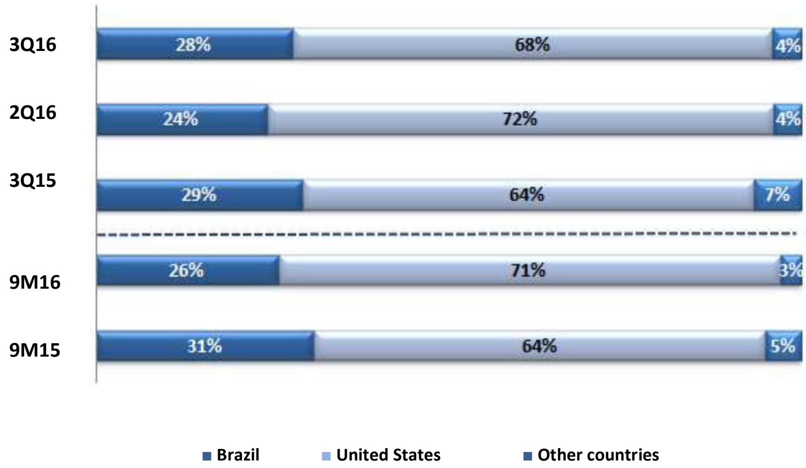
Performance comment

Net revenue - by Market

Amounts in millions of reais



Net revenue by Geography



In the 3Q16, exports had a growth of 7.1% in relation to the 2Q16, totaling R$ 160.6 million. Sales to the EUA increased 6.7% in this quarter against the former quarter, totaling R$ 151.5 million. Sales in other countries totaled R$ 9.1 million in the 3Q16, a growth of 13.8% in relation to the 2Q16.

The Brazilian market was also a highlight in the quarter, presenting a growth of 29.2% compared to 2Q16, recording R$ 62.4 million. This growth is due to the recovery of the domestic market of firearms which increased 132.6% in 3Q16 against 2Q16. The sector of helmets, in turn, continued to suffer pressure in view of the current challenging economic environment, with sales reduced by 12.8% in the current quarter compared to the former quarter.

Performance comment

NET REVENUE In millions of Reais	3Q16	2Q16	3Q15	9M15	9M15	Variation 3Q16/2Q16	3Q16/3Q15	9M16/9M15
TOTAL	223.0	198.3	212.2	606,8	561.2	12.5%	5.1%	8.1%
Brazil	62.4	48.3	62.2	156.7	172.0	29.2%	0.3%	-8.9%
United States	151.5	142.0	135.8	429.1	356.5	6.7%	11.6%	20.4%
Other countries	9.1	8.0	14.2	21.0	32.7	13.8%	-35.9%	-35.8%
Exports	160.6	150.0	150.0	450.1	389.2	7.1%	7.1%	15.6%

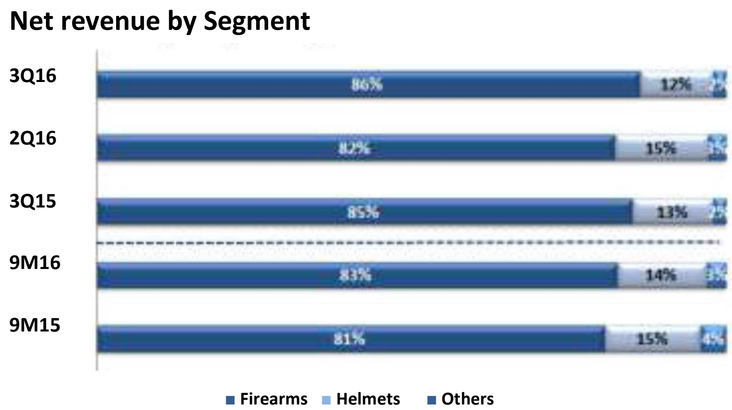


Chart above presents distribution of the Company's consolidated net revenue per business segment. Due to the continuous increase of the production of firearms in the quarter, this sector continued to increase its share in income, from 82% in 2Q16 to 86% in 3Q16. On the other hand, the sector of helmets reduced its share from 15% to 12% in the same period, and the sector of "other" reduced its share from 3% in 2Q16 to 2% in 3Q16.

Segment information

The table below sets out consolidated financial highlights by segment: The margin of the quarter in the sector of firearms is affected by the provision for *impairment* of inventories recognized in the quarter. As disclosed in the note of inventories (note 10 to the Quarterly Information), this provision was recognized, mainly, to protect the financial statements against potential adjustments of year-end physical inventory, which may be partially reversed, in case such adjustment is not observed.

Comparative Quarter - Current Quarter x Previous Quarter

	Net revenue					Gross margin		
	3Q16	share %	2Q16	share %	Var.	3Q16	2Q16	Var.
Firearms	192.5	86%	163.2	82%	18.0%	19.4%	31.3%	-11.3 p.p.
Helmets	26.0	12%	29.8	15%	-12.8%	28.5%	31.9%	-3.4 p.p.
Others	4.5	2%	5.3	3%	-15.1%	80.0%	67.9%	12.1 p.p.
Total	**223.0**	*100%*	**198.3**	100%	12.5%	**21.7%**	**32.4%**	**-10.7 p.p.**

Performance comment

Comparative Quarter - Year over Year

	Net revenue					Gross margin		
	3Q16	share %	3Q15	share %	Var.	3Q16	3Q15	Var.
Firearms	192.5	86%	179.6	85%	7.2%	19.4%	37.5%	-18.1
Helmets	26.0	12%	27.3	13%	-4.7%	28.5%	26.7%	1.3
Others	4.5	1%	5.4	2%	-16.3%	80.0%	17.3%	62.7
Total	**223.0**	100%	**212.2**	100%	5.1%	**21.7%**	**35.6%**	**-13.9**

Nine-month period comparison

	Net revenue					Gross margin		
	9M16	share %	9M15	share %	Var.	9M16	9M15	Var.
Firearms	503.1	83%	456.5	81%	10.2%	23.4%	29.7%	-6.3
Helmets	86.1	14%	86.1	15%	0.0%	34.1%	31.8%	2.4
Others	17.6	3%	**18.7**	4%	-5.8%	66.5%	13.6%	52.9
Total	**606.8**	100%	**551.2**	100%	8.1%	**26.2%**	**29.5%**	**-3.3**

I. Firearms

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

						Variation		
NET REVENUE **In millions of Reais**	3Q16	2Q16	3Q15	9M16	9M15	3Q16/2Q16	3Q15/3Q15	9M16/9M15
Firearms	192.5	163.2	179.6	503.1	456.5	18.0%	7.2%	10.2%
Brazil	33.5	14.4	31.1	56.8	71.3	132.6%	7.7%	-20.3%
United States	149.9	140.8	134.5	425.2	353.0	6.5%	11.4%	20.5%
Other countries	9.1	8.0	14.0	21.1	32.2	13.8%	-35.0%	-34.5%
Exports	159.0	148.8	148.5	446.3	385.2	6.9%	7.1%	15.9%

In the 3Q16, the net sales of firearms amounted to R$ 192.5 million, 18.0% above the R$ 163.2 million presented in the prior quarter and 7.2% above the same quarter of 2015. The increase of production in 3Q16, of around 20% in relation to 2Q16, was the principal factor for the growth of sales of firearms in the quarter. The sales of Firearms in Brazil totaled R$ 33.5 million in 3Q16, 132.6% higher than in 2Q16. With public budgets still compressed, the growth of sales to the Brazilian civil market was the highlight in this quarter. In the accumulated for 2016, sales in the domestic market amounted to R$ 56.8 million, a reduction of 20.3% compared to the same period of 2015.

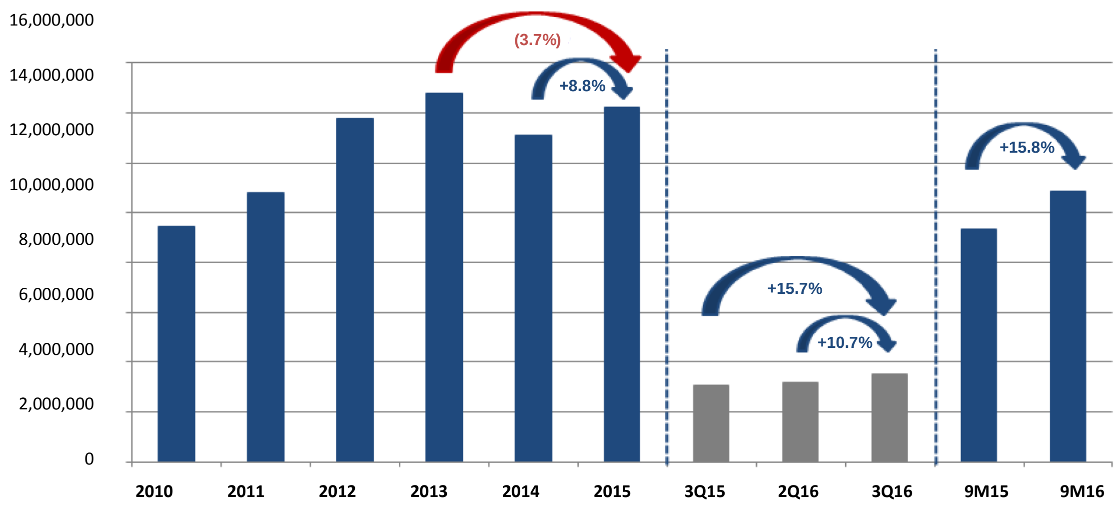
Performance comment

This higher production also positively affected exports to other countries, whose sales increased 13.8% in 3Q16 compared to 2Q16, totaling R$ 9.1 million. The depreciation of the average U.S. dollar restricted the growth of the Company's revenue and margin from these exports. In the nine months of 2016, sales to other countries amounted to R$ 21.1 million, a decrease of 34.5% against the accumulated for 2015.

The sales of Firearms, in the USA, increased 6.5% in 3Q16 against 2Q16, totaling R$ 149.9 million. Similarly, to exports to other countries, the increase of sales in the U.S. market was negatively affected by the exchange issue. We also point out that the demand for the Company's products continues high in that market. In the analysis of the performance of this market, based on the NICS index *(National Instant Background Check System),* which permits to check the intentions of purchases of firearms in the USA, we observe a growth of 10.7% in that market in 3Q16 against 2Q16, aligned with the growth of the Company's sales volume, in that country, in the period. In the accumulated for this year, sales in the U.S. market amount to R$ 425.2 million, 20.5% above the result in the same period of 2015.

NICS - *National Instant Background Check System*

Quantity of inquiries



The gross margin of firearms reached 19.4% in the quarter, 11.8 p.p lower than in 2Q16. This result was negatively affected by the recognition of the provision for *impairment* of inventories, in the amount of R$ 21.5 million, in regard to a possible effect of losses on inventories, to be realized in the fourth quarter of 2016.

Not considering this effect, the gross margin would have attained 30.4% in 3Q16, which would represent a slight reduction of 0.8 p.p. of this indicator compared to 2Q16, in view of the depreciation of the U.S. dollar, although the Company has gradually improved its mix of market and mix of products. It is important to remember that Taurus' costs are in Reais and that more than 70% of its income is in U.S. dollars. In the nine months of 2016, the gross margin of firearms reached 23.4%, 6.3 p.p. lower than in the nine months of 2015.

Performance comment

II. Helmets

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

						Variation		
NET REVENUE In millions of **Reais**	**3Q16**	**2Q16**	**3Q15**	**9M15**	**9M15**	**3Q16/2Q16**	**3Q16/3Q15**	**9M16/9M15**
Helmets	**26.6**	**29.8**	**27.4**	**86.1**	**86.1**	**-12.8%**	**-5.1%**	**0.0%**
Brazil	26.6	29.8	27.2	86.1	86.1	-12.8%	-4.4%	0.6%
Exports	-	-	**0.2**	-	**0.5**	-	-	-

In the 3Q16, the net revenue from helmets was R$ 26.0 million, 12.8% down as compared with R$ 29.8 million of the prior quarter. This lower level of sales results from a challenging domestic economic environment as well as from a movement of increase of clients' inventories at the end of the second quarter, advancing its purchases in view of price changes occurred in that period.

Comparing the evolution of physical sales of helmets, as market indicator, with the physical sales of motorcycles in Brazil in 3Q16 against 2Q16, there is a drop of 24.2% in the sales of helmets, and a reduction of 12.2% in the sales of motorcycles. This stronger reduction in the Company's physical sales of helmets in relation to the sales of motorcycles derives, as mentioned above, from the advance of purchases of clients at the end of 2Q16. In the accumulated for 2016, the net revenue from helmets records 86.1 million, stable in relation to the same period of 2015.

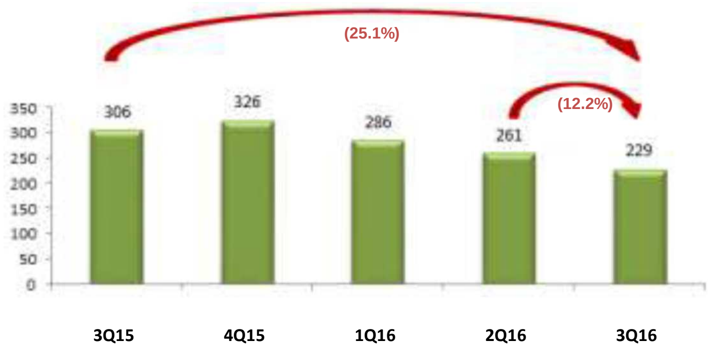
Changes in physical sales for motorcycle Helmets - Taurus

(Quantity in thousands)

Source: Company data

Changes in motorcycle physical sales in Brazil

(Quantity in thousands)



Source: Fenabrave

Performance comment

The gross margin of this sector was 28.5% in 3Q16, 3.4p.p. lower than in 2Q16 due to reduced sales that impaired the dilution of fixed production costs. In 9M16, the gross margin records 34.1%, increase of 2.4p.p. against 31.8% in 9M15.

III. Others

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

						Variation		
NET REVENUE In millions of Reais	**3Q16**	**2Q16**	**3Q15**	**9M16**	**9M15**	**3Q16/2Q16**	**3Q16/3Q15**	**9M16/9M15**
Others	**4.5**	**5.3**	5.4	**17.6**	**18.7**	**-15.1%**	**-16.7%**	**-5.9%**
Brazil	2.9	4.1	4.0	13.8	15.1	-29.3%	-27.5%	-8.6%
Exports	1.6	1.2	1.4	3.8	3.6	33.3%	14.3%	5.6%

This segment presented net sales totaling R$4.5 million in the 3Q16, which represents a decrease of 15.1% in relation to prior quarter. The current challenging economic scenario also impairs the performance of this sector, since the deficit government budgets reduce the bids for the products of this sector.

Operating expenses

In 3Q16, operating expenses recorded R$ 77.2 million, decrease of 4.9% in relation to R$ 81.2 million in the former quarter. It is important to remember that in 2Q16, operating expenses were extraordinarily affected: (i) by the sale of interest in Famastil which generated an accounting expense of R$ 4.9 million related to the sale of investment and to the goodwill on investment; and (ii) by the increase of provisions in the amount of R$ 10.3 million related to the confirmation of total legal fees related to Carter case already disclosed, whereas in 3Q16 they are affected by the addition to provision for *impairment* related to obsolescence and realization of inventories, in the amount of R$ 13.5 million. In the comparison of operating expenses in 3Q16 with operating expenses in 2Q16, excluding these extraordinary effects, there is also a reduction of 3.5% in this line.

Performance comment

In regard to net revenue, also adjusted by the extraordinary effects of this period, operating expenses in 3Q16 represented 28.6%, 4.7 p.p. lower against 33.3% recorded in 2Q16.

In the accumulated for 2016, operating expenses amounted to R$ 215.5 million, 1.3% lower than in the same period of 2015.

OPERATING EXPENSES (SG&A)
In millions of Reais

	3Q16	2Q16	3Q15	9M16	9M15	3Q16x2Q16	3Q16x3Q15	9M16x9M15
Operating expenses	77.2	81.2	56.7	215.4	218.2	-4.9%	36.2%	-1.3%
Non-recurring operating expenses	13.5	15.2	2.4	54.3	85.3	-11.2%	467.5%	-36.3%
Adjusted operating expenses	63.7	66.0	54.3	161.1	132.9	-3.5%	17.3%	21.2%
Net revenue	223.0	198.3	215.2	606.8	561.2	12.5%	3.6%	8.1%
% Operating expenses	34.6%	40.9%	26.3%	35.5%	38.9%	-6.3 p.p.	8.3 p.p.	-3.4 p.p.
% Adjusted operating expenses	28.6%	33.3%	25.2%	26.5%	23.7%	-4.7 p.p.	3.3 p.p.	2.9 p.p.

EBITDA and Adjusted EBITDA

EBITDA of the quarter was strongly affected by the recognition of provision for *impairment* of inventories, in the total amount of R$ 35.0 million related to possible effect of losses on inventories, to be realized in the fourth quarter of 2016. Because it is a provision for accounting protection against these effects, its value is not being considered in the calculation of EBITDA of the current quarter.

Not considering the effects of the provision mentioned above, the Adjusted EBITDA of 3Q16 presented result of R$ 14.5 million, a significant improvement in the performance compared to 2Q16, when it was recorded the negative amount of R$ 11.9 million. This evolution is due to the higher sales volume and reduction of operating expenses verified in the quarter.

CONSOLIDATED EBITDA
In millions of Reais

	3Q16	2Q16	3Q15	9M16	9M15
= Income/loss for the quarter	(55.4)	14.6	(103.3)	(44.1)	(248.5)
(+) IR/CSLL	2.1	(1.6)	(9.8)	(0.9)	(7.8)
(+) Financial income, Net	24.4	(29.9)	131.9	(25.3)	203.7
(+) Depreciation/amortization	8.4	5.0	10.0	25.4	26.9
= EBITDA CVM Inst. 527/12	**(20.5)**	**(11.9)**	**28.8**	**(44.9)**	**(25.7)**
Provision for impairment	35.0				
EBITDA 3Q16*	14.5				

(*) In the current quarter, there is a provision for *impairment* of inventories, in the amount of R$ 35.0 million. Not considering this value, the EBITDA for the quarter totaled R$ 14.5 million.

Performance comment

Financial income

In the 3Q16, the financial income was negative by R$24.4 million against positive income of R$ 29.9 million in the 2Q16. Contrary to the exchange movement in 2Q16, in this 3Q16, the closing U.S. dollar appreciated 1.2% compared to the closing of 2Q16, which made the line of exchange variation reduce from a positive balance of R$ 55.5 million in 2Q16 to a negative balance of R$ 5.3 million in this quarter, which is the principal highlight of this account.

The interest of loans and financing reduced, on average, returning to the level observed in 3Q15.

In 9M16, the financial result presents positive balance of R$ 25.3 million, against a negative balance of R$ 204.8 million in the 9M15.

FINANCIAL INCOME
In millions of Reais

	3Q16	2Q15	3Q15	9M16	9M15	3Q16x2Q16	3Q16x3Q15	9M16x9M15
Interest	(17.3)	(19.6)	(17.3)	(54.5)	(47.6)	-11.7%	0.0%	14.5%
Foreign exchange rate	(5.3)	55.5	(121.8)	93.3	(171.6)	-	-95.6%	-
Swap on financial operations	-	(4.4)	10.0	(9.1)	15.0	-	-	-
Other income (expenses)	(1,8)	(1.6)	(3.3)	(4.4)	(0.6)	12.5%	-45.5%	633.3%
Net financial income	**(24.4)**	**29.9**	**(132.4)**	**25.3**	**(204.8)**	-	**-81.6%**	-

Consolidated income

In 3Q16, the Company recorded a loss of R$ 55.4 million, against income of R$ 14.6 million in 2Q16. The result for the quarter was strongly affected by the recognition of provision for *impairment* of inventories, in the total amount of R$ 35.0 million, related to possible effect of losses on inventories, to be realized in the fourth quarter of 2016. In the accumulated for 2016, the Company records a loss of R$ 44.2 million, whereas in the accumulated for 2015 the loss was R$ 248.5 million. In both scenarios, the most important events in the generation of these results are related to the volume of production and sales, which is high in this year of 2016, as well as to the improvements in the margins and operating expenses verified this year. The financial result was the other principal factor of reduction of the accounting loss recorded this year, with higher stability in the exchange effects observed.

Performance comment

3. Financial position

The process of renegotiation of the Company's debts with its main creditors is at final phase of conclusion. The conditions preceding the conclusion of the process have already been met by the Company and the process is at final phase of legal formalizations to permit the disbursement of the operation and operationalization of the renegotiation of short-term debts. The terms of the Transaction have included the extension of the maturity amounting to approximately USD$150.0 million in debts. The period of the Transaction is five (5) years, including a two-(2)-year grace period to start paying the principal. In this quarter, there was an important progress in the conclusion of the renegotiation of another short-term debt with a financial institution that is not part of the main creditors mentioned above. The amount of US$ 19.7 million was renegotiated for payment in up to 3 years, being already classified in this quarter in long term, in the renegotiated portion.

In this quarter, the portion of the debt related to working capital with the creditor abroad was reclassified, for accounting purposes, due to non-compliance with financial covenants. The waiver of the operation was formalized only after the end of the quarter, reason why the accounting classifications could not be updated. The temporarily reclassified amount for short-term is US$ 18.8 million.

Below is the composition of Taurus' indebtedness on 30/09/2016 realized and the position simulated on proforma basis, which would be the renegotiated indebtedness in case the operation had been concluded up to Sept/16, as well as reverting the reclassification of short term for the waiver obtained on November 8th, 2016.

INDEBTEDNESS

In millions of Reais

INDEBTEDNESS		Proforma 09/30/2016	Realized on 09/30/2016	Proforma var		Realized on 06/30/2016	Realized 12/31/2015
				RS	%		
Short term	Loans and financing	22.4	257.4	-235.0	-91.3%	234.8	212.7
	Debentures	0.0	131.2	-131.2	-	130.2	94.9
	Advance of receivables	5.0	5.0	0.0	0.0%	6.5	54.6
	Foreign exchange withdrawals	31.5	181.0	-149.5	-	181.3	191.9
	Financial instruments	0.9	8.8	-7.9	-89.8%	9.0	-6.0
	TOTAL SHORT-TERM	**59.8**	**583.4**	**-523.6**	**-89.7%**	**561.8**	**548.1**
Long term	Loans and financing	567.1	106.1	461.0	434.5%	95.5	199.2
	Debentures	65.6	0.0	65.6		0.0	33.0
	TOTAL LONG-TERM	**632.7**	**106.1**	**526.6**	**496.3%**	**95.5**	**232.2**
TOTAL DEBT		**692.5**	**689.5**	**3.0**	**0.4%**	**657.3**	**780.3**
Cash and cash equivalents and interest earning bank deposits		33.7	30.7	3.0	9.8%	29.1	94.9
Net indebtedness		**658.8**	**658.8**	**0.0**	**0.0%**	**628.2**	**685.4**

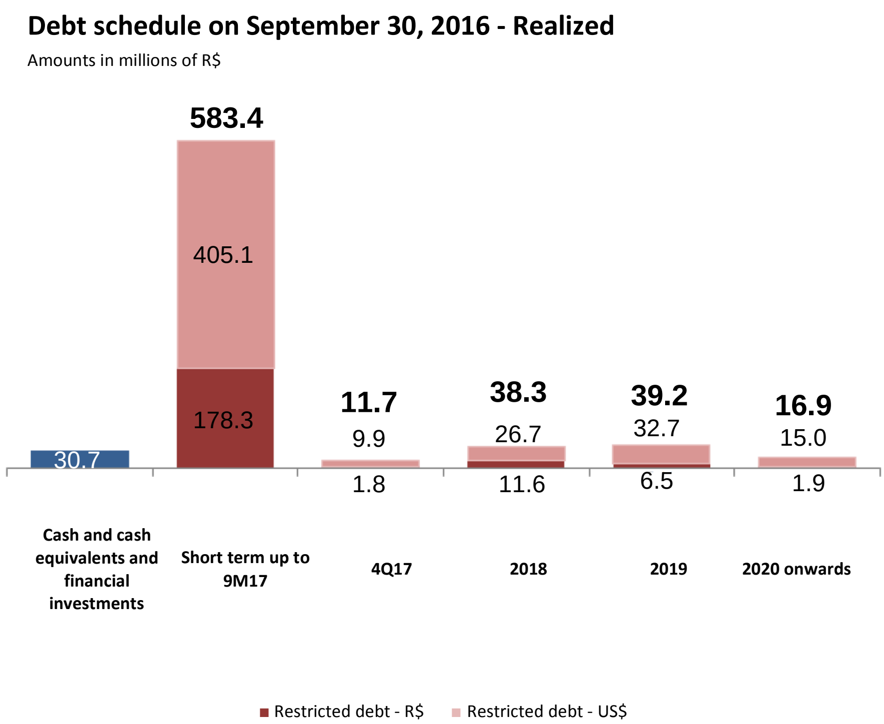
Performance comment

In Sept/16, the Company's gross indebtedness was R$ 689.5 million, 4.9% higher than the 657.3 million recorded in Jun/2016. Cash and cash equivalents and financial investments summed up R$ 30.7 million in September 2016, 5.5% higher than R$ 29.1 million in June 2016. Accordingly, the Company's net indebtedness increased 4.9% in Sept/16 compared to Jun/16, recording R$658.8 million.

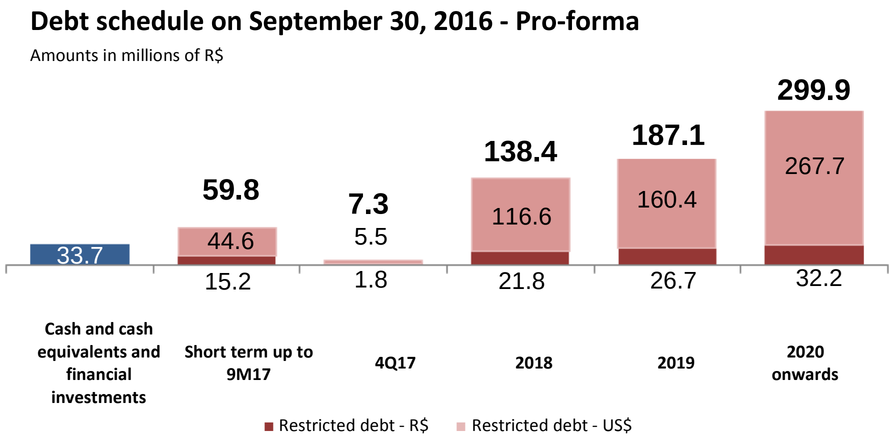
Upon analysis of simulation of the renegotiated debt, it is important to point out that:

- Around R$ 520 million of short-term debt migrate to long term.
- Part of the debt denominated in Reais will be denominated in U.S. dollars, thus the debt denominated in foreign currency increases from approximately 70% to nearly 85%;
- The 3rd issue of debentures was included in the renegotiation of debt, where 50% now composes the line of Long-Term Loans and Financing, and the remaining 50% continues as debentures. The 2nd issue of debentures was settled in this half.
- The conclusion of the renegotiation process expects an additional credit facility of USD$900,000, equivalent to approximately R$ 3 million under the same parameters negotiated in the debt reprofiling. Thus, such amount is already included in the proforma version, under "Loans and financing", in the line of non-current liabilities and Cash and Cash Equivalents, in current assets.

Realized debt maturities' schedule at the end of September 2016 and simulation of the reprofiled schedule on the same date.



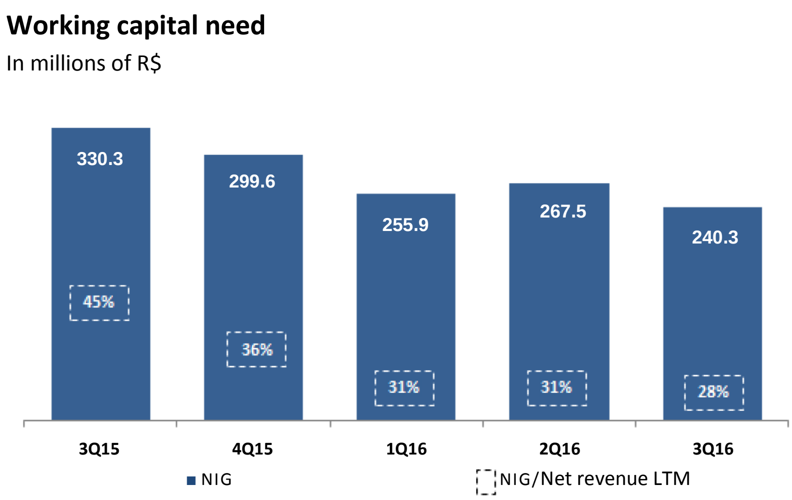
Performance comment



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

4. Working Capital

In the 3Q16, Working Capital Investment Needs (NIG) were R$240.3 million, 10.2% lower than R$ 267.5 million in the prior quarter. When related to annual net revenue, NIG, in 3Q16, decreased 3p.p. in relation to 2Q16, recording 28%. This reduction of NIG was mainly due to the recognition of the provision for *impairment* of inventories, in the amount of R$ 35.0 million.



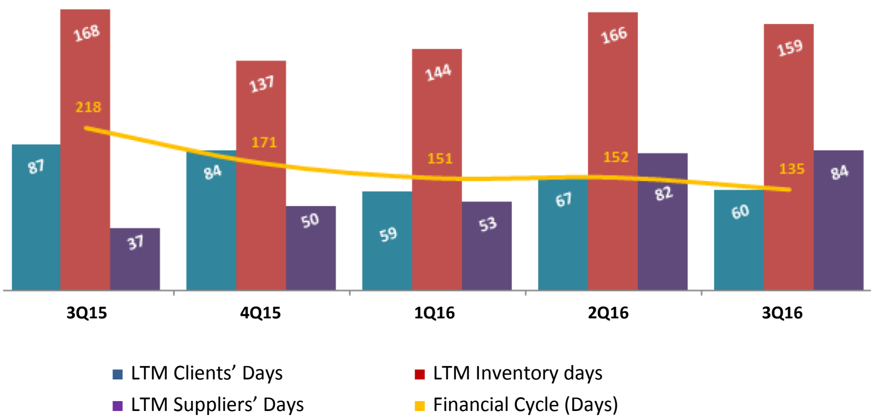
NIG = Inventories + Accounts Receivable – Suppliers - – Social and Labor Obligations

Performance comment

The Company's financial cycle in 3Q16, below, presented a decrease of 17 days compared to 2Q16, recording 135 days. This result was mainly due to the fewer inventory days, also related to the provision for *impairment* mentioned above.

It is worth mentioning that since the Company's current cash status is still very restrict, part of the payments to suppliers continued to be postponed, as it occurred in the first half of this year. These postponements have been causing increases in the average term of suppliers, however not necessarily representing an increase in the normal average operating term. The standardization of these payments will cause a reduction of this benefit in the working capital in the following quarters.

Clients, Inventories and Suppliers' Days



5. Cash flow

In the 3Q16, the Company had a negative operating cash generation of R$ 7.9 million. This impact was mainly due to the payment of US$ 8.7 million of legal fees in the American process known as Carter Case. The value was deposited in secured account to be released only after the final and unappealable judgment of the lawsuit. Investment activities, in turn, consumed R$ 7.1 million in the 3Q16. On the other hand, financing activities generated R$ 15.8 million in the quarter.

Accordingly, the Company's cash presented increase of R$ 0.8 million in 3Q16, against a reduction of R$ 10.3 million in 2Q16. Accordingly, the final cash balance presented growth of 3.5% in 3Q16 compared to 2Q16, totaling R$ 23.5 million.
The Company's cash flow in the 3Q16 is shown in the table below.

Performance comment

CASH FLOW – CONSOLIDATED

In millions of Reais	3Q16	2Q16	Var
Cash at the beginning of the period	**22.7**	**33.0**	**-31.2%**
Cash flow from operating activities	**(7.9)**	**(1.3)**	**507.7%**
Loss before income and social contribution taxes	(53.3)	13.0	-
Depreciation and amortization	8.44	5.0	68.0%
Cost of written-off permanent assets	1.5	(1.8)	-
Equity income (loss)	0.3	0.6	-50.0%
Provision for financial charges	11.2	17.7	-36.7%
Provision for contingencies	(29.2)	7.5	-
Allowance for doubtful accounts	2.0	1.4	42.9%
Allowance for inventory losses	35.0	-	-
Provisions for guarantees	0.3	(1.0)	-
Foreign exchange variation over financial charges	5.3	(26.6)	-
Changes in assets and liabilities	10.6	(21.4)	-
Payment of income and social contribution taxes on net revenue	-	(0.6)	-
Write-off of Investment (Famastil)	-	4.9	-
Investment activities	**(7.1)**	**7.3**	**-**
In property, plant and equipment	(6.4)	(0.8)	700.0%
Sale of Investment (Famastil)	-	5.0	-
Interest earning bank deposits	(0.7)	3.2	-
Other credits	-	(0.1)	-
Financing activities	**15.8**	**(16.3)**	**-**
Loans obtained	59.1	54.1	9.2%
Payments of loans	(37.3)	(76.4)	-51.2%
Payment of interest on loans	(6.0)	(11.5)	-47.8%
Capital increase	-	17.5	-
Cash generation	**0.8**	**(10.3)**	**-**
Cash at end of the period	**23.5**	**22.7**	**3.5%**

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. In 2016, there were 3 capital increases that amounted to R$ 29,241,726.44, which were approved in the RCA's of 01/06/2016, 06/02/2016 and 06/27/2016. The Company's current capital is R$393,977,026.09 (three hundred ninety-three million, nine hundred seventy-seven thousand, twenty-six reais and nine centavos), represented by 58,278,569 (fifty-eight million, two hundred seventy-eight thousand, five hundred sixty-nine) shares, of which 44,642,459 (forty-four million, six hundred forty-two thousand, four hundred fifty-nine) common shares and 13,636,110 (thirteen million, six hundred thirty-six thousand, one hundred and ten) preferred shares, all nominative, book entry and without par value.

Performance comment

Based on the Capital Increase homologated on 09/29/2015, still remain outstanding 1,811,473 subscription bonuses class 1, attributed to the underwriters of common shares, and 4,662,416 subscription bonuses class 2, attributed to underwriters of preferred shares. These bonuses are valid up to 01.30.2017.

Evolution of Taurus share value and market value is shown below. In 3Q16, the Company's preferred shares appreciated 12.2% in relation to June/16. Common shares, in the same period, appreciated 3.8%. Accordingly, the Company's market value recorded growth of 5.7% compared to June 2016.

PERFORMANCE OF SHARES AND MARKET VALUE

				Variation	
Stock Price Closure	3Q16	2Q16	3Q15	3Q16 x 2Q16	2Q16 x 2Q15
Common shares - FJTA3	R$ 1.65	R$ 1.59	R$ 1.79	3.8%	-7.8%
Preferred shares - FJTA4	R$ 1.75	R$ 1.56	R$ 1.21	12.2%	44.6%
IBOVESPA	53,367	51,527	45,059	13.3%	29.5%

Market value In millions of Reais	3Q16	2Q16	3Q15	2Q16 x 2Q15	2Q16 x 2Q15
Common shares - FJTA3	R$ 73.7	R$ 71.0	R$ 49.13	3.8%	49.9%
Preferred shares - FJTA4	R$ 23.9	R$ 21.3	R$ 15.73	12.2%	51.7%
TOTAL	R$ 97.5	R$ 92.3	R$ 64.9	5.7%	50.4%

7. Subsequent events

7.1 - Debt reprofiling

On 06.30.2016, the agreement establishing the terms for the renegotiation of the Company's debt with its main creditors was entered into. As of this date, the process of compliance with the preceding conditions, usual for this type of operation, was initiated. The Company has already fully met these conditions, remaining outstanding only the legal formalizations of the operation for subsequent disbursement and conclusion of the renegotiation of values. The terms of the Transaction have included the extension of the maturity amounting to approximately USD$150.0 million. The total period of such maturities is now five (5) years, including a two-(2)-year grace period to start paying the principal. The amortization of principal will be made with quarterly payments, beginning at the end of the 24th month (including). The nominees will bear interest equal to LIBOR (3 months) + 8.14% per annum and will be paid semi-annually during the grace period and quarterly after that period.

The Transaction will be secured with the following collateral: (i) fiduciary transfer of the totality of Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda's quotas ("Fiduciary Transfer of Quotas"); (ii) mortgage over three (3) real estate properties located at Mandirituba (PR/Brazil) and two (2) real estate properties located in Porto Alegre (RS/Brazil) ("Mortgage"); (iii) fiduciary assignment of credit rights arising from the totality of proceeds obtained from a sale of the assets subject to the Mortgage and the Fiduciary Transfer of Quotas, and (iv) the rights in respect of a certain account held by the Company established for the purpose of receiving the proceeds from the sale of assets subject to the Mortgage and the Fiduciary Transfer of Quotas.

Performance comment

Below is the Company's Balance Sheet realized and its pro forma version, on 09.30.2016, as if the renegotiation of the debt had been concluded up to 09.30.2016, as well as reverting the reclassification of short term for the waiver, obtained on November 8, 2016, with the creditor abroad of the debt related to working capital. The conclusion of the renegotiation process expects an additional credit facility of USD$900,000, equivalent to R$3 million under the same parameters negotiated in the debt reprofiling. Thus, such amount is already included in the proforma version, under "Loans and financing", in the line of non-current liabilities and Cash and Cash Equivalents, in current assets.

Consolidated Balance Sheet

In millions of reais

	Realized Sep 2016	Proforma Sep 2016
Total assets	**929.5**	**932.5**
Current	**538.4**	**541.4**
Cash and cash equivalents	*23.4*	*26.4*
Interest earning bank deposits	6.7	6.7
Accounts receivable	145.4	145.4
Inventories	280.0	280.0
Recoverable taxes	33.8	33.8
Prepaid expenses	27.4	27.4
Others current assets	21.7	21.7
Non-current	**391.1**	**391.1**
Long-term assets	54.6	54.6
Trading securities	0.6	0.6
Investments	21.6	21.6
Property, plant and equipment	240.0	240.0
Intangible assets	74.3	74.3

	Realized Sep 2016	Proforma Sep 2016
Total liabilities	**929.5**	**932.5**
Current	**934.5**	**410.9**
Social and labor obligations	37.5	37.5
Suppliers	147.6	147.6
Tax liabilities	22.6	22.6
Loans and financing	*257.4*	*22.4*
Debentures	*131.2*	*0.0*
Advance of receivables	*50*	*5.0*
Foreign exchange withdrawals	*181.0*	*31.5*
Financial instruments	*8.8*	*0.9*
Other liabilities	84.1	84.1
Provisions	59.3	59.3
Non-current	**128.2**	**654.8**
Loans and financing	*106.1*	*567.1*
Debentures	*0.0*	*65.6*
Other liabilities	5.8	5.8
Deferred taxes	0.2	0.2
Provisions	16.1	16.1
Shareholders' equity	**-133.2**	**-133.2**
Realized capital	394.0	394.0
Capital reserves	-41.0	-41.0
Retained earnings/losses	-609.3	-609.3
Equity valuation adjustments	30.7	30.7
Accumulated translation adjustments	92.4	92.4

Performance comment

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

The Company will maintain its investors and the market in general duly informed about the evolution of this process of renegotiation of debt through its communication channels.

7.2 – Public Civil Inquiry – Public Ministry of the Federal District and Territories

According to the Communication to the Market, published on 10.31.2016, the Company became aware, on October 27, 2016, by means of the press and social media, of the inquiry filed by the Public Ministry of the Federal District and Territories, to collect possible elements of conviction regarding the use and employment of the Company’s firearms by the Civil Police of the Federal District; the need or not to replace the Company’s products; the Company’s responsibility for the accidents caused to civil policemen of the Federal District; the practice of high prices to the Civil Police of the Federal District; the possible monopoly exercised by the Company in the ambit of the Civil Police of the Federal District; and the loss to the public assets of the Federal District caused by the acquisition of defective equipment by the Civil Police of the Federal District. Taurus was taken by surprise with the notice about the inquiry since it is already collaborating with this same agency, providing all the information requested.

As to this Inquiry, it is worth mentioning that: (i) the investigations are restricted to the ambit of operation of the Civil Police of the Federal District, and (ii) the Company has not yet been formally notified about the inquiry and will present the proper explanations in due time.

Notes to the financial statements

1. Operations

Forjas Taurus S.A. ("Company") is one of the major light firearm manufacturers in the world. It is headquartered in São Leopoldo/RS, a Brazilian publicly-traded company that has been listed on BM&FBOVESPA for more than 30 years and since 2011 has been listed at Corporate Governance Level 2 on BM&FBOVESPA (trading symbols are FJTA3, FJTA4).

The Company operates in the sectors of Firearms and Accessories, Helmets and Accessories, Containers and Plastics and M.I.M. (Metal Injection Molding), and it has 4 industrial plants, 3 of them in Brazil, located in Rio Grande do Sul, Paraná and Bahia, and one in Miami, in the United States.

In Brazil, sales are directed to state, civil and military polices, and to the civil market. Taurus is registered as EED – Strategic Defense Company - and accordingly, it is qualified to provide products to the Military Forces of Brazil.

Abroad, in addition to distributing products of the brands TAURUS and ROSSI produced in Brazil, the Miami unit manufactures models of pistols TAURUS and guns HERITAGE. Exports cover, mainly, the American civil market and governmental agencies in the other regions.

Going concern

Since January 2016, all the production of firearms in Brazil is made in the new plant in São Leopoldo/RS, the same month in which the Company began to operate with the ERP SAP system.

In these first nine months of 2016, the Company has been working on the stabilization of its new production plant in São Leopoldo and on the refining of the operationalization of the ERP SAP system. This year it is already possible to observe an important production increase, as well as a significant gain of synergies in view of the unification of plants.

The third quarter of 2016 was a period of stabilization of the changes derived from the process of the Company's operating restructuring, in course since 2015. This quarter it was possible to raise the production level of firearms, which made it possible to resume the coverage of the domestic market and other countries. It is important to remember that in the first quarter of 2016, the production was reduced due to the process of transfer of the Porto Alegre plant to São Leopoldo.

From the financial standpoint, the Company gave a big step towards the restructuring of its indebtedness. On June 28, 2016, the process of signing of debt rescheduling agreements was concluded (as described in note 29.1). The terms of the Transaction have included the extension of debt maturity amounting to approximately USD$150.0 million. The total period of the operation is now five (5) years, including a two-(2)-year grace period to start paying the principal. This creates new conditions for the Company's operating and financial development and strengthening.

Notes to the financial statements

2. Presentation of financial statements

2.1. Preparation basis

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

a) Compliance statement

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

b) Statement of the Board of Directors

The Company's management states that all the relevant information on the financial statements, and only them, are being presented and corresponds to those used in its administration.

The issuance of individual and consolidated financial statements was authorized by the Board of Directors on November 10, 2016.

2.2. Basis of consolidation

		Equity interest	
	Country	**09/30/2016**	**12/31/2015**
Taurus Blindagens Ltda.*	Brazil	**100.00%**	**100.00%**
Taurus Blindagens Nordeste Ltda.*	Brazil	**100.00%**	**100.00%**
Taurus Holdings, Inc.	United States	**100.00%**	**100.00%**
Taurus Security Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Máquinas-Ferramenta Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Investimentos Imobiliários Ltda.	Brazil	**100.00%**	**100.00%**
Famastil Taurus Ferramentas S.A.	Brazil	**-**	**35.00%**
Polimetal Metalurgia e Plásticos Ltda. *	Brazil	**100.00%**	**100.00%**
T. Investments Co. Inc.***	Panama	**100.00%**	**100.00%**
Taurus Plásticos Ltda.****	Brazil	**100.00%**	**-**

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

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

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

(****) In January 5, 2016, there was split-off of Taurus Blindagens Ltda. resulting in Taurus Plásticos Ltda.

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

Notes to the financial statements

- 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 investees recorded using the equity method, in the proportion of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to asset impairment.

2.3. Functional and presentation currency

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

Transactions in foreign currency are translated to Company's functional currency, which is Reais, 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 the income (loss).

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: 7 - Assets held for sale, 10 - Inventories (Provision for inventory losses), 12 - Income and social contribution taxes, 14 – Property, plant and equipment (Impairment), 15 - Intangible Assets (impairment), 18 – Provision for civil, labor and tax contingencies and 19 – Financial instruments.

Notes to the financial statements

4. Significant accounting policies

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

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

a) Financial instruments

(i) *Non-derivative financial assets*

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

These assets are classified under loans and receivables.

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

(ii) *Non-derivative financial liabilities*

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

Notes to the financial statements

(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 income (loss).

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

(iv) *Impairment*

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

b) Statements of added value

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

c) New standards, interpretations and reviews of non-prevailing standards

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

Notes to the financial statements

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

IFRS 9 Financial Instruments (Effective as from 01/01/2018)	IFRS 9 introduces new requirements to classify and measure the financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. It also brings a new model of expected credit losses in lieu of the current model of losses incurred. IFRS 9 brings higher flexibility in relation to the requirements of effectiveness of *hedge,* as well as requires an economic relationship between the item protected and the hedge instrument and that the *hedge* index is the same that management uses for risk management purposes. The standard is applicable as of January 1, 2018. The Company is evaluating the impacts of applying this standard.
IFRS 15 Income from Contracts with Clients (in effect as from 01/01/2018)	The purpose of this standard is to define the principles that a company should adopt to disclose information corresponding to the nature, quantity, time and estimates of income and cash flows from an agreement with the client. The standard is applicable as of January 1, 2018. The Company is assessing the impact of applying this standard.
IFRS 16 - Lease (Effective as from 01/01/2019).	The purpose of this standard is to unify the model of accounting for leasing, whereby the lessees should recognize as asset or liability all the leasing agreements, unless the agreement is valid for 12 months or has an immaterial value. The standard is applicable as of January 1, 2019. The Company is assessing the impact of applying this standard.

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

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

5. Financial risk management

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

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

5.1 Credit risk

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

Notes to the financial statements

Trade accounts receivable and other credits

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

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

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

Credit risk exposure

The maximum credit risk exposure on reporting date was:

	Consolidated		Parent company	
	Book value		Book value	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Financial assets held to maturity				
Trade accounts receivable	**145,421**	192,076	**68,346**	71,152
Cash and cash equivalents	**23,407**	60,312	**1,264**	15,822
Interest earning bank deposits	**7,214**	34,626	**3,833**	16,081
Foreign exchange forward and interest rate swap contracts used for asset hedging	**-**	6,920	**-**	6,920
Total	**176,042**	293,934	**73,443**	109,975

Notes to the financial statements

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
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Domestic - trade accounts receivable	**91,526**	74,218	**65,536**	68,341
United States – trade accounts receivable	**68,061**	129,969	-	-
Others	**16,855**	17,311	**16,584**	14,897
Total	**176,442**	221,498	**82,120**	83,238

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

	Consolidated			Consolidated
		Book value		Book value
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Clients - distributors	**149,967**	184,199	**59,659**	50,872
Clients – public bodies	**14,924**	20,019	**12,031**	17,667
End clients	**11,551**	17,280	**10,430**	14,699
Total	**176,442**	221,498	**82,120**	83,238

Impairment losses

Company and subsidiaries set up a provision for impairment losses which represents its estimate of losses incurred from trade accounts receivable, other receivables and investments. The maturity of loans and receivables granted on the date of the financial statements was:

				Consolidated
	Gross	Gross	*Impairment*	*Impairment*
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Falling due	**93,213**	132,061		-
Overdue - in days:				
0–30	**25,813**	55,021		(485)
31–360(1)	**44,592**	18,213	**(6,250)**	(10,372)
>365	**12,824**	16,203	**(24,771)**	(18,565)
Total	**176,442**	221,498	**(31,021)**	(29,422)

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

				Parent company
	Gross	Gross	*Impairment*	*Impairment*
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Falling due	**37,805**	55,215	-	-
Overdue - in days:				
0–30	**9,747**	10,693	**-**	(353)
31–360(1)	**26,344**	12,070	**(2,775)**	(6,473)
>365	**8,224**	5,260	**(10,999)**	(5,260)
Total	**82,120**	83,238	**(13,774)**	(12,086)

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

5.2 Liquidity risk

Notes to the financial statements

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

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

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

	Consolidated					
						09/30/2016
	Book value	Contractual cash flow	Up to 1 year	1–2 years	2–5 years	>5 years
Non-derivative financial liabilities						
Suppliers	**147,611**	**129,773**	**129,773**	**-**	**-**	**-**
Loans and financing	**363,500**	**428,641**	**274,969**	**13,811**	**121,656**	**18,206**
Debentures	**131,224**	**154,031**	**154,031**	**-**		
Advance on real estate credits	**-**	**-**	**-**	**-**	**-**	**-**
Advances on foreign exchange contracts	**180,961**	**196,707**	**196,707**	**-**	**-**	**-**
Advance of receivables	**4,993**	**4,993**	**4,993**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**-**	**-**	**-**	**-**	**-**	**-**
Derivative instruments (liabilities)	**8,818**	**8,818**	**8,818**	**-**	**-**	**-**
	837,107	**922,964**	**769,291**	**13,811**	**121,656**	**18,206**

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

Notes to the financial statements

	Parent company					
	09/30/2016					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	**144,137**	**144,137**	**144,137**	**-**	**-**	**-**
Loans and financing	**257,872**	**313,458**	**195,630**	**11,261**	**106,557**	**10**
Debentures	**131,224**	**154,031**	**154,031**	**-**	**-**	**-**
Advances on foreign exchange contracts	**180,961**	**196,707**	**196,707**	**-**	**-**	**-**
Advance of receivables	**1,400**	**1,400**	**1,400**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**-**	**-**	**-**	**-**	**-**	**-**
Derivative instruments (liabilities)	**7,962**	**7,962**	**7,962**	**-**	**-**	**-**
	723,556	**817,696**	**699,867**	**11,261**	**106,557**	**10**

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

5.3 Market risk

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

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

(i) Currency risk

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

In general, the Company aims to protect its expected exposure to foreign currencies in relation to sales forecast for the next months. The Company uses future market contracts to protect itself against currency risks, most of them maturing in less than one year counted as of financial statements dates. When necessary, future market contracts are renewed on maturity.

Notes to the financial statements

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

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

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

Currencies and ratios		Rate 09/30/2016	Probable scenario	Possible scenario △ 25%	Remote scenario △ 50%
US dollar	Decrease	**3.25**	3.40	2.55	1.70
US dollar	Increase	**3.25**	3.40	4.25	5.10

Sensitization of foreign currency variation:

		Consolidated			
		Balance at 2016	Probable scenario	Possible (25%)	Remote scenario (50%)
Assets – Dollar depreciation					
Accounts receivable	Dollar - US$	**23,601**	1,118	(7,294)	(17,568)
Liabilities - Dollar appreciation					
Loans and financing		**(92,298)**	(4,373)	(28,541)	(52,708)
Suppliers	Dollar - US$	**(1,089)**	(52)	(337)	(622)
Advances on foreign exchange contracts	Dollar - US$	**(55,745)**	(2,641)	(17,238)	(31,834)
Advances from clients	Dollar - US$	**(18,192)**	(862)	(5,625)	(10,389)
Others	Dollar - US$	**(26,964)**	(1,278)	(8,338)	(15,398)

Notes to the financial statements

				Parent company	
		Balance at 2016	**Probable scenario**	**Possible scenario**	**Remote scenario**
Assets – Dollar depreciation					
Accounts receivable	Dollar - US$	**7,762**	368	(1,665)	(3,697)
Liabilities - Dollar appreciation					
Loans and financing	Dollar - US$	**(66,461)**	(5,021)	(20,551)	(37,954)
Suppliers	Dollar - US$	**(2,817)**	(141)	(871)	(1,609)
Advances on foreign exchange contracts	Dollar - US$	**(55,745)**	(3,842)	(17,238)	(31,834)
Advances from clients	Dollar - US$	**(19,124)**	(532)	(5,914)	(10,921)
Others	Dollar - US$	**(9,583)**	(159)	(2,963)	(5,473)

(ii) Interest rate risk

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

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

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

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

Currency	**09/30/2016**	**Probable scenario**	**Scenario △ 25%**	**Scenario △ 50%**
CDI - decrease	14.13%	12.13%	9.10%	6.07%
CDI - increase	14.13%	12.13%	15.16%	18.20%
TJLP (Long-term interest rate)	7.50%	7.50%	9.38%	11.25%
Selic	14.15%	11.00%	13.75%	16.50%
Libor 30 days	0.52%	0.52%	0.66%	0.79%
Libor 3 months	0.84%	0.84%	1.05%	1.26%
Libor 6 months	1.23%	1.23%	1.54%	1.85%

Notes to the financial statements

			Consolidated		
			Gain (loss)		
	Index	Balance 2016	Probable scenario	Scenario 25%	Scenario 50%
Interest earning bank deposits	CDI - decrease	**7,301**	(146)	(367)	(589)
Loans	CDI - increase	**(99,511)**	1,990	(1,027)	(4,045)
Loans	TJLP (Long-term interest rate)	**(31,394)**	-	(589)	(1,177)
Libor 30 days	*Libor* 30 days	**(64,739)**	-	(85)	(170)
Libor 3 months	Libor 3 months	**(92,558)**	-	(194)	(388)
Libor 6 months	Libor 6 months	**(19,597)**	-	(60)	(121)
Taxes in installments	Selic	**(582)**	18	2	(14)

			Parent company		
			Gain (loss)		
	Index	Balance 2016	Probable scenario	Scenario 25%	Scenario 50%
Interest earning bank deposits	CDI - decrease	**2,895**	(58)	(146)	(233)
Financial loans	CDI - decrease	**(24,385)**	488	1,227	1,967
Loans	CDI - increase	**(99,511)**	1,990	(1,027)	(4,045)
Loans	TJLP (Long-term interest rate)	**(9,437)**	-	(177)	(354)
Libor 3 months	Libor 3 months	**(92,558)**	-	(194)	(388)
Libor 6 months	Libor 6 months	**(19,597)**	-	(60)	(121)
Taxes in installments	Selic	**(448)**	14	2	(11)

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	
	09/30/2016	**12/31/2015**
Total liabilities	**1,062,744**	1,082,456
Less: Cash and cash equivalents and interest earning bank deposits	**(30,621)**	(94,938)
Net debt (A)	**1,032,123**	987,518
Total shareholders' equity (B)	**(133,234)**	(60,116)
Net debt to equity ratio on shareholders’ equity as of September 2016 and December 31, 2015 (A/B)	**(7.75)**	(16.43)

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

Notes to the financial statements

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: machining (based on flat steel sheets and milling, drilling, lathes, broaching machines, etc.), MIM – Metal Injection Molding, assembly (manual), finishing (basically polishing), surface thermal treatment and final assembly (necessary adjustments); these operations are undertaken by Polimetal Metalurgia e Plásticos Ltda., Forjas Taurus S.A., and Taurus Holdings, Inc. and its subsidiaries.

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

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

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

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

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)		Others		Total	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
External income	**503,144**	456,474	**86,017**	86,090	**-**	-	**17,625**	18,676	**606,785**	561,240
Inter-segment income	**376,234**	285,666	**2,068**	-	**-**	-	**5,329**	17,057	**383,632**	302,723
Cost of sales	**(385,388)**	(320,731)	**(56,715)**	(58,719)	**-**	-	**(5,879)**	(16,145)	**(447,981)**	(395,595)
Gross income (loss)	**493,990**	421,409	**31,370**	27,371	**-**	-	**17,075**	19,589	**42,436**	468,368
Sales expenses	**(72,942)**	(56,470)	**(14,392)**	(12,751)	-	(29)	**(999)**	(1,736)	**(88,333)**	(70,986)
General and administrative expenses	**(81,527)**	(61,826)	**(8,201)**	(2,975)	**(4,391)**	(2,686)	**(2,342)**	(916)	**(96,461)**	(68,403)
Depreciation and amortization	**(6,565)**	(6,688)	**(313)**	(131)	**-**	-	**(5)**	(1,173)	**(6,883)**	(7,992)
Other operating income (expenses), net	**(35,106)**	(66,631)	**(154)**	(1,197)	**-**	(2,237)	**(434)**	(248)	**(35,694)**	(70,313)
Equity income (loss)	-	-	**993**	-	-	-	**(2,797)**	(544)	**(1,804)**	(544)
	(196,140)	(191,614)	**(22,067)**	(17,055)	**(4,391)**	(4,952)	**(6,577)**	(4,617)	**(229,175)**	(218,237)
Operating income (loss)	**297,850**	229,795	**9,303**	10,316	**(4,391)**	(4,952)	**(10,498)**	14,972	**313,261**	250,131
Financial income	**88,918**	104,702	**5,752**	5,582	**6,749**	6,734	**(4,809)**	1,203	**96,610**	118,221
Financial expenses	**(66,263)**	(299,958)	**(2,801)**	(2,442)	**(1,955)**	(18,158)	**(274)**	(1,344)	**(71,293)**	(321,902)
Net financial income	**22,655**	(195,257)	**2,951**	3,140	**4,794**	(11,424)	**(5,083)**	(141)	**25,317**	(203,682)
Income (loss) per reportable segment before income and social contribution taxes	**320,505**	34,538	**12,254**	13,456	**403**	(16,376)	**5,415**	14,831	**338,578**	46,449
Elimination of inter-segment income	**(376,234)**	(285,666)	**(2,068)**	-	-	-	**(5,329)**	(17,057)	**(383,632)**	(302,723)
Income (loss) before income and social contribution taxes	**(55,730)**	(251,128)	**10,186**	13,456	**403**	(16,376)	**86**	(2,226)	**(45,054)**	(256,274)
Income and social contribution taxes	**2,531**	9,988	**(1,097)**	(807)	-	-	**(532)**	(1,359)	**902**	7,822
Net revenue for the year	**(53,199)**	(241,140)	**9,089**	12,648	**403**	(16,376)	**(445)**	(3,585)	**(44,152)**	(248,452)
Assets of reportable segments	**566,126**	703,529	**171,883**	141,445	**2,268**	2,091	**189,233**	197,194	**929,511**	1,044,259
Liabilities of reportable segments	**938,895**	1,006,181	**41,476**	29,805	**17,957**	(51,675)	**64,416**	122,234	**1,062,744**	1,106,545

Notes to the financial statements

Geographical information

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

	Firearms		Helmets	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Domestic market				
Southeast region	**28,274**	34,426	**22,785**	23,670
South region	**8,230**	14,894	**5,449**	3,981
Northeast region	**3,631**	10,011	**32,000**	28,780
Midwest region	**15,625**	9,624	**12,488**	15,653
North region	**778**	2,359	**13,295**	13,485
	56,538	71,314	**86,017**	85,569
Foreign market				
United States	**425,247**	352,953	-	-
South Africa	**1,482**	909	-	-
Germany	**526**	443	-	-
Argentina	**2,773**	2,261	-	-
Australia	**275**	-	-	-
Bangladesh	**5,266**	2,466	-	-
Belgium	**114**	-	-	-
Bolivia	-	-	-	42
Bosnia	**1,339**	-	-	-
Costa Rica	**56**	-	-	-
Djibuti	-	930	-	-
El Salvador	**301**	81	-	-
Philippines	-	729	-	-
France	**2,278**	1,605	-	-
Haiti	**136**	-	-	-
Israel	**276**	-	-	-
Italy	**378**	410	-	-
Jordan	**2,305**	3,215	-	-
Nicaragua	**979**	1,041	-	-
New Zealand	-	791	-	-
Pakistan	**278**	2,309	-	-
Paraguay	-	3,137	-	479
Peru	**1,267**	1,951	-	-
Kenya	**58**	-	-	-
Czech Republic	**242**	-	-	-
Russia	-	1,164	-	-
Switzerland	**142**	-	-	-
Thailand	**100**	981	-	-
Ukraine	-	1,626	-	-
Zambia	**79**	-	-	-
Other countries	**709**	6,158	-	-
	446,606	385,160	-	521
	503,144	456,474	**86,017**	86,090

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

Notes to the financial statements

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

7. Assets and liabilities held for sale and discontinued operations

Non-current assets held for sale and result from discontinued operations

The Company classifies non-current 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 sales expenses. If book value is lower than fair value, an impairment loss is recognized in income (loss). Any reversal or gain will only be recorded until the limit of the recognized loss.

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

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

At the end of 2013, Company management, aligned with the structural changes in the strategies of focusing on higher value added segments, decided to decommission the production line and forging services to third parties of subsidiary Polimetal. The machines and equipment were made available for sale and recorded as “assets held for sale”. At September 30, 2016, this balance amounts to R$ 3,908 (R$ 4,286 at December 31, 2015). Income from forging services to third parties, when in operation, represented less than 5% of Company sales. The other industrial activities of Polimetal continue being normally carried out.

Notes to the financial statements

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	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Cash balance	**31**	2,987	**17**	2,213
Demand deposits	**23,289**	57,325	**1,185**	13,609
Interest earning bank deposits	**87**	-	**62**	-
Cash and cash equivalents	**23,407**	60,312	**1,264**	15,822

Financial investments classified as cash and cash equivalents are remunerated at rates that vary between 82.52% and 101.00% of CDI on September 30, 2016 (82.52% to 101% of CDI on December 31, 2015).

Financial investments and restricted account

	Consolidated		Parent company	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Short-term investments - CDB	**7,214**	24,162	**2,833**	16,081
Linked account	**-**	10,464	**-**	-
Total	**7,214**	34,626	**2,833**	16,081
Current	**6,659**	22,040	**2,470**	3,495
Non-current	**555**	12,586	**363**	12,586

Interest earning bank deposits are remunerated at rates of 99.92% of CDI on September 30, 2016, and are Pledged as international collaterals. Redemption thereof is programmed to occur in conjunction with their maturity and 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.

The allowance for doubtful accounts was calculated at an amount considered adequate by the management to cover any losses arising on collection of accounts receivable.

Notes to the financial statements

	Consolidated		Parent company	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Clients - domestic	**89,991**	74,218	**41,215**	38,886
Clients – domestic related parties	**1,535**	-	**24,321**	29,455
Clients - foreign	**84,916**	147,280	**16,543**	14,897
Clients – foreign related parties	**-**	-	**41**	-
	176,442	221,498	**82,120**	83,238
Allowance for doubtful accounts - domestic	**(21,259)**	(20,592)	**(8,427)**	(8,591)
Allowance for doubtful accounts - foreign	**(9,762)**	(8,830)	**(5,347)**	(3,495)
	(31,021)	(29,422)	**(13,774)**	(12,086)
Total	**145,421**	192,076	**68,346**	71,152

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

	Consolidated	Parent company
Balance at December 31, 2015	(29,422)	(12,086)
Additions	**(3,536)**	**(2,654)**
Reversal of allowance for doubtful accounts	**60**	**-**
Realization of allowance for doubtful accounts	**-**	**-**
Foreign exchange rate	**1,877**	**966**
Balance at September 30, 2016	**(31,021)**	**(13,774)**

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	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Finished products	**70,611**	86,953	**31,582**	25,926
Work in process	**-**	342	**-**	-
Raw material	**244,412**	134,566	**161,067**	80,419
Provision for losses (a)	**(35,000)**	-	**(35,000)**	-
	280,023	221,861	**157,649**	106,345

Notes to the financial statements

(a) The Company, based on partial and preliminary inventory-takings performed during the year, made an estimate of loss on inventories to be realized in the fourth quarter of 2016. Consequently, an additional provision for losses on inventories was recognized in the quarter, in the amount of approximately R$ 21,500. In addition, the Company complemented in the quarter the provision for obsolescence and realization of inventories, in the amount of R$ 13,500.

11. Recoverable taxes

	Consolidated		Parent company	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
ICMS	**10,758**	9,617	**2,975**	1,175
IPI	**1,218**	2,804	**5**	2,044
PIS	**742**	652	**521**	581
COFINS	**3,414**	3,024	**2,343**	2,661
Income and social contribution taxes	**15,797**	21,237	**2,130**	9,863
INSS	**40**	82	**-**	-
Total	**31,969**	37,416	**7,974**	16,324
Current	**31,096**	36,546	**7,681**	16,031
Non-current	**873**	870	**293**	293
Total	**31,969**	37,416	**7,974**	16,324

12. Income and social contribution taxes

Current and deferred income and social contribution taxes for the year are calculated at the nominal rate of 15% and surtax of 10% on taxable income in excess of R$240 (annual basis) 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 income. Companies which compute income and social contribution taxes as a percentage of their deemed profit use aforementioned rates, however on billing percentages of 32%. The income tax rate for the subsidiary located in the USA is 35%.

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

Deferred taxes are recognized in relation to the temporary differences between the book values of assets and liabilities for accounting purposes and the related amounts used for taxation purposes. A deferred income and social contribution tax 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 against tax 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 in each year and will be reduced when their realization is no longer probable.

Notes to the financial statements

a) Breakdown of deferred tax assets and liabilities

	Consolidated			Parent company
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
On temporary asset differences and income and social contribution tax losses				
Provision for sales commissions	**1,616**	1,045	**993**	993
Adjustment to present value		-	**-**	-
Provision of labor lawsuits	**3,981**	4,934	**1,826**	2,229
Provision for losses on insurance claims	**-**	782	**-**	782
Allowance for doubtful accounts	**5,036**	4,242	**-**	1,494
Provision for product warranty	**6,270**	7,246	**2,189**	2,401
Provision for judicial claims	**8,953**	10,571	**-**	205
Provision for inventory loss	**2,779**	3,343	**-**	-
Derivative financial instruments	**286**	344	**2,474**	-
Tax loss and negative basis for social contribution on net revenue (i)	**34,575**	34,730	**7,000**	7,000
Inventories – unrealized profits	**3,046**	3,958	**-**	-
Other items	**1,431**	1,555	**-**	124
	67,973	72,750	**14,482**	15,228
On temporary liability differences				
Equity valuation adjustments	**(1,012)**	(1,011)	**(623)**	(551)
Depreciation base difference	**(9,335)**	(10,864)	**(1,732)**	(1,805)
Goodwill allocation	**(9,505)**	(11,910)	**-**	-
Financial charges	**(1,499)**	(1,499)	**(1,370)**	(1,370)
Derivative financial instruments	**(2,353)**	(2,353)	**(2,353)**	(2,353)
	(23,704)	(27,637)	**(6,078)**	(6,079)
Total assets and liabilities, net	**44,269**	45,113	**8,404**	9,149
Classified as non-current assets	**44,425**	45,830	**8,404**	9,149
Classified in the non-current liabilities	**(156)**	(717)	**-**	**-**

Changes in deferred taxes:

	Consolidated	Parent company
Opening balance of deferred taxes, net	45,113	9,149
Allocated to income (loss) (Note 12.b)	**(967)**	**(745)**
Effect of exchange variation	**123**	**-**
Closing balance of deferred taxes, net	**44,269**	**8,404**

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

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

	Consolidated		Parent company	
Year	**Total**	**Interest %**	**Total**	**Interest %**
2016	8,136	18.31%	8,136	96.81%
2017	4,072	9.17%	268	3.19%
2018	995	2.24%	-	-
2019	2,320	5.22%	-	-
2020	3,635	8.18%	-	-
2021	4,202	9.46%	-	-
2022	4,583	10.32%	-	-
2023	4,998	11.25%	-	-
2024	5,473	12.32%		
2025	3,862	13.53%	-	-
Over 2025	-	0.00%	-	-
Total	44,425	100.00%	8,404	100.00%

Notes to the financial statements

As shown above, the Company recognized its deferred taxes, only in the amount considered realizable through future taxable results.

If the expectation of future taxable income was higher, the amount to be recognized in regard to deferred taxes would also be higher. Below is the composition of the total tax bases and the respective deferred taxes that would be subject to recognition:

	Consolidated				Parent company			
	09/30/2016				09/30/2016			
	Base	25%	9%	TOTAL	Base	25%	9%	TOTAL
Provisions for tax contingencies	1,183	296	106	**402**	865	216	78	**294**
Provisions Labor contingencies	35,969	8,992	3,237	**12,229**	17,942	4,486	1,615	**6,101**
Provisions Civil contingencies	46,450	11,613	4,181	**15,794**	548	137	49	**186**
Provisions (PDD - allowance for doubtful accounts)	31,158	7,790	2,804	**10,594**	13,774	3,444	1,240	**4,684**
Provisions for commissions	11,828	2,957	1,065	**4,022**	10,034	2,509	903	**3,412**
Provisions Guarantees	20,637	5,159	1,857	**7,016**	7,170	1,793	645	**2,438**
Other provisions	6,259	1,565	563	**2,128**	5,486	1,372	494	**1,866**
Tax loss	172,813	43,203	15,553	**58,756**	113,115	28,279	10,180	**38,459**
Provisions for inventory losses and Unrealized profit	9,908	2,477	892	**3,369**	-	-	-	**-**
Provisions Derivative financial instruments	841	210	76	**286**	-	-	-	**-**
Provisions for equity valuation adjustment	-1,619	-405	-146	**-551**	- 1,619	- 405	- 146	**- 551**
Provisions Basis difference Depreciation	-27,456	-6,864	-2,471	**-9,335**	- 5,309	- 1,327	- 478	**- 1,805**
Provisions Financial Charges on Fixed Assets	-4,409	-1,102	-397	**-1,499**	- 4,029	- 1,007	- 363	**- 1,370**
Provisions on financial instruments - (Swap)	-6,919	-1,730	-623	**-2,353**	- 6,919	- 1,730	- 623	**- 2,353**
	296,643	**74,161**	**26,698**	**100,858**	**151,058**	**37,767**	**13,594**	**51,361**

Notes to the financial statements

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

	Consolidated		Parent company	
	09/30/2016	**09/30/2015**	**09/30/2016**	**09/30/2015**
Loss before income and social contribution taxes	**(45,054)**	(256,274)	**(43,407)**	(253,612)
Combined statutory rate	**34%**	34%	**34%**	34%
Income and social contribution taxes:				
Calculated at combined statutory rate	**15,318**	87,133	**14,758**	86,228
Permanent additions:				
Non-deductible expenses	**(235)**	(73)	**(117)**	(73)
Permanent exclusions:				
Non-taxable income - Equity income (loss)	**(613)**	(185)	**(6,362)**	(32,781)
Other - Law no. 11.196/05		-		-
Unrecognized tax loss	**(68,980)**	(53,533)	**(50,359)**	(48,112)
Non-deductible provisions		(27,147)		-
Effects from different rates of subsidiaries with deemed profit	**382**	324		-
Unrecognized deferred assets		-		-
Foreign exchange rate	**43,054**		**29,369**	
Other items	**12,886**	1,303	**11,965**	(101)
Income and social contribution taxes in income (loss) for the year	**902**	7,822	**(745)**	5,160
Breakdown of Income and social contribution taxes in P&L for the year:				
Current	**1,869**	(2,459)	**-**	-
Deferred	**(967)**	10,281	**(745)**	5,160
	902	7,822	**(745)**	5,160
Effective rate	**-8.97%**	-3.05%	**8.86%**	-2.03%

In September 2016, the amount of R$ 1,869, related to current income and social contribution taxes, is positive in view of the use of the U.S. tax benefit by Taurus Holdings. According to the U.S. Federal Legislation, current losses may be offset against taxes paid in up to two preceding years.

Notes to the financial statements

13. Investments

	Taurus Blindagens Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Plásticos Ltda.	Taurus Holdings, Inc.	T. Investments Co. Inc.	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-Ferramenta Ltda.(1)	Famastil Taurus Ferramentas S.A. (2)	Parent company 09/30/2016	Parent company 12/31/2015
Current assets	43,069	41,179	6,847	241,628	33,342	6,371	84,708	371	-		
Non-current assets	115,418	31,262	1,962	105,524	-	65,139	273,332	1,897	-		
Current liabilities	17,470	19,208	2,098	54,930	-	1,571	90,476	51,150	-		
Non-current liabilities	10,658	4,174	713	83,936	-	9,748	39,716	8,366	-		
Capital	73,855	9,400	6,355	989	35,708	53,292	304,780	293,639	-		
Shareholders' equity	130,358	49,060	5,998	208,286	33,342	60,191	227,848	(57,248)	-		
Net revenue	35,104	52,981	5,197	423,346	-	4,929	131,770	-	-		
Net revenue (loss) for the year	9,079	9,656	(746)	(8,452)	-	2,766	(13,497)	(209)	-		
Number of shares/quotas	14	9,400	636	302,505	11,000,000	43,623,159	304,779,837	185,007,117	-		
Direct ownership interest (%)	0.01%	0.10%	0.01%	100%	100%	81.86%	100%	63.00%	-		
Opening balances	1	38	-	252,283	40,105	42,381	181,044	-	2,215	**518,067**	396,024
Spin-off	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	-
Capital payment (4)	**-**	**-**	**-**	**-**	**-**	**-**	**54,190**	**20,000**	**-**	**74,190**	122,012
Equity income (loss) (3)	**-**	**11**	**-**	**(7,730)**	**-**	**2,710**	**(13,620)**	**(85)**	**-**	**(18,714)**	(84,771)
Loss on investments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(66)
Exchange variation over investments	**-**	**-**	**-**	**(39,743)**	**(6,764)**	**-**	**-**	**-**	**-**	**(46,507)**	90,019
Dividends received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(3)
Capital transactions	**-**	**-**	**-**	**-**	**-**	**3,593**	**5,939**	**(9,532)**	**-**	**-**	-
Equity valuation adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(1)
Write-off of goodwill Famastil	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,215)**	**(2,215)**	
Reclassified to provision for capital deficiency (1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,383)**	**-**	**(10,383)**	(5,149)
Closing balances (3)	**1**	**49**	**1**	**204,810**	**33,341**	**48,684**	**227,553**	**-**	**-**	**514,439**	518,067

(1) The unsecured liability of the subsidiary Taurus Máquinas-Ferramenta Ltda. in the amount of R$ 10,383 is recorded in "Other accounts payable" in non-current liabilities.

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

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

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

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	
	09/30/2016	**12/31/2015**
Assets	**347,152**	441,772
Liabilities	**138,866**	185,294
Net revenue	**423,346**	546,949
Loss for the year	**(8,452)**	(32,977)

Associated company

The Company through its subsidiary Polimetal Metalurgia e Plásticos LTDA, sold its minority interest of 35% to Famastil Taurus Ferramentas S.A., for the amount of R$ 5,000 (five million reais), on June 02, 2016.

This operation was approved by the Company's Board of Directors and the payment was made on the same date. Accordingly, the Company continues with its process of operating and financial restructuring, intensifying the focus on its "core business".

The investment in such associated company was stated on equity accounting basis and recorded at the restated cost value, in the amount of R$ 9,851, on May 31, 2016.

The equity pick-up recorded on January 1, 2016 up to the conclusion of the divestiture was (R$ 1,804). The write-off of the amount of R$ 303, related to realization of equity valuation adjustment, has been recorded.

The loss on disposal was recorded in the amount of R$ 4,851.

Notes to the financial statements

14. Property, plant and equipment

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

The Company opted for reevaluating fixed asset items at deemed cost for the opening date of 2009. The effects from deemed cost increased fixed assets, the balancing entry being to shareholders' equity, net of tax effects.

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

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

Depreciation is recognized in the income statement using the straight-line method over the estimated useful life of each part of an item of property, plant and equipment. The estimated useful lives for current and comparative periods are approximately the following:

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

	Land, buildings and facilities	Machinery and equipment	Furniture and computers	Vehicles	Construction in progress	Advances to suppliers	Total
							Consolidated
Cost or deemed cost							
Balance at December 31, 2015	**154,075**	**276,874**	**24,570**	**2,611**	**21,308**	**226**	**479,664**
Additions	**544**	**2,985**	**198**	**-**	**24,781**	**144**	**28,652**
Disposals	**-**	**(4,857)**	**(1,144)**	**(58)**	**(117)**	**-**	**(6,176)**
Effect of exchange variation	**(5,457)**	**(4,138)**	**-**	**-**	**-**	**-**	**(9,595)**
Transfers	**(3,002)**	**21,484**	**465**	**193**	**(19,140)**	**-**	**-**
Reclassification for investment property	**(21,204)**	**-**	**-**	**-**	**-**	**-**	**(21,204)**
Reclassification to intangible assets	**-**	**-**	**-**	**-**	**(1,114)**	**-**	**(1,114)**
Balance at September 30, 2016	**124,956**	**292,348**	**24,089**	**2,746**	**25,718**	**370**	**470,227**
Depreciation							
Balance at December 31, 2015	**(29,996)**	**(152,195)**	**(21,773)**	**(2,511)**	**-**	**-**	**(206,475)**
Depreciation for the year	**(2,782)**	**(20,570)**	**(315)**	**(50)**	**-**	**-**	**(23,717)**
Balance at September 30, 2016	**(32,778)**	**(172,765)**	**(22,088)**	**(2,561)**	**-**	**-**	**(230,192)**
Book value							
December 31, 2015	**124,079**	**124,679**	**2,797**	**100**	**21,308**	**226**	**273,189**
September 30, 2016	**92,178**	**119,583**	**2,001**	**185**	**25,718**	**370**	**240,035**

Notes to the financial statements

	Land, buildings and facilities	Machinery and equipment	Furniture and computers	Vehicles	Construction in progress	Advances to suppliers	Total
							Parent company
Cost							
Balance at December 31, 2015	3,177	64,003	8,903	1,464	7,585	-	85,132
Additions	319	1,016	155	-	10,882	-	12,372
Disposals	-	(917)	(542)	(59)	(12)	-	(1,530)
Transfers	(319)	6,812	(1,498)	-	(4,995)	-	-
Balance at September 30, 2016	3,177	70,914	7,018	1,405	13,460	-	95,974
Depreciation							
Balance at December 31, 2015	(1,357)	(42,168)	(5,946)	(1,323)	-	-	(50,794)
Depreciation for the year	(236)	(4,291)	(169)	(21)	-	-	(4,717)
Balance at September 30, 2016	(1,593)	(46,459)	(6,115)	(1,344)	-	-	(55,511)
Book value							
December 31, 2015	1,820	21,835	2,957	141	7,585	-	34,338
September 30, 2016	1,584	24,455	903	61	13,460	-	40,463

Construction in progress

The balance of construction in progress of R$ 13,460 in the parent company and R$ 25,718 – Consolidated in September 2016 (R$ 7,585 and R$ 21,209 in 2015, respectively) refers to machinery and equipment still in the phase of being implemented and construction in progress. These assets are still expected to become operational in 2016.

Guarantee

Loans raised by the Company from financial institutions are guaranteed by its assets. Although a significant portion of fixed assets is used to guarantee loans and financings, historically the Company has settled its liabilities within the established contractual terms thus it was never necessary to enforce such guarantees. In 2016, guarantees provided by the Company amounted to R$53,727 (R$55,912 in 2015).

Notes to the financial statements

15. Intangible assets

Goodwill

Goodwill on the acquisition of investments, after applicable allocations, is included in intangible assets. Goodwill is presented in the investment group in the financial statements of the Parent 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 income (loss) 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 intangible assets with indefinite useful lives 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

	Goodwill	Trademarks and patents	Development of products	Systems implementation	Other intangible assets	Total
Cost						
Balance at December 31, 2015	**44,675**	**14,387**	**14,316**	**6,763**	**17,328**	**97,469**
Acquisitions	**-**	**-**	**-**	**3,045**	**-**	**3,045**
Write-offs	**-**	**-**	**-**	**(3,944)**	**(27)**	**(3,971)**
Transfers from other groups	**-**	**-**	**-**	**1,114**	**-**	**1,114**
Effect of exchange variation	**(6,674)**	**-**	**-**	**-**	**(307)**	**(6,981)**
Balance at September 30, 2016	**38,001**	**14,387**	**14,316**	**6,978**	**16,994**	**90,676**
Balance at December 31, 2015	**-**	**366**	**6,951**	**2,252**	**6,454**	**16,023**
Amortization in the year	**-**	**68**	**45**	**483**	**1,050**	**1,646**
Write-offs	**-**	**-**	**-**	**(1,332)**	**-**	**(1,332)**
Transfers from other groups	**-**	**-**	**-**	**-**	**-**	**-**
Balance at September 30, 2016	-	**434**	**6,996**	**1,403**	**7,504**	**16,337**
Book value						
December 30, 2015	**44,675**	**14,021**	**7,365**	**4,511**	**10,874**	**81,446**
September 30, 2016	**38,001**	**13,953**	**7,320**	**5,575**	**9,490**	**74,339**

Impairment test for cash-generating units containing goodwill

For impairment testing purposes, the goodwill is allocated to the Group's operating divisions, which represent the lowest level inside the Group, at which the goodwill is monitored for purposes of internal management, never above the Group's operating segments.

Cash-generating unit	09/30/2016	12/31/2015
Forjas Taurus S.A.	**21,194**	21,194
Taurus Holdings, Inc.	**8,812**	14,941
Taurus Blindagens Ltda.	**7,868**	7,868
Famastil Taurus Ferramentas S.A.	**-**	545
Polimetal Metalurgia e Plásticos Ltda.	**127**	127
Total	**38,001**	44,675

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

Notes to the financial statements

Main assumptions used for forecasting the discounted cash flows

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

	Discount rate – WACC	Average growth rate
Cash-generating unit	**09/30/2016**	**09/30/2016**
Firearms	18.2%	9.7%
Armoring	16.5%	5.9%

Discount rate

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

Growth rate in perpetuity

The projections are in accordance with the *Business Plan* prepared by the Company's management. The projected growth of sales should be in line with the curve observed in prior years and in line with the economic growth of the country. After the projection period, the growth and percentage of the economic growth (growth on perpetuity) have been considered.

The calculation of perpetuity adopted a nominal growth rate of 4.5% in line with the expectation of long-term inflation projected by BACEN and macroeconomic indicators published in the Focus report of BACEN and in the *Country Forecast* report of the *Economist Intelligence Unit* (EIU).

Notes to the financial statements

16. Loans and financing

The terms and conditions of outstanding loans were as follows:

				Consolidated			
				09/30/2016		12/31/2015	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital		CDI + 2.42 to 3.00% p.a.	2018	35,000	**32,706**	35,000	23,532
FINAME	R$	2.50–8.70% p.a.	2021	8,515	**2,720**	8,515	4,272
FINEP	R$	4.00–5.25% p.a.	2020	64,240	**15,695**	64,240	23,059
BNDES	R$	3.50% p.a.	2020	9,995	**8,175**	9,995	9,678
BNDES Progeren	R$	TJLP + 4.00 to 4.50% p.a.	2016	-	**-**	-	-
FNE	R$	9.50% p.a.	2019	9,806	**4,582**	9,806	5,641
Advance of receivables	R$	24.60% p.a.	2016	4,993	**4,993**	54,589	54,589
Advances on foreign exchange contracts	US$	9.80% p.a.	2017	180,961	**180,961**	191,948	191,948
Working capital	US$	*Libor* + 1.55% to 5.60% p.a.	2017	106,400	**179,317**	106,400	154,932
Working capital	US$	3.05–5.20% p.a.	2016	25,037	**24,408**	25,037	47,923
Working capital	US$	80 to 100% of CDI	2016	31,390	**66,805**	31,390	106,183
Investments	US$	5.33% p.a.	2017	6,035	**15,795**	6,035	19,712
Investments	US$	*Libor* + 2.25% p.a.	2017	1,731	**3,812**	1,731	4,796
FINIMP	US$	Libor + 2.53–6.0905% p.a.	2016	4,178	**9,460**	4,178	11,889
Dell financing	US$	Cost 0%	2016	201	**27**	201	225
Total					**549,456**		658,379
Current liabilities					**443,366**		459,193
Non-current liabilities					**106,090**		199,186

				Parent company			
				09/30/2016		12/31/2015	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	35,000	**32,706**	35,000	**23,532**
FINAME	R$	2.50–5.50% p.a.	2021	2,304	**1,262**	2,304	**1,626**
BNDES	R$	3.50% p.a.	2020	9,995	**8,175**	9,995	**9,678**
Advance of receivables	R$	24.60% p.a.	2016	1,400	**1,400**	969	**969**
Advances on foreign exchange contracts	US$	9.80% p.a.	2016	180,961	**180,961**	191,948	**191,948**
Working capital	US$	*Libor* + 3.41% to 5.60% p.a.	2017	31,400	**118,389**	31,400	**89,313**
Working capital	US$	3.05–3.91% p.a.	2016	21,891	**24,372**	21,891	**47,492**
Working capital	US$	85 to 100% of CDI	2016	31,390	**66,805**	31,390	**106,183**
FINIMP	US$	*Libor* + 2.23% to 4.41% p.a.	2016	3,170	**6,163**	3,170	**7,879**
Total					**440,233**		478,620
Current liabilities					**362,488**		386,085
Non-current liabilities					**77,745**		92,535

Maturity dates of non-current liabilities are as follows:

	Consolidated		Parent company	
Year of maturity	09/30/2016	12/31/2015	09/30/2016	12/31/2015
2017	**11,694**	149,957	**9,392**	73,976
2018	**38,324**	20,171	**32,820**	14,433
2019	**39,221**	8,069	**33,677**	2,272
2020 onwards	**16,851**	20,989	**1,856**	1,854
	106,090	199,186	**77,745**	92,535

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 parent company, distribution of dividends, payment of interest on own capital 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. If such restrictions are not met, creditors may decree accelerated maturity of such debts. All the above ratios are calculated quarterly, based on the last twelve months.

The U.S. Subsidiary Taurus Holdings has a loan agreement with Banco Wells Fargo, in the amount of R$ 60,928, which provides for early maturity in case Forjas Taurus fails to comply with the monthly payments to be made to that subsidiary. On September 30, 2016, Forjas Taurus failed to comply with such monthly payments, and accordingly, it presents a balance of R$ 60,928, fully classified in consolidated current liabilities. It is emphasized that on November 8, 2016, the Company obtained a waiver of such operation.

17. Debentures

The debentures issued by the Company, in a single series, are not convertible into shares distributed on the secondary market through the National Debenture system, with restricted efforts on the placing allocated to the 3rd issuance allocated to financial institutions.

Debentures	Principal R$	Issuing Date	Securities in the market	Financial charges	09/30/2016	12/31/2015
3rd issuance (a)	100,000	06/13/2014	10,000	DI rate + 3.25%	**131,224**	116,125
				Total - Principal	**131,224**	127,863
				Current liabilities	**131,224**	94,890
				Non-current liabilities	**-**	32,973
				Transaction costs incurred	**2,620**	2,620
				Transaction costs appropriated	**2,118**	1,593
				Transaction costs to appropriate	**502**	1,027

(a) 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.

Notes to the financial statements

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 issuance) and 2.75 times (2nd issue), in which: net debt is equal to total debts (including sureties and guarantees) less cash and cash equivalents, EBITDA is equal to pre-tax income, interest, taxes, depreciation and amortization for the past 12 months and net financial expenses, which correspond to total financial income less financial expenses for the past 12 months, adjusted for nonrecurring items.

These ratios are duly monitored by management. The contract for the 3nd issuance establishes that the ratios must be met yearly. These ratios were not met in the current year; however, a waiver was obtained from the financial institutions in year ended December 31, 2015 and formalized at the General Debentureholders' Meeting held on December 28, 2015.

On September 30, 2016, considering the maturity terms of the installments, such debt is classified in short term. These debentures are included in the restructuring for rescheduling of debts, as described in note 29.1.

18. Provision for civil, labor and tax contingencies

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

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

				Consolidated
			09/30/2016	12/31/2015
	Provision	Judicial deposit (1)	Net	Net
Labor	**35,969**	**8,279**	**27,690**	29,056
Civil	**15,941**	**-**	**15,941**	27,260
Tax	**6,906**	**1,058**	**5,848**	5,403
	58,816	**9,337**	**49,479**	61,719
Classified in current liabilities	**47,022**			
Classified in non-current liabilities	**11,794**			

(1) Recorded in other accounts receivable under non-current assets.

Notes to the financial statements

Changes in provisions:

	Consolidated		
	Civil and labor	**Tax**	**Total**
Balance at December 31, 2015	59,767	6,451	66,218
Reclassification of other accounts payable	-	-	-
Provisions formed during the year	23,190	940	24,130
Provisions used during the year	(34,152)	(486)	(34,638)
Write-off of provision	(2,711)	-	(2,711)
Foreign exchange rate	5,814		5,814
Balance at September 30, 2016	**51,908**	**6,905**	**58,813**

	Parent company		
	Civil and labor	**Tax**	**Total**
Balance at December 31, 2015	16,107	-	16,107
Provisions formed during the year	**8,323**	**-**	**8,323**
Provisions used during the year	**(5,940)**	**-**	**(5,940)**
Balance at September 30, 2016	**18,490**	**-**	**18,490**

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			
	09/30/2016		12/31/2015		09/30/2016		12/31/2015	
	Possible	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**
Tax	**23,277**	**418**	7,653	418	**651**	-	-	-
Civil	**16,523**	**4,143**	43,928	4,856	**11,721**	**239**	25,257	554
Labor	**61,315**	**4,572**	42,302	3,437	**38,831**	**2,084**	26,774	558
Others	**8,006**	**692**			**7,728**	**310**		
	109,121	**9,825**	93,883	8,711	**58,931**	**2,633**	52,031	1,112

18.1 Hunter Douglas

The Company's major proceeding in progress is related to the claim filed by Hunter Douglas N.V. (company organized under the laws of Curacao, with main office in Rotterdam, Holland) against Wotan Máquinas Ltda. in connection with the collection originating from the loan agreement for export financing purposes executed by these parties in 2001. Subsidiary Taurus Máquinas-Ferramenta Ltda. figured as defendant due to the rent of industrial facilities to Wotan Máquinas Ltda. in 2004.

As of June 26, 2015, upon the execution of a Final Commitment Agreement referring to the Credit Assignment Sale and Purchase Agreement by means of which the T Investments Co Inc, entity belonging to the Taurus Group will acquire credits from Hunter Douglas N.V. in face of Wotan Máquinas Ltda. and other rights for USD 10,250 thousand. Materialization of this commitment, resulted in the acquisition by the Company: i) the credits owned by Hunter Douglas N.V. in face of Wotan Máquinas Ltda.; ii) all rights linked or accessory to these credits, especially referring to mortgages; and iii) all rights deriving from the proceeding, whether or not directly linked to the credits.

Notes to the financial statements

On April 29, 2016, the parties entered into agreement to close the dispute, which was homologated on June 30, 2016. Under the agreement, Wotan Máquinas Ltda. agreed to deliver the properties enrolled with the Real Estate Registration Office of Gravataí (RS) under numbers 63,714 and 11,400, to settle the liability.

The properties were evaluated at R$ 14,000 (property 11,400) and R$ 15,800 (property 63.714) totaling R$ 29,800.

On September 30, 2016, these properties are recorded with mortgage in favor of T. Investments Co. Inc. and pawns originated from labor claims.

Taurus seeks to obtain the title and ownership of the properties object of the agreement to settle the operation.

While the properties are not cleared and transferred to the Company, no accounting effect is recognized

18.2 Carter case

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

On July 18, 2016, the Judge of the U.S. District Court for the Southern District of Florida gave final approval. This decision also recognized the value of USD 9,000 thousand as legal fees which should be paid by the Companies in 03 (three) annual installments, as follows: i) on January 15, 2017; ii) on January 15, 2018 and; iii) on January 15, 2019.

However, the parties negotiated and on August 26, 2016 they filed a joint request to change the terms of the agreement solely in respect to the payment of legal fees. In the proposal presented to the court, the value was reduced from USD 9,000 thousand to USD 8,300 thousand, in a single payment. This amount was deposited in court by Taurus using a secured account.

The release of this amount is conditioned to the occurrence of the following facts: (i) homologation of the aforementioned request of change; (ii) final and unappealable decision that homologated the principal agreement, after the judgment of the appeals in progress, except if in the judgment of these appeals, the agreement is fully and definitively invalidated.

Notes to the financial statements

It is worth informing that on October 18, 2016, the Judge of the U.S. District Court for the Southern District of Florida homologated the request of change mentioned in item (i) above, which will become definitive in case no appeal is filed by any of the parties or by third parties interested in the legal term.

It is appropriate to ratify that all the other payments related to the agreement, in the total amount of USD 12,438 thousand, were realized in 2015.

Approved agreement is the result of intense negotiations and, based on the opinion of its North-American legal advisors, Taurus' management understands that this agreement 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.

18.3 *Sanctionary Administrative Processes - PMESP*

The Company was summoned to present defense in two (2) administrative processes filed by the Military Police of the State of São Paulo (Sanctionary Process No. CSMAM-002/30/16 and Sanctionary Process No. 003/30/2016 as amendment to Process No. CSMAM 30/01/14), which discuss the possibility or not of partial or total noncompliance with agreements for acquisition and supply of 98,465 (ninety-eight thousand, four hundred sixty-five) firearms, type pistol, models 24/7 and 640 between years 2007 and 2011, in the first process and also agreements for acquisition and supply of 5,931 (five thousand, nine hundred thirty-one) firearms, type sub machine gun, model SMT 40 in year 2011 in the second process and respective amendment.

In respect to Sanctionary Process No. CSMAM-002/30/16, the Company considers possible some monetary loss, but because it is an administrative process and is at initial phase, it is not currently possible to estimate values, and the sanctions to which it is subject are provided for in article 87 of the Federal Law No. 8.666/93, combined with article 81 of State Law (SP) No. 6.544/89.

In respect to Sanctionary Process No. CSMAM 30/01/2014, it was pronounced administrative decision at lower court, which suspended the Company's right to contract with the public administration of the State of São Paulo, without any monetary penalty. It should be clarified that it is an administrative decision that will not produce immediate effects, since it is subject to appeal, with suspensive effect, to be filed in the next days by the Company.

Anyway, the declaration of suspension of the right to contract with management, if confirmed, should be restricted to the federated entity of the declaring authority (State of São Paulo), not affecting contracting with other States.

Finally, we point out that the sales to the government of the State of São Paulo in the last 3 years represented less than 1% of the Company's consolidated sales in the period.

Notes to the financial statements

18.4 *Djibouti*

There is a criminal trial in progress under legal confidentiality at the 11th Federal Court of Porto Alegre, against two former employees of the Company and a Yemen citizen, due to alleged irregular sale of firearms in 2013 to the Government of Djibouti, whose final destination would be Yemen. Although the Company and its directors are not parties to the lawsuit, as soon as the Company became aware of the criminal trial, potentially negative to its reputation, it required and obtained approval for its qualification in the lawsuit, under the condition of interested party, so as to clearly explain to the Judge the facts of its knowledge and provide the necessary support in the investigations. There are no expected effects or provisions for this theme that are or should be reflected in the Company's financial statements on this date.

19. Financial instruments

a) Derivatives

The Company maintains operations with derivative financial instruments. The management of these instruments is done through operating strategies and internal controls, aimed at assuring liquidity, profitability and security. The contracting of financial instruments with the objective of offering protection is performed by means of a periodic analysis of the risk exposure that management intends to cover (exchange rate, interest rate, etc.). The control policy consists of permanent follow-up of the conditions engaged *versus* those in force in the market.

We summarize below our positions with derivative instruments:

	Consolidated		Parent company	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Derivative financial instruments – assets		6,920		6,920
Derivative financial instruments – liabilities	**(8,818)**	(956)	**(7,962)**	-
	(8,818)	5,964	**(7,962)**	6,920

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

					Consolidated
		09/30/2016		12/31/2015	
Instrument	**Contract currency with respect to notional value**	**Notional – in thousands**	**Fair value**	**Notional – in thousands**	**Fair value**
Swap Fixed x Libor (i)	US dollars - USD	**5,711**	**(856)**	5,711	(956)
Swap Pre x CDI (ii)	Reais - BRL	-	-	-	-
Swap Interest + USD Foreign exchange rate x CDI + R$ (iii)	Reais - BRL	**7,297**	**(7,962)**	100,000	6,366
Swap + CDI x V.C. US$ (iii)	Reais - BRL	**-**	**-**	21,987	554
			(8,818)		5,964

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

Notes to the financial statements

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

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

a) Derivatives

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

Notes to the financial statements

b) Fair value *versus* book value

Fair values of financial assets and liabilities, together with carrying amounts shown on the balance sheet, are as follows:

				Consolidated
	09/30/2016		12/31/2015	
	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)	**-**	**-**	6,920	6,920
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**23,407**	**23,407**	60,312	60,312
Interest earning bank deposits (ii)	**7,214**	**-**	-	-
Accounts receivable (iii)	**145,421**	**160,883**	192,076	192,076
	176,042	**186,915**	252,388	252,388
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	**8,818**	**8,818**	-	-
Liabilities measured at amortized cost				
Loans and financing (iv)	**363,502**	**250,406**	411,842	368,311
Debentures (iv)	**131,224**	**119,677**	127,863	132,423
Advances on foreign exchange contracts (iv)	**180,961**	**161,891**	191,948	181,081
Trade accounts payable and advances on receivables (ii)	**152,604**	**134,766**	135,813	135,813
	828,291	**666,740**	867,466	817,628

				Parent company
	09/30/2016		12/31/2015	
	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)	-	-	6,920	6,920
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**1,264**	**1,264**	15,822	15,822
Interest earning bank deposits (ii)	**2,833**	**2,833**	-	-
Accounts receivable and other receivables (iii)	**74,621**	**71,271**	71,152	71,152
	78,718	**75,368**	86,974	86,974
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	**7,962**	**7,962**	-	-
Liabilities measured at amortized cost				
Loans and financing (iv)	**257,872**	**229,701**	285,703	268,800
Debentures (iv)	**131,224**	**119,677**	127,863	132,423
Advances on foreign exchange contracts (iv)	**180,961**	**141,787**	191,948	127,578
Trade accounts payable and advances on receivables (ii)	**144,358**	**144,358**	120,044	120,044
	714,415	**635,523**	725,558	648,845

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 short-term 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 at the market interest rate on presentation date.

(iv) The fair value, which is determined for initial recognition and disclosure purposes, is calculated based on the present value of principal and interest cash flows, discounted at the market interest rate at the reporting date. For liability convertible debt securities, the market interest rate is calculated by referring to similar liabilities that do not have the 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 (non-observable inputs). The Company classified in its accounting registers the fair value of its financial instruments as level 2.

Notes to the financial statements

20. Related parties

	Outstanding balances of subsidiaries with the parent company						Effect from result of related-party transactions of subsidiaries with the parent company	
	Current assets (iii)	Noncurrent assets (receivables from related parties)	Total assets	Current liabilities (i)	Non-current liabilities	Total liabilities	Income	Expense
December 31, 2015								
Taurus Blindagens Ltda.	-	-	-	41,198 (iv)	-	41,198	-	-
Taurus Holdings, Inc.	-	-	-	58,726	-	58,726	299,544	4,484
Taurus Security Ltda.	-	547	547	-	-	-	-	-
Taurus Investimentos Imobiliários Ltda.	38	-	38	-	-	-	-	5,476
Taurus Máquinas-Ferramenta Ltda.	-	16,792 (iv)	16,792	-	-	-	-	-
Polimetal Metalurgia e Plásticos Ltda.	29,498	45,261 (iv)	74,759	81,974	-	81,974	10,371	136,983
	29,536	62,600	92,136	181,898	-	181,898	309,915	146,943
September 30, 2016								
Taurus Blindagens Ltda.	**10**	**-**	**10**	**320**	**24,318 (iv)**	**24,638**	**-**	**2,403**
Taurus Blindagens Nordeste Ltda.	**121**	**-**	**121**	**-**	**8,229 (iv)**	**8,229**	**-**	**1,260**
Taurus Holdings, Inc.	**41**	**-**	**41**	**64,510**	**5,229**	**69,739**	**253,876**	**-**
Taurus Security Ltda.	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Taurus Investimentos Imobiliários Ltda.	**1,018**	**-**	**1,018**	**1,554**	**-**	**1,554**	**-**	**1,554**
Taurus Máquinas-Ferramenta Ltda.	**3**	**8,217 (iii)**	**8,220**	**-**	**-**	**-**	**612**	**-**
Taurus Plásticos Ltda.	**17**	**-**	**17**	**-**	**-**	**-**	**-**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**28,269**	**-**	**28,269**	**38,552**	**1,243**	**39,795**	**1,284**	**134,816**
	29,479	**8,217**	**37,696**	**104,936**	**39,019**	**143,955**	**255,776**	**140,033**

(i) This refers to amounts recorded under “Suppliers” - R$ 39,800, advance from clients R$ 40,065 and related parties, R$ 25,071.

(ii) They refer to amounts recorded under trade accounts payable - R$24,362, advance to suppliers R$ 1,259 and related parties R$ 3,858.

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

(iv) These refer to loan agreements executed with subsidiary Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda. and are restated at 100% of CDI (Interbank Deposit Certificates).

Notes to the financial statements

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

The operations involving the Company and subsidiary Polimetal Metalurgia e Plásticos Ltda. mainly 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.

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

	Current assets	Current liabilities	Income	Expense
Companhia Brasileira de Cartuchos	**1,535**	**20,380**	**39,490**	**18,824**

As disclosed to the market through minutes of the meeting of the Board of Directors, on September 29, 2016, it was approved the outsourcing of the production of certain long firearms to CBC - Companhia Brasileira de Cartuchos.

<u>Compensation of officers and Board Members</u>

The remuneration of Officers and Board member includes salaries, fees and benefits:

	Consolidated		Parent company	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Compensation and benefits of statutory officers	**2,214**	5,694	**2,214**	5,694
Compensation and benefits of the Board of Directors.	**225**	410	**225**	410
Compensation and benefits of the Tax Council	**333**	362	**333**	362
Total	**2,772**	6,466	**2,772**	6,466

The Company does not have remuneration benefit policies for Management key personnel that may be characterized as: post-employment benefits, termination benefits, share-based remuneration or other long-term benefits.

<u>Officers and Board members - Operations</u>

The officers and board members directly control 0.32% of Company voting capital.

Notes to the financial statements

Sureties between related parties

Loans and financing are guaranteed by promissory notes, pledge of machinery and equipment and real estate mortgages. The sureties granted by and between the subsidiaries and parent company are presented below:

	09/30/2016	09/30/2015
Polimetal Metalurgia e Plásticos Ltda.	**3,302**	4,034
Forjas Taurus S.A.	**117,003**	183,888
Taurus Holdings, Inc.	**80,957**	93,560
	201,262	281,482

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

a) Capital

In 2016, there were 3 capital increases that amounted to R$ 29,242, which were approved at the RCA's of 01/06/2016, 06/02/2016 and 06/27/2016. Thus, the controlling shareholder CBC Participações S.A. now holds 91.91% of issued common shares.

The Company’s current capital is R$ 393,977 (three hundred ninety-three million, nine hundred seventy-seven thousand reais), represented by 58,278,569 (fifty-eight million, two hundred seventy-eight thousand, five hundred sixty-nine) shares, of which 44,642,459 (forty-four million, six hundred forty-two thousand, four hundred fifty-nine) common shares and 13,636,110 (thirteen million, six hundred thirty-six thousand, one hundred and ten) preferred shares, all registered, book entry and without par value.

Subscription bonus

Shareholders that took part in capital increase homologated in the Special Shareholders’ Meeting as of September 29, 2015, were assigned, as an additional benefit, a subscription bonus for each subscribed share, according to type of share. Subscription bonuses will be valid until January 30, 2017 ("Maturity") and their exercise price is R$1.64, both for subscription bonus of ON shares and PN shares. There are also remaining outstanding 1,811,473 subscription bonuses class 1, attributed to the underwriters of common shares, and 4,662,416 subscription bonus class 2, attributed to the underwriters of preferred shares.

Preferred shares

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

Notes to the financial statements

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;

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

(i) 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)

	09/30/2016	**09/30/2015**
Common shares	**51,851**	51,851
Preferred shares	**103,702**	103,702
	155,553	155,553

Shares issued and fully paid up

	Common		**Preferred**	
	Number (in thousands)	**In thousand of reais**	**Number (in thousands)**	**In thousand of reais**
September 30, 2015				
Common shares - R$ 1.79 - Preferred shares - R$ 1.21*	27,447	49,129	13,002	15,732
September 30, 2016				
Common shares - R$1.65 - Preferred shares - R$1.75*	**44,642**	**73,660**	**13,636**	**23,863**

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

Notes to the financial statements

b) Equity evaluation adjustments

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

Accumulated translation adjustments

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

c) Earnings (loss) per share

Basic earnings per share	**09/30/2016**	**09/30/2015**
Loss attributable to shareholders (in thousands of R$)	**(44,152)**	(248,452)
Balance of shares at the end of the year	**58,278,569**	40,448,248
Total shares	**58,278,569**	40,448,248
Earnings per share - Basic - in R$	**(0.75760)**	(6.14244)
Diluted earnings per share	**09/30/2016**	**09/30/2015**
Loss attributable to shareholders (in thousands of R$)	**(44,152)**	(248,452)
Balance of shares at the end of the year	**58,278,569**	40,448,248
Effect of bonus on subscription of shares*	**65,646**	1,592,791
Total shares considered	**58,344,215**	42,041,039
Earnings per share considering bonus effect and diluted in R$	**(0.75675)**	(5.90973)

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

d) Capital transactions

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

22. Operating income

Sale of goods

Operating income is recognized when:

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

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

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

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

	Consolidated		Parent company	
	09/30/2016	**09/30/2015**	**09/30/2016**	**09/30/2015**
Sales of products	**703,905**	655,450	**367,054**	354,311
Rendering of services	**-**	622	**-**	622
Adjustment to present value	**-**	(7,258)	**-**	(2,310)
Total gross income	**703,905**	648,814	**367,054**	352,623
		(83,345)		(30,554)
Sales taxes	**(81,513)**		**(27,637)**	
Refunds and rebates	**(15,607)**	(4,230)	**(5,381)**	(2,406)
Total net operating income	**606,785**	561,240	**334,036**	319,663

Notes to the financial statements

23. Financial income and expenses

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

	Consolidated		Parent company	
	09/30/2016	**09/30/2015**	**09/30/2016**	**09/30/2015**
Financial expenses				
Interest	**(55,070)**	(52,788)	**(52,186)**	(46,840)
Foreign exchange rate	**(360)**	(239,182)	**-**	(219,679)
IOF	**(597)**	(1,207)	**(292)**	(166)
Swap on financial operations	**(9,894)**	(14,642)	**(9,893)**	(14,641)
Adjustment to present value	**-**	(8,933)	**-**	(8,006)
Other expenses	**(5,372)**	(5,150)	**(4,127)**	(1,104)
	(71,293)	(321,902)	**(66,498)**	(290,436)
Financial income				
Interest	**597**	5,189	**2,833**	5,448
Foreign exchange rate	**93,634**	67,552	**86,099**	62,289
Swap on financial operations	**836**	29,650	**836**	29,648
Adjustment to present value	**-**	10,076	**-**	2,655
Other income	**1,543**	5,754	**93**	1,905
	96,610	118,221	**89,861**	101,945
Net financial income	**25,317**	(203,681)	**23,363**	(188,491)

24. Expenses per type

	Consolidated		Parent company	
	09/30/2016	**09/30/2015**	**09/30/2016**	**09/30/2015**
Expenses according to the role				
Cost of products sold	**(447,981)**	(395,595)	**(288,618)**	(236,144)
Sales expenses	**(88,339)**	(71,038)	**(27,173)**	(22,075)
General and administrative expenses	**(103,338)**	(74,428)	**(50,863)**	(30,778)
Other operating expenses	**(40,324)**	(83,267)	**(18,750)**	(7,957)
	(679,982)	(624,328)	**(385,404)**	(296,954)
Expenses per type				
Depreciation and amortization	**(25,363)**	(26,907)	**(4,990)**	(7,606)
Personnel expenses	**(215,686)**	(243,515)	**(64,682)**	(100,108)
Raw materials and use and consumption materials	**(262,203)**	(113,319)	**(144,942)**	(131,333)
Freight and commissions	**(45,060)**	(30,148)	**(16,458)**	(9,882)
Third party services	**(24,976)**	(22,567)	**(123,920)**	(10,584)
Advertising and publicity	**(15,633)**	(12,224)	**-**	-
Provision for loss on Renill notes	**-**	(2,510)	**-**	-
Allowance for doubtful accounts	**(3,476)**	-	**(2,654)**	-
Product warranty expenses	**(4,785)**	(6,804)	**(3,198)**	(3,132)
Water and energy	**(12,322)**	(13,601)	**(3,100)**	(5,922)
Rents	**(6,855)**	-	**(1,730)**	-
Cost of write-off property, plant and equipment	**(5,712)**	(7,333)	**(1,569)**	(6,087)
Investment losses	**(5,150)**	-	**(2,514)**	-
Loss in the production process	**-**	(10,422)	**-**	(8,054)
Provision for contingencies	**(21,383)**	(78,198)	**(8,323)**	(4,484)
Other expenses	**(31,378)**	(56,780)	**(7,324)**	(9,762)
	(679,982)	(624,328)	**(385,404)**	(296,954)

Notes to the financial statements

25. Cost of products sold

	Consolidated		Parent company	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Cost of products sold, allocated	**447,981**	383,691	**288,618**	228,090
Unallocated costs	**-**	11,904	**-**	8,054
Total cost of products sold	**447,981**	395,595	**288,618**	236,144

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 products sold.

26. Insurance coverage

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

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

	09/30/2016	
	Consolidated	Parent company
Material damages	**424,068**	**33,789**
Civil liability	**226,050**	**8,000**
Loss of profit	**5,841**	**-**

27. Provision for product warranty

The Company grants one-year warranty for the product, but in a few cases the warranty is for life. The Company quantifies and records an estimate for costs related to the warranty, according to the history and current repair costs. The provision for product warranty ensures that repair costs in case of replacement or repair will not affect the operating income for periods in which these additional costs are incurred, accordingly, the values are accrued on accrual basis. As of September 30, 2016 and 2015, balances are presented as follow:

	Consolidated		Parent company	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Domestic market	**7,161**	7,054	**5,693**	5,586
Foreign market	**9,459**	11,079	**1,477**	1,477
Total	**16,620**	18,133	**7,170**	7,063
Current liabilities	**12,281**	12,913	**7,170**	7,063
Non-current liabilities	**4,339**	5,220	**-**	-

Notes to the financial statements

28. Investment property

In 2016 Forjas Taurus S.A. transferred the operation of the Production Plant located in the city of Porto Alegre/RS to the Production Plant located in the city of São Leopoldo/RS. Accordingly, on September 30, 2016, and considering the terms of CPC 28 Property for Investment, the Company, in the consolidated financial statements, reclassified the amount of R$ 21,204 from Fixed Assets to Property for Investment.

The reclassified assets for Investment Property are measured at historical cost of acquisition or construction, less accumulated depreciation and accumulated impairment losses.

29. Subsequent events

29.1 Debt reprofiling

On 06.30.2016, the agreement establishing the terms for the renegotiation of the Company's debt with its main creditors was entered into. As of this date, the process of compliance with the preceding conditions, usual for this type of operation, was initiated. The Company has already fully met these conditions, remaining outstanding only the process of legal formalization of the operation for subsequent disbursement and conclusion of the renegotiation of values and rescheduling of such debts. The terms of the Transaction have included the extension of the maturity amounting to approximately USD$150.0 million. The total period of such maturities is now five (5) years, including a two-(2)-year grace period to start paying the principal. The amortization of principal will be made with quarterly payments, beginning at the end of the 24th month (including). The nominees will bear interest equal to LIBOR (3 months) + 8.14% per annum and will be paid semi-annually during the grace period and quarterly after that period.

The Transaction was formed with the following collateral: (I) pledge of all the shares of Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda. ("Collateral"); (ii) 1st degree mortgage of 03 properties located in Mandirituba/PR, and 02 properties located in Porto Alegre/RS ("Mortgage"); and (iii) fiduciary assignment of credit rights derived from the total funds object of eventual sale of quotas object of Pledge and Mortgage, as well as rights inherent in the title of the Company's secured account to be opened in order to receive the funds.

Notes to the financial statements

Below we present the expected impacts of this renegotiation on the Company's balance sheet on 09.30.2016, as well as reverting the reclassification of short term for the waiver, obtained on November 08, 2016, with the creditor abroad of the debt related to working capital. The conclusion of the renegotiation process expects an additional credit facility of USD$900,000, equivalent to R$3 million under the same parameters negotiated in the debt reprofiling. Thus, such amount is already included in the proforma version, under "Loans and financing", in the line of non-current liabilities and Cash and Cash Equivalents, in current assets.

		Consolidated
	Current 09/30/2016	**With reprofiling effects**
Current	**583,408**	**59,754**
2017	11,694	7,328
2018	38,324	138,336
2019	39,221	187,164
2020 onwards	16,851	299,838
Non-current	**106,090**	**632,666**
Total debt	**689,498**	**692,420**

29.2 Public Civil Inquiry - Public Ministry of the Federal District and Territories

According to the Communication to the Market, published on 10.31.2016, the Company became aware, on October 27, 2016, by means of the press and social media, of the inquiry filed by the Public Ministry of the Federal District and Territories, to collect possible elements of conviction regarding the use and employment of the Company's firearms by the Civil Police of the Federal District; the need or not to replace the Company's products; the Company's responsibility for the accidents caused to civil policemen of the Federal District; the practice of high prices to the Civil Police of the Federal District; the possible monopoly exercised by the Company in the ambit of the Civil Police of the Federal District; and the loss to the public assets of the Federal District caused by the acquisition of defective equipment by the Civil Police of the Federal District. Taurus was taken by surprise with the notice about the inquiry since it is already collaborating with this same agency, providing all the information requested.

As to this Inquiry, it is worth mentioning that: (i) the investigations are restricted to the ambit of operation of the Civil Police of the Federal District, and (ii) the Company has not yet been formally notified about the inquiry and will present the proper explanations in due time.

Opinions and Statements / Special Review Report - Unqualified

Report on the review of Quarterly information (ITR's) on September 30, 2016

To the Shareholders, Board Members and Officers of

Forjas Taurus S.A.

São Leopoldo - RS

Introduction

We have reviewed the interim, individual and consolidated financial information of Forjas Taurus S.A. ("Company"), contained in the Quarterly Information – ITR Form for the quarter ended September 30, 2016, which comprise the balance sheet as of September 30, 2016 and related statements of income, of comprehensive income for the 3 and 9-month periods then ended, of changes in shareholders' equity and of cash flows for the quarter then ended, including the explanatory notes.

Management is responsible for the preparation of the interim financial 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 this interim financial information based on our review.

Scope of 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 financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with audit standards and, as a result, did 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 financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB and applicable 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 statements of added value for the nine-month period ended on September 30, 2016, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Porto Alegre, November 10, 2016

KPMG Auditores Independentes

CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

Opinions and Statements / Tax Council opinion or equivalent body

Tax Council Opinion

Tax Council of Forjas Taurus S.A., in compliance with legal and bylaws' provisions, reviewed information related to the third quarter of 2016. Based on this review and on information of Report on Review of Quarterly Information, issued without qualifications by KPMG Auditores Independentes and dated November 10, 2016, as well as information and clarifications received from the Company's management, said documents have the conditions to be disclosed.

Porto Alegre, November 10, 2016

Amoreti Franco Gibbon

Haroldo Zago
Mauro César Medeiros de Mello

Amoreti Franco Gibbon

Rafael de Souza Morsch

Juliano Puchalski Teixeira

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

STATEMENT OF FORJAS TAURUS S.A. BOARD MEMBERS ON FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD OF 2016

Mr. Marco Aurélio Salvany, Mr.Thiago Piovesan and Mr. Salésio Nuhs, Executive Officers of Forjas Taurus S.A., company with head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in CNPJ under no. 92,781,335/0001-02, in compliance with provisions of items V and VI of Article 25 of CVM Instruction no. 480, of December 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, 2016 to September 30, 2016.

Porto Alegre, November 10, 2016.

Marco Aurélio Salvany

CEO

Thiago Piovesan

Administrative and Financial Officer and Vice CEO

Investor Relations Officer

Salésio Nuhs

Sales and Marketing Officer and Vice CEO

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

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

Mr. Marco Aurélio Salvany, Mr. Thiago Piovesan and Mr. Salésio Nuhs, Executive Officers of Forjas Taurus S.A., company with head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in CNPJ under no. 92.781.335/0001-02, in compliance with provisions of items V and VI of Article 25 of CVM Instruction no. 480, of December 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, 2016 to September 30, 2016, issued on November 10, 2016.

Porto Alegre, November 10, 2016.

Marco Aurélio Salvany

CEO

Thiago Piovesan

Administrative and Financial Officer and Vice CEO

Investor Relations Officer

Salésio Nuhs

Sales and Marketing Officer and Vice CEO