



2Q14

RELEASE



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Porto Alegre, August 14, 2014 - Forjas Taurus S.A. (BM&FBOVESPA: FJTA3, FJTA4), which operates in the (i) **Defense and Security** industry - as the largest weapons manufacturer in Latin America and one of the largest in the world; and in the (ii) Metallurgy and Plastics industry – as a market leader in the production of motorcycle helmets, and also manufactures bullet proof vests, antiriot shields, plastic containers and forged and injected parts (M.I.M – Metal Injection Molding), reports hereby its results for the **2nd quarter of 2014 (2Q14) and 1st half of 2014 (1H14)**. The Company's operating and financial information was consolidated in accordance with International Financial Reporting Standards – IRFS and amounts are expressed in millions of reais, unless otherwise stated.

HIGHLIGHTS FOR 1ST HALF OF 2014 (1H14)

- ✓ **In relation to demand, there was significant scenario change**, since there was 23% decrease in demand in the North American market, the main market for our weapons, (1H14 x 1S13) according to indices informed by FBI, thus increasing competition with aggressive prices of competitors, thus leading to high inventories of our distributors and customers, temporarily affecting the Company's market share;
- ✓ **Demand in the domestic market** also presented a slight decrease compared to same prior year period (-4.6%), partly due to the economic slowdown in the period, as well as the FIFA 2014 World Cup, which drained funds from almost all markets. However, there are promising prospects owing to the recent Decree of President Dilma authorizing the possession of guns by prison and traffic wardens, which may represent a new public security market;
- ✓ **In international markets**, other than the North American market, we have significantly grown at rates above 20% (1H14 x 1H13), not only in the civil, but also in the Defense and Security areas. Although currently not quite expressive in terms of volume when compared to our share in the North American market, we believe that the search for new markets is a correct strategic decision to reduce our future dependence level.
- ✓ **In relation to supply**, the production level and projected productivity are still being pursued, with a few problems in intermediate stages of the process, leading to the need of rework, especially in the segment of revolvers; in addition our productivity was affected due to the Union activity now involving negotiation and discussion of the salary raise of metallurgic workers, seeking actual salary gains (above 8% compared to IPCA of 5.8%), which has been generation some manifestations and halts;
- ✓ **Actions for operational improvements** have been implemented looking for higher productivity and flexibility for adventitious adjustments owing to market fluctuations. Among other actions, they encompass the review of processes and products in order to reduce costs and expenses, measured by indicators that show decrease in headcount and products portfolio (from 5,500 SKUS, products, in Dec/13 to 800 in Jun/14, and 400 in Dec/14). These actions also promote reduction in the need of working capital, thus increasing available funds for the company.
- ✓ **Actions related to production bottlenecks and noncompliance** of certain products continue being a priority, with high level requirements for quality and scrap;
- ✓ **Actions for administrative improvement**, such as the implementation of new ERP modules, review of the entire value chain, balancing of costs and of the structure of products and domestic and international sales aiming at better internal controls and adjustment to market needs;
- ✓ **Launching of helmets line for cyclists**, following the trend of use of bicycles as an alternative life style for many people in connection with urban mobility and environmental awareness;
- ✓ **Redesign of the helmet that is a sales success: the San Marino** helmet is now smaller and lighter, with better aerodynamics, however maintaining wide peripheral vision, which is one of the products differentiators;
- ✓ **Actions to improve financial liquidity** were adopted, such as (i) 3rd issue of simple debentures without security interest or surety, concluded on 06/30/14 with receipt of R\$ 100 million by the Company, term of 3 years, grace period of 2 years; and (ii) capital



increase approved in the Extraordinary Shareholders' Meeting of 04/29/14 was concluded on 07/30/14 in the amount of R\$ 67 million to be approved;

- ✓ **Capital increase** still subject to approval by the Extraordinary Shareholders' Meeting, to be held on 08/20/14, which will change the shareholding structure, with acquisition by CBC – Companhia Brasileira de Cartuchos of significant interest in the subscription, and started to hold 52.5% of voting capital stock, as per the Material News Release on 07/23/14;
- ✓ **New shareholder holding significant ownership interest**, representing admission of a partner with specific knowledge of the Company's business segment and operating in the Defense & Security segment both in the domestic and in the international market, in which both already operate, which could bring future synergy gains for both the weapons and ammunition industries in relation to logistic, procurement, R&D, market, etc. Both companies are Strategic Defense Companies (EED), which is a promising fact, for being part of the Government's strategic policy that creates a National Defense and security Industry;
- ✓ **The potential synergies** have not yet been discussed or measured due to the communication by CBC to the Brazilian Council for Economic Defense ("CADE") on 05/12/14, which is pending approval of the Concentration Act by CADE before any transaction between the 2 companies. Only after such approval will studies be started to determine the synergic value from the transaction;
- ✓ **Election of the Board of Directors** by multiple voting process in the Extraordinary Shareholders' Meeting of 06/27/14 and amendment to the Articles of Incorporation, increasing from 7 to 9 members with large experience in Corporate Governance and management;
- ✓ **Inauguration of the new Board of Directors** on 7/17/14, with election of Mr. Jório Dauster and Mr. Ruy Lopes Filho as Board Chairman and Vice Chairman, respectively; also appointing the members of the **Board of Directors Statutory Advisory Committees:** Audit and Risk Committee, Remuneration and People Development Committee and Corporate Governance and Management Committee;
- ✓ **Trends and benefits from these transformations:** (i) strategic focus on medium and long-term results; (ii) gradual continuous recovery of the Company's performance due to the market and productivity conditions; (iii) we continue with the projects looking for higher productivity, quality and profitability; (iv) endeavor to recover margins and profitability; (v) continuous efforts to maximize return for shareholders; and (vi) benefits will be attained from the structural changes, for the Company to grow again consistently and sustainably.

HIGHLIGHTS FOR 1ST HALF OF 2014 (1H14)

- ✓ **Consolidated net revenue of R\$ 301.1 million**, down 30.4% compared to R\$ 432.6 million in 1H13, an atypical comparative base due to excess demand since distributors and dealers had high inventory level due to sales of competitors with promotions and discounts, particularly in the 4Q13 and 1Q14 in the USA, and also because new products, such as PT Curve 360, had not yet been released for production;
- ✓ **Decrease in consumption in the North American market** explains the decrease in exports and revenue share: 51% in 1H14 compared to 66% in 1H13;
- ✓ **Double exports to other countries:** increase in sales, from 4% in 1H13 to 8% in 1H14;
- ✓ **Increase in revenue share in the domestic market:** from 30% (1H13) to 40% in 1H14;
- ✓ **Net revenue from the weapons segment reached R\$ 218.1 million in 1H14, compared to R\$ 333.2 million in 1H13**, representing 72.4% of net revenue (77% in 1H13), however higher than 70.1% in 1H12, in which demand was atypical for the period;
- ✓ **Net revenue for the helmets segment totals R\$ 62.9 million in 1H14**, compared to R\$ 63.5 million in 1H13, with increase in revenue share from 14.7% in 1H13 to 20.9% in 1H14;
- ✓



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- ✓ **Share in the helmets market in Brazil remains stable of around 46%** in March/14 and June/14, based on the new methodology adopted by the Company, with public auditable data, explained in **Attachment I Market Share of Taurus Helmets**, at the end of this report;
- ✓ **Gross margin of helmets in 1H14 was of approximately 34.2%** due to the decrease in sales volume (dynamism effect + 2014 FIFA World Cup), lower than 37.5% in 1H13, which still presented more favorable credit conditions for motorcycle sales;
- ✓ **Adjusted EBITDA amounted to R\$ 12.4 million** with margin of 4.1% in 1H14, lower than R\$ 77.1 million and margin of 17.8% in 1H13, in which exports were high due to atypical consumption in the USA;
- ✓ **Due to the decrease in sales, production volume and margins**, the Company posted loss of R\$ 30.2 million in 1H14;
- ✓ **CAPEX** amounted to R\$ 8.1 million in 1H14 (of maintenance), lower than R\$ 17.2 million in 1H13, due to higher capital expenditures in 2013, related to purchase of machinery and equipment for the manufacture of new products and industrial modernization (concentration of M.I.M. plant in the São Leopoldo plant);
- ✓ **Total assets aggregated R\$ 1,091 million** and equity totaled R\$ 104 million at Jun/30/ 14.

HIGHLIGHTS FOR THE 2nd QUARTER OF 2014 (2Q14)

- ✓ **Consolidated net revenue of R\$ 132.9 million in 2Q14**, compared to R\$203.9 million in 2Q13, lower than the R\$ 168.1 million in 1Q14, due to the market decrease in exports to the EUA;
- ✓ **Net revenue from export of R\$ 73.1 million**, representing 55% in 2Q14, compared to 65% in 2Q13 and 63% in 1Q14;
- ✓ **term extension actions for customers in the USA** in order to promote sales and minimize the effects of more aggressive initiatives from competitors;
- ✓ **Net revenue in the domestic market of R\$ 59.9 million** well below the R\$ 62.4 million in 1Q14 and R\$ 71.9 million in 2Q13;
- ✓ **Revenue from the weapons segment of R\$ 94.1 million in 2Q14**, representing 70.8% of net revenue (74.5% in 2Q13 and 73.8% in 1Q14);
- ✓ **Gross profit of R\$ 26.1 million**, compared to R\$ 45.7 million in 1Q14 and R\$ 60.5 million in 2Q13 and gross margin of 19.6%. Although a drastic effort led to 25.5% decrease in cost of goods sold, it was not sufficient to offset the decrease in revenue, however it evidences a performance gain which will generate benefits mainly when the sales volume returns to the usual level;
- ✓ **Revenue from helmets totaled R\$ 30.3 million in 2Q14, representing 22.8% of total net revenue**, a decrease compared to revenue of R\$ 33.6 million and 16.5% of revenue in 2Q13 and R\$ 32.6 million in 1Q14, compared to 19.4% of net revenue;
- ✓ **Period seasonally weaker for helmets** due to collective vacations (June or July) for the preparation of plants for the new production line for launchings in 2015;
- ✓ **Decrease in gross margins of net revenue from weapons** (15.7% in 2Q14 compared to 29.5% in 2Q13 and 24.3% in 1Q14) and from **helmets** (32.7% in 2Q14 compared to 40.1% in 2Q13 and margin of 35.6% in 1Q14);
- ✓ **Operating expenses decreased 28.1% in 2Q14, compared to 2Q13**, due to the 29.5% decrease in selling expenses (commissions and freight) and 24.8% decrease in administrative expenses (decrease in labor, Board remuneration and hiring of independent consultants);
- ✓ **With the decrease in revenue and gross profit** there was generation of negative EBITDA of R\$ 2 million in 2Q14, even with the decrease in operating expenses, thus leading to loss of R\$ 25.6 million in the quarter.



1– Economic and Financial Performance

1.1 Main Economic and Financial Indicators

Consolidated amounts in millions of Brazilian reais, except where otherwise indicated

Ratios	2Q14	1Q14	2Q13	2Q12	1H14	1H13	1H12	Variation %				
								1H14/1H13	1H14/1H12	2Q14/2Q13	2Q14/1Q14	2Q14/2Q12
Net revenue	132.9	168.1	203.9	175.4	301.1	432.6	353.8	-30.4%	-14.9%	-34.8%	-20.9%	-24.2%
Domestic market	59.9	62.4	71.9	74.8	122.3	128.1	144.6	-4.6%	-15.4%	-16.8%	-4.0%	-19.9%
Foreign market	73.1	105.8	132.0	100.6	178.8	304.5	209.2	-41.3%	-14.5%	-44.6%	-30.9%	-27.4%
COGS	106.8	122.4	143.4	101.5	229.3	294.1	213.7	-22.1%	7.3%	-25.5%	-12.7%	5.2%
Gross Profit	26.1	45.7	60.5	73.9	71.8	138.5	140.0	-48.1%	-48.7%	-56.9%	-42.9%	-64.7%
Gross Margin - %	19.6%	27.2%	29.7%	42.1%	23.9%	32.0%	39.6%	-8.2 p.p.	-15.7 p.p.	-10.0 p.p.	-7.6 p.p.	-22.5 p.p.
Operating Expenses	-37.5	-41.2	-52.2	-36.4	-78.7	-93.1	-72.1	-15.5%	9.1%	-28.1%	-8.8%	3.3%
Operating Profit (EBIT)	-11.4	4.5	8.3	37.5	-6.9	45.3	67.9	-115.2%	-110.2%	-237.7%	-352.2%	-130.5%
EBIT Margin - %	-8.6%	2.7%	4.1%	21.4%	-2.3%	10.5%	19.2%	-12.8 p.p.	-21.5 p.p.	-12.7 p.p.	-11.3 p.p.	-30.0 p.p.
Net Financial Income	-16.4	-9.9	-19.0	-18.0	-26.3	-32.0	-19.9	-17.9%	32.3%	-13.6%	66.2%	-8.5%
Depreciation and amortization ⁽¹⁾	8.2	8.1	9.6	7.9	16.3	17.7	15.4	-8.0%	5.4%	-14.7%	1.3%	3.9%
Net Income - Continuing Operations	-25.6	-4.5	-20.4	12.1	-30.2	-11.2	29.4	169.2%	-202.5%	25.6%	464.1%	-311.5%
Net Income Margin - Cont. Operations	-19.3%	-2.7%	-10.0%	6.9%	-10.0%	-2.6%	8.3%	-7.4 p.p.	-18.3 p.p.	-9.3 p.p.	-16.6 p.p.	-26.2 p.p.
Net Income - Discontinuing Operations	0.0	0.0	0.0	-127.1	0.0	0.0	-132.2	-	-	-	-	-
Net Income - Consolidated	-25.6	-4.5	-20.4	-114.9	-30.2	-11.2	-102.8	169.2%	-70.7%	25.6%	464.1%	-77.7%
Net Income Margin - Consolidated	-19.3%	-2.7%	-10.0%	-65.5%	-10.0%	-2.6%	-29.1%	-7.4 p.p.	19.0 p.p.	-9.3 p.p.	-16.6 p.p.	46.3 p.p.
Adjusted EBITDA ⁽²⁾	-2.0	14.3	30.1	44.5	12.4	77.1	80.7	-84.0%	-84.7%	-106.5%	-113.7%	-104.4%
Adjusted EBITDA Margin - %	-1.5%	8.5%	14.8%	25.4%	4.1%	17.8%	22.8%	-13.7 p.p.	-18.7 p.p.	-16.2 p.p.	-10.0 p.p.	-26.8 p.p.
Total Assets	1,091.1	1,089.2	1,266.9	1,059.8	1,091.1	1,266.9	1,059.8	-13.9%	3.0%	-13.9%	0.2%	3.0%
Equity	104.1	134.7	204.8	228.9	104.1	204.8	228.9	-49.2%	-54.5%	-49.2%	-22.7%	-54.5%
Investments (CAPEX)	5.1	3.1	6.3	31.3	8.1	17.2	52.5	-52.7%	-84.5%	-20.3%	64.6%	-83.8%

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

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

1.2 - Net revenue

Consolidated net revenue in 2Q14 totaled R\$ 132.9 million, down 20.9% compared to R\$ 168.1 million of 1Q14. This performance in the quarter is mainly due to the 30.9% decrease in exports, representing 55% of consolidated net revenue in 2Q14 compared to 63% in 1Q14.

The decrease in the domestic market was proportionally lower, i.e. down 4% compared to 1Q14, mainly due to the decrease in sales of revolvers and rifles, since pistol sales surpassed the target due to the expected purchase of new ones by local, state and federal government for defense and security purposes during the 2104 World Cup in Brazil.

Other factors also affected sales in the domestic market, such as:

- (i) the World Cup generated a certain halt in the buying bodies, during the collective vacations or holidays granted;
- (ii) slowdown of sales to storekeepers due to the fear in relation to the future Brazilian economic prospects; and
- (iii) delay in granting the applications for registration of firearms significantly hinders the purchase of firearms, leading to many purchases being given up.

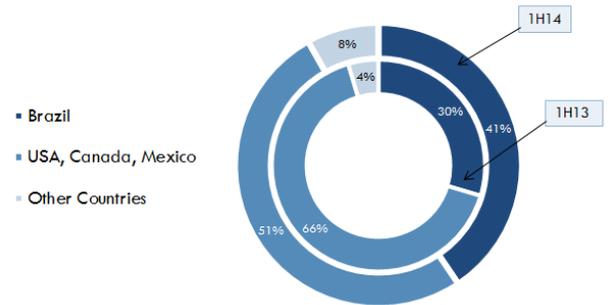
There was increase in the percentage of sales in the domestic market from 37% in 1Q14 to 45% in 2Q14.

Following the same trend of decrease in Brazilian exports (-3.4%) and by the Rio Grande do Sul State (-20.5%) in 1H14, Taurus exports also decreased, however proportionally more (-41.3%) compared to the same prior year period, due to



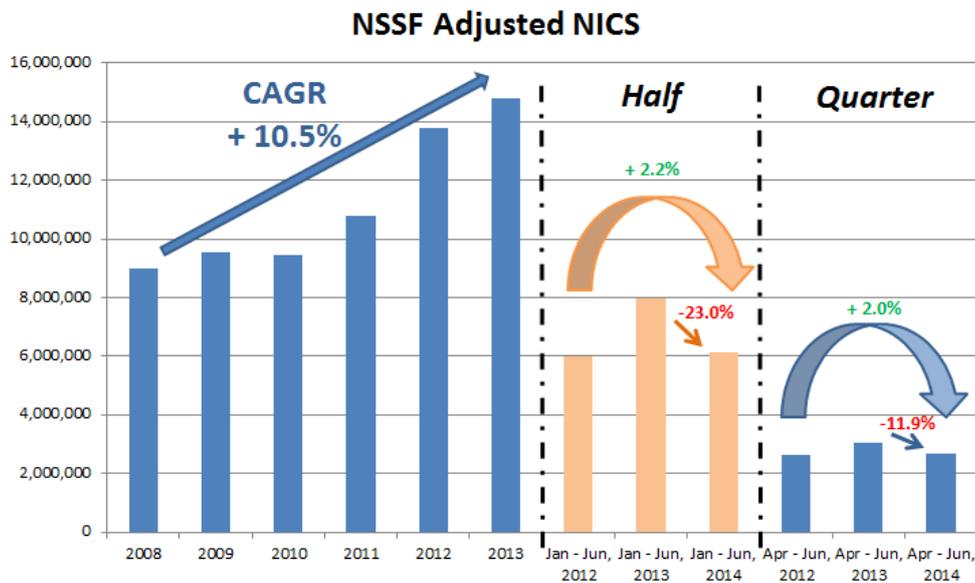
the decrease in consumption of firearms in the USA, compared to the increase in 2013, due to the fear of restriction to use of firearms at the beginning of the second term of office of President Obama, as well as bomb scares, terrorism and catastrophic events (giving rise to plundering) occurred last year.

Taurus focused efforts on sales to other countries, which were successful and led to 24% increase in sales, doubling the percentage in relation to total sales, as shown by data on the percentage of net revenue. In 1H14, revenue breakdown shows that revenue from sales to the North American market accounted for 51% (66% in 1H13), to the domestic market 41% (30% in 1H13) and to other countries 8% (4% in 1H13).



There has been significant decrease in consumption in the North American market since no new facts arose that could lead to increase in sales. As a consequence, competitors made aggressive promotions offering price discounts. The fast response upon first evidence of decrease in demand led to market share gain.

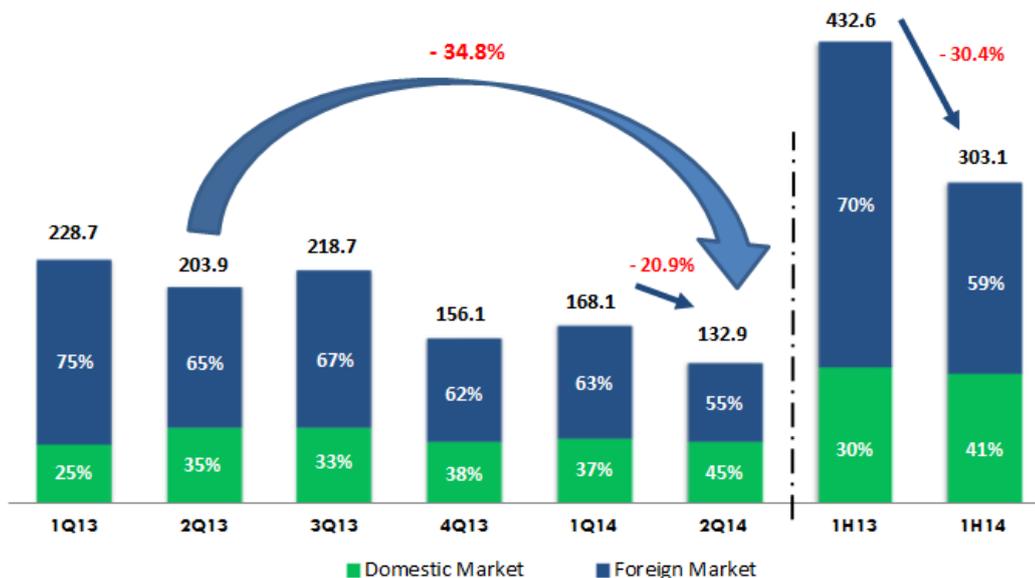
The graph below, considered the main indicator for storekeepers of consumers' intention of buying firearms in the USA and prepared by FBI, is denominated NICS – *National Instant Criminal Background Check System*, and clearly shows marked decrease in demand.



Source: NSSF – National Sporting and Shooting Foundation

We illustrate below the Company's net revenue, by market, in millions of Brazilian reais, of the quarters under analysis:





1.3 - Segment information

The table below sets out the financial highlights by segment:

Comparative Six months - Year over Year

	Net Revenue			Gross Income			Gross Margin			Income before taxes				
	1H14	Part. %	1H13	Part. %	Var.	1H14	1H13	Var.	1H14	1H13	Var.p.p	1H14	1H13	Var.
Firearms	218.1	72.4%	333.2	77.0%	-34.6%	45.0	108.5	-58.5%	20.6%	32.6%	-11.9	(44.1)	14.2	NS
Helmets	62.9	20.9%	63.5	14.7%	-0.9%	21.5	23.8	-9.5%	34.2%	37.5%	-3.2	13.8	15.4	-10%
Others	20.1	6.7%	35.9	8.3%	-44.1%	5.3	6.2	-14.0%	26.5%	17.2%	9.3	(3.0)	(16.2)	-82%
Total	301.1	100.0%	432.6	100.0%	-30.4%	71.8	138.5	-48.1%	23.9%	32.0%	-8.2	(33.2)	13.3	NS

Comparative Quarter - Year over Year

	Net Revenue			Gross Income			Gross Margin			Income before taxes				
	2Q14	Part. %	2Q13	Part. %	Var.	2Q14	2Q13	Var.	2Q14	2Q13	Var.p.p	2Q14	2Q13	Var.
Firearms	94.1	70.8%	151.8	74.5%	-38.0%	14.8	44.8	-67.0%	15.7%	29.5%	-13.8	(31.7)	(6.4)	NS
Helmets	30.3	22.8%	33.6	16.5%	-9.8%	9.9	13.5	-26.4%	32.7%	40.1%	-7.4	6.6	9.5	-31%
Others	8.6	6.4%	18.5	9.1%	-53.6%	1.4	2.3	-38.1%	16.4%	12.3%	4.1	(2.7)	(13.8)	-80%
Total	132.9	100.0%	203.9	100.0%	-34.8%	26.1	60.5	-56.9%	19.6%	29.7%	-10.0	(27.9)	(10.7)	NS

Comparative Quarter - Current Quarter x Previous Quarter

	Net Revenue			Gross Income			Gross Margin			Income before taxes				
	2Q14	Part. %	1Q14	Part. %	Var.	2Q14	1Q14	Var.	2Q14	1Q14	Var.p.p	2Q14	1Q14	Var.
Firearms	94.1	70.8%	124.0	73.8%	-24.2%	14.8	30.2	-51.0%	15.7%	24.3%	-8.6	(31.7)	(12.3)	NS
Helmets	30.3	22.8%	32.6	19.4%	-7.1%	9.9	11.6	-14.6%	32.7%	35.6%	-2.9	6.6	7.3	-10%
Others	8.6	6.4%	11.5	6.8%	-25.4%	1.4	3.9	-64.1%	16.4%	34.0%	-17.6	(2.7)	(0.3)	NS
Total	132.9	100.0%	168.1	100.0%	-20.9%	26.1	45.7	-42.9%	19.6%	27.2%	-7.6	(27.9)	(5.3)	NS

- I. Weapons – operations conducted by Forjas Taurus S.A. and Taurus Holdings, Inc. USA;
- II. Helmets for motorcyclists – operations conducted by Taurus Blindagens Ltda., Taurus Helmets Indústria Plástica Ltda. and Taurus Blindagens Nordeste Ltda.;
- III. Others- segments of forging (until 2013),MIM, containers, anti-riot shields, motorcycle trucks, boilermaking, bulletproof vests and plastic products.



Defense and Security Segment (Weapons)

This segment includes handguns (revolvers and pistols for military and civil use), long guns (rifles and carbines) and restricted use guns (rifles, submachine guns, machine guns and less lethal weapons).

The Company's main segment; namely that of Defense and Security, accounted for 72.4% of consolidated net revenue in 1H14. Weapon sales in 1H14 totaled R\$ 218.1 million, down 34.6% compared to 1H13 (R\$333.2 million, or 77% of total consolidated net revenue). Gross profit was significantly affected by the decrease in sales and the increase in the percentage of fixed costs, reaching R\$ 45 million in 1H14, compared to R\$ 108.5 million in 1H13. Gross margin for weapons decreased from 32.6% in 1H13 to 20.6% of revenue in 1H14.

In 2Q14, the percentage for weapons of net revenue was of 70.8% (74.5% in 2Q13 and 73.8% in 1Q14), with a 24.2% decrease in revenue from weapons compared to 1Q14, with a consequent significant decrease in gross profit.

Gross margin was of 15.7% in 2Q14, compared to 29.5% in 1Q14, due to the following: (i) marked change in products mix; (ii) decrease in exports of weapons to the main market (USA), not offset by the doubling in the percentage of exports to other countries; (iii) oscillations and decrease in production volume and lower productivity; (iv) impact on the organizational climate due to the "threatened strike" due to the negotiations of the collective salary raise of metallurgic workers (Labor Union claims more than 8% while the Employers Association offered inflation rate measured by INPC variation of 5.8%); and (v) non-realization of inventories due to higher quantity of products in process, due to lack of components and raw materials that presented problems.

Metallurgy and Plastics Segment

This segment accounted for 27.6% of net revenue in 1H14 (23% in 1H13), in the amount of R\$ 83 million, including the operations of Polimetal in the São Leopoldo unit (in the Rio Grande do Sul state) of M.I.M.- *Metal Injection Molding*, as well as the activities of the helmet for motorcyclists plants (in the Paraná and Bahia states) and production of bulletproof vests and plastic containers (in the Paraná state).

(i) Helmets for motorcyclists

Sales of helmets for motorcyclists represented 20.9% of net revenue, a significant improvement compared to 14.7% in 1H13, in the total of R\$ 62.9 million in 1H14, down 0.9% compared to 1H13. Gross profit amounted to R\$ 21.5 million with 34.2% margin in 1H14 (R\$ 23.8 million and 37.5% in 1H13), also affected by increased restrictions on credit for the purchase of motorcycles as well as by the increase in default.

There was 3.6% decrease in the Company's physical sales of motorcycle helmets in 1H14, however proportionally better than the 4.1% decrease in the motorcycle market, which has been facing problems owing to restriction to credit to class C, D and E consumers, who represent the main consumers of our products.

In 2Q14, compared to 1Q14, there was a marked decrease of -9.1%, in the total of 564 thousand helmets sold, compared to 621 thousand in 1Q14, which explains the decrease in margins, while motorcycle sales measured by the number of license plates in the Brazilian market decreased 3.6%, thus departing from helmet sales.

Gross profit amounted to R\$ 9.9 million in 2Q14, lower than the R\$ 11.6 million in 1Q14. Gross profit in relation to net revenue was of 32.7% in 2Q14, compared to 35.6% in 1Q14 and 40.1% in 2Q13.



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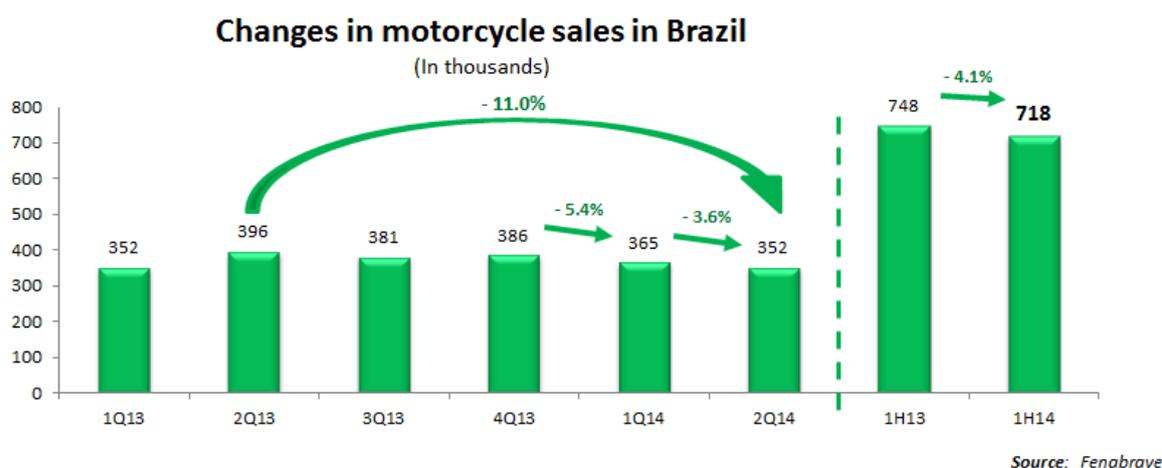
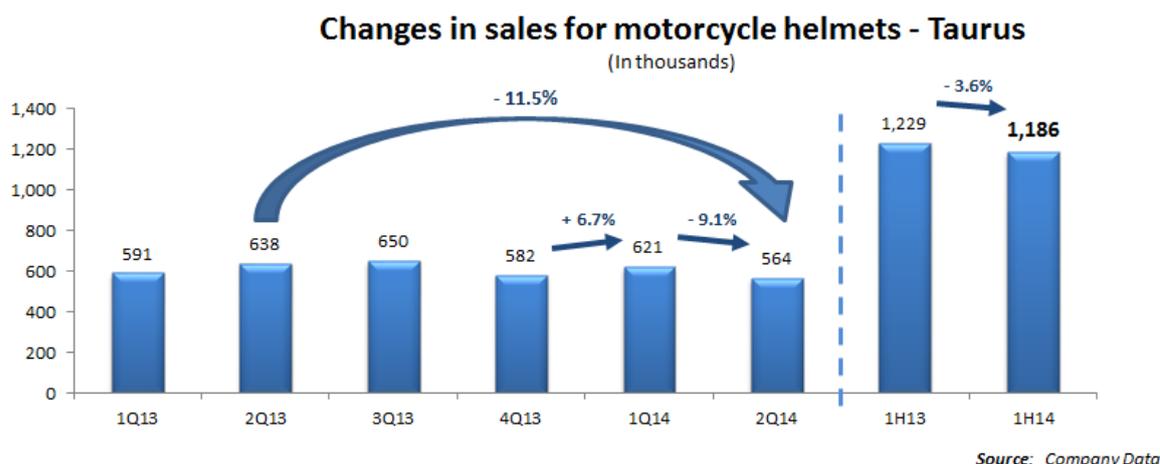
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Taurus continues seeking a products mix with higher value added, with the import of helmets with design every time more sophisticated, with own marks and of third parties, launching new lines in order to also compete in the premium market and diversify even more its products portfolio.

We illustrate below evolution of motorcycle sales and helmet for motorcyclists sales in Brazil by Taurus:



(ii) Other products from the Metallurgy and Plastics segment

Consolidated net revenue from other products totaled R\$ 20.1 million, representing 6.7% of net revenue in 1H14, lower than R\$ 35.9 million in 1H13. Several products are considered in this sub-segment: M.I.M., bulletproof vests, anti-riot shields, motorcycle trucks and plastic containers.

Gross profit amounted to R\$ 5.3 million in 1H14, compared to R\$ 6.2 million in 1H13, with an improvement in gross margin of 26.5% in 1H14 compared to 17.2% in 1H13.



1.4 – Gross profit and gross margin

Consolidated gross profit decreased 48.1%, reaching R\$ 71.8 million in 1H14 (compared to R\$ 138.5 million in 1H13), with gross margin of 23.9% (compared to 32% in 1H13), due to 22.1% decrease in cost of goods sold, proportionally lower than the decrease in net revenue of 30.4%.

Gross profit and gross margin were mainly affected by the performance of 2Q14, reaching R\$26.1 million and gross margin of 19.6%, mainly due to the following: (i) decrease in production due to temporary lack of components of revolvers (frame and other components), with a consequent decrease in productivity; (ii) program of focus on quality has not yet reached the optimal noncompliance level; (iii) change in the products and markets mix; (iv) oscillations in the production volume and increase in idle capacity; (v) adjustment of costs and industrial labor to lower production levels, with decrease of approximately 25% in headcount; and (vi) difficulty in negotiating collective salary raise of metallurgic workers.

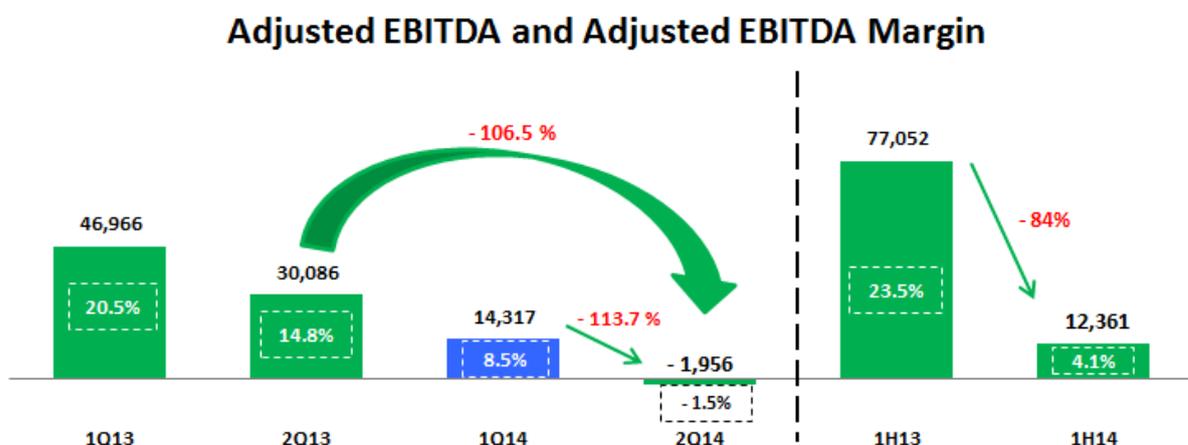
1.5 - Operating Expenses (SG&A)

Operating expenses totaled R\$ 37.5 million in 2Q14 compared to R\$ 41.2 million in 1Q14, down 28.1% in 2Q13, due to the 29.5% decrease in selling expenses (decrease in commissions and freight) and 24.8% decrease in general and administrative expenses (decrease in headcount, in board of directors remuneration and in hiring of independent consultants).

In 1H14, operating expenses totaled R\$ 78.7 million (R\$ 93.1 million in 1H13), down 15.5% due to non-recurring expenses in 1H13, with consultants and lawyers related to the renegotiation of sale of TMFL, further to headcount decrease in the six-month period and decrease in board remuneration as from April/14.

1.6 – Adjusted EBITDA and adjusted EBITDA Margin

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization and without non-recurring revenues and expenses) based on CVM Ruling No. 527/12, of 2Q14, was negative of R\$ 2 million, compared to positive EBITDA of R\$ 14.3 million in 1Q14, explained by the decrease in sales and margins.



Consolidated cash generation in 1H14 totaled R\$ 12.4 million, compared to R\$ 77.1 million in 1H13, with EBITDA margin of 4.1%, of which the decrease is due performance of 2Q14 which was affected by lower revenue and lower gross profit, with decrease in gross margins. Among other purposes, adjusted EBITDA is used as indicator of Company commitments related to loans, financing and debentures.



The table below sets out the calculation methodology for adjusted EBITDA, in accordance with CVM Rule No. 527/12:

CONSOLIDATED EBITDA
In thousands of BRL

PERIOD	1H13	1H14
= NET PROFIT	(11,201)	(30,150)
(+) IR/CSLL	24,511	(3,066)
(+) Net Financial Expenses	76,074	89,370
(-) Net Interest Income	(44,042)	(63,059)
(+) Depreciation/Amortization	17,679	16,269
= EBITDA CVM Reg. 527/12	63,021	9,364
(+) Loss of Taurus Máquinas-Ferramenta Ltda. ⁽¹⁾	14,031	2,997
= ADJUSTED EBITDA	77,052	12,361

⁽¹⁾ Loss of Taurus Máquinas-Ferramenta Ltda.

1.7 – Financial income (expenses)

Net financial expense in 2Q14 amounted to R\$ 16.4 million (R\$ 19 million in 2Q13) and R\$ 9.9 million in 1Q14. In 1H14 it totaled R\$ 26.3 million, down 17.9% compared to net financial expense of R\$ 32 million in 1H13 mainly due to net exchange gain, funding at lower cost (e.g. BNDES) and cash management optimization (significant decrease in advance on receivables transactions).

1.8 – Net income (loss)

Consolidated loss of R\$ 30.2 million in 1H14 represented negative net margin of 10%, due to the decrease in revenue and gross profit, compared to loss of R\$ 11.2 million in 1H13 and negative margin of 2.6%.

In 2Q14, the Company posted loss of R\$ 25.6 million and negative margin of 19.3%, compared to loss of R\$ 4.5 million in 1Q14 and negative margin of 2.7%.

This result was affected by the low performance of sales and production idle capacity, significantly affecting margins.

1.9 – Consolidated investments – CAPEX – Capital Expenditures

Consolidated investments in 2Q14 totaled R\$ 5.1 million, compared to R\$ 3.1 million in 1Q14 and R\$6.3 million in 2Q13.

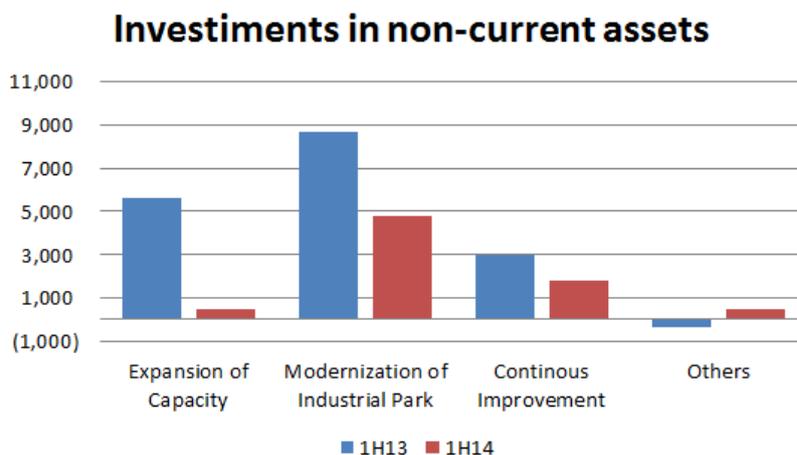
Depreciation and amortization totaled R\$ 8.2 million in the quarter and R\$ 16.3 million in 1H14.

The Company's capital budget of R\$ 55 million proposed by management for 2014 was approved by the Ordinary and Extraordinary Shareholders' Meeting held on April 30, 2014, with 15% realization until the end of 1H14.



In 1H14, CAPEX of R\$ 8.1 million was basically for maintenance, lower than R\$ 17.2 million in 1H13, due to higher investment in fixed assets in the prior year, related to acquisition of machinery and equipment for manufacturing new products (FAT 556 among others) and industrial modernization (concentration of M.I.M. plant in the São Leopoldo plant).

The graphs below illustrate investments in property, plant and equipment in 1H14 and 1H13, with the following distribution:



1.10 – Financial position

Cash and cash equivalents and short-term investments totaled R\$ 286.1 million at Jun/30/14, down 15% compared to R\$ 337.1 million at Jun/30/13 and up 23% compared to R\$ 232.8 million at Mar/31/14. Short-term investments in Brazil are remunerated at rates from 98 to 103% of CDI and are made with highly-rated banks. In the USA short-term investments are also made with highly-rated banks at local rates. Approximately 77% of such cash and cash equivalents and short-term investments are held in Brazil.

Taurus' consolidated **gross indebtedness** totaled R\$ 808.6 million at Jun/30/14, up 4% compared to R\$ 777.1 million at Mar/31/14 and down 6% compared to R\$862.2 at Jun/30/13. The funds are destined mainly to finance: (i) working capital; (ii) investments in modernization and maintenance of industrial premises; (iii) exports and (iv) capital structure.

Long-term loans and financing aggregated more than 50% of total gross debt and approximately 80% of net debt, highlighting the new debenture issue at the end of June/14. The extension of payment terms and the decrease in financial costs represent an ongoing effort of management, together with the decrease in investment in working capital that will result from optimization of operating activities.

Net indebtedness at Jun/30/14 reached R\$ 522.5 million, down 4% compared to net debt of R\$ 544.3 million at Mar/31/14. The decrease in the Company's net debt is mainly due to the receipt of R\$21.5 million from subscription of the 1st part of the capital contribution, still without the two apportionments of remaining shares that took place after the quarter end and that generated in July/14 an additional cash inflow of approximately R\$ 45.5 million.

Debentures totaled R\$ 133.3 million at Jun/30/14. From 2010 to 2014, Taurus issued three debenture series of R\$ 103 million, R\$ 50 million and R\$ 100 million, each as under:

- 1st issue, at rate of DI + 4.1%, of which the balance of R\$ 15.7 was settled in April 2014;



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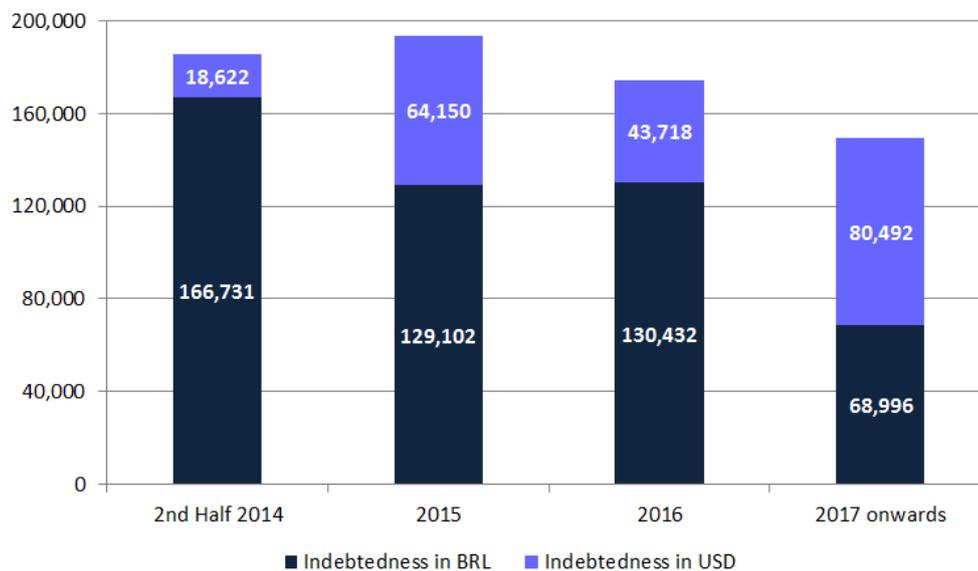
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FJTA4
NÍVEL 2
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- 2nd issue, made in 2011 at rate of DI + 2.8%, payable in 13 quarterly installments started in August 2013. Currently, the balance is of R\$ 35.1 million, fully classified in the short-term portion due to the noncompliance with covenants. A General Meeting of Debenture Holders was held on June 3, 2014 to address non-accelerated maturity of the operation, with a waiver being obtained. As soon as a new waiver is obtained approximately R\$20 million will be reclassified to the long-term portion.
- The 3rd issue was made in June 25, 2014 at the rate of DI + 3.25% and financial market covenants measured annually. The total term is of three years, with grace period of two years, which contributes to the process of debt payment term extension.

Maturity of Consolidated Debt

In thousands of reais



We set out below the changes at Jun/30/14 compared to Mar/31/14, Dec/31/13 and Jun/30/13 and the main accounts related to the Company's financial position, as well as the main related indicators:



	In millions BRL						
	06/30/2014	03/31/2014	12/31/2013	06/30/2013	Var. Jun/14 x Mar/14	Var. Jun/14 x Dec/13	Var. Jun/14 x Jun/13
Short term indebtedness	280.5	358.6	388.5	365.4	-22%	-28%	-23%
Long term indebtedness	288.4	250.5	273.2	309.6	15%	6%	-7%
Exchange Serves	65.5	62.3	0.0	0.0	5%	-	-
Debentures	133.3	54.4	57.6	79.9	145%	132%	67%
Anticipation Mortgages	14.3	17.0	19.6	24.4	-16%	-27%	-41%
Advance on Receivables	39.3	53.9	116.0	128.8	-27%	-66%	-70%
Derivatives	-12.8	-19.7	-35.6	-45.9	-35%	-64%	-72%
Gross Indetbetedness	808.6	777.1	819.2	862.2	4%	-1%	-6%
(-) Cash available and financial investments	286.1	232.8	281.1	337.1	23%	2%	-15%
Net Indebtedness	522.5	544.3	538.1	525.1	-4%	-3%	0%
Adjusted EBITDA	35.3	67.4	100.0	126.6	-48%	-65%	-72%
Net Indebtedness/Adjusted EBITDA	14.79x	8.08x	5.38x	4.15x			
Adjusted EBITDA/Financial Expenses Net	0.52x	0.96x	1.36x	2.32x			

2 – Capital market

Performance of shares of Forjas Taurus S.A. BM&FBOVESPA

The Company has been listed at Level 2 of BM&FBovespa since Jul/07/11 and as a listed company for more than 30 years. The Company's capital before the capital contribution comprised the following number of shares at Jun/30/14:

Common shares: 47,137,539 representing **33.3%** of capital

Preferred shares: 94,275,078 representing **66.7%** of capital

Total issued shares: 141,412,617 representing **100%** of capital

Due to the capital contribution approved in the Extraordinary Shareholders' Meeting of April 27, 2014 and on the terms of the Communication to Shareholders disclosed on July 11, 2014, the term for subscribing to the second apportionment of remaining shares ended on July 18, 2014 and the term for the review of subscriptions ended on July 30, 2014.

After the 2 (two) apportionments of remaining shares and the review period, there was subscription to 48,522,214 common shares and 85,703 preferred shares, out of a total of 48,528,020 common shares and 97,056,038 preferred shares, with no par value, to be issued by the Company.

As 5,806 unsubscribed common shares and the 96,970,335 unsubscribed preferred shares will be cancelled, on the terms of item 10.4 of the Communication to Shareholders of May 5, 2014.

After the end of the review period, the subscribed shares totaled R\$ 67,078,925.46, therefore an amount in excess of the minimum limit of R\$ 50,000,000.00 (fifty million reais), for the capital contribution.



The capital contribution process was concluded and an Extraordinary Shareholders' Meeting was convened for Aug/20/2014 in order to approve it.

The Company's capital will comprise the following number of shares after approval of capital contribution:

Common shares: 95,659,753 representing **50.6%** of capital

Preferred shares: 94,360,781 representing **49.4%** of capital

Total issued shares: 190,020,534 representing **100%** of capital

After approval of capital contribution in the Extraordinary Shareholders' Meeting still to be held, the Company's shareholding structure will be as follows:

Shareholder	SHARE POSITION BEFORE CAPITAL INCREASE Data Based July 14th, 2014						SHARE POSITION AFTER CAPITAL INCREASE * It is noteworthy that the increase has to be approved at the EGM					
	Total	% without Treas.	ON	% without Treas.	PN	% without Treas.	TOTAL	% without Treas.	ON	% without Treas.	PN	% without Treas.
COMPANHIA BRASILEIRA DE CARTUCHOS - CBC	7,682,700	5.96%	6,893,000	15.56%	789,700	0.93%	49,537,543	27.90%	48,747,843	52.51%	789,700	0.93%
CAIXA DE PREVID.DOS FUNC.DO BANCO DO BRASIL	34,502,844	26.75%	6,776,138	15.29%	27,726,706	32.75%	34,504,344	19.43%	6,777,638	7.30%	27,726,706	32.72%
ESTIMAPAR INVESTIMENTOS E PARTICIPACOES LTDA	16,502,852	12.80%	16,502,852	37.24%	-	0.00%	21,502,852	12.11%	21,502,852	23.16%	-	0.00%
FIGI FUNDO DE INVESTIMENTO DE ACOES	4,885,600	3.79%	4,470,600	10.09%	415,000	0.49%	4,885,600	2.75%	4,470,600	4.82%	415,000	0.49%
OTHERS	65,402,514	50.71%	9,667,743	21.82%	55,734,771	65.83%	67,154,088	37.82%	11,333,614	12.21%	55,820,474	65.86%
TOTAL WITHOUT COMPANY TREASURY	128,976,510	100%	44,310,333	100%	84,666,177	100%	177,584,427	100%	92,832,547	100%	84,751,880	100%
TAURUS' TREASURY	12,436,107		2,827,206		9,608,901		12,436,107		2,827,206		9,608,901	
TOTAL	141,412,617		47,137,539		94,275,078		190,020,534		95,659,753		94,360,781	

The table below shows the recent evolution of the main aspects related to liquidity, such as number of trades, financial volume and quantity of traded shares, as well as the market value, based on certain information about Taurus shares on BM&FBovespa in 2Q14 and at the end of 1Q14 and 2013:



Performance of shares of Forjas Taurus S.A. BM&FBOVESPA



TAURUS
MARCA DE QUALIDADE, TECNOLOGIA E SEGURANÇA

	2Q14 (Apr/14 to Jun/14)		1Q14 (Jan/14 to Mar/14)		2013 (Jan/13 to Dec/13)		2Q14 x 1Q14	2Q14 x 2013
1. Stock Price								
ON - FJTA3*	R\$	1.32	R\$	2.10	R\$	2.66	-37%	-50%
PN - FJTA4*	R\$	0.92	R\$	1.51	R\$	2.28	-39%	-60%
IBOVESPA*		53,168		50,415		51,507	5%	3%
* last quotation								
2. Market Cap - in thousands of BRL								
ON - FJTA3	R\$	62,222	R\$	98,989	R\$	125,386	-37%	-50%
PN - FJTA4	R\$	86,733	R\$	142,355	R\$	214,947	-39%	-60%
TOTAL	R\$	148,955	R\$	241,344	R\$	340,333	-38%	-56%
3. Liquidity Indicators								
ON - FJTA3								
Trades*		13		7		9	83%	32%
Financial Volume*		441,846		13,319		29,640	3217%	1391%
Shares traded*		256,916		6,367		10,067	3935%	2452%
* period average								
PN - FJTA4								
Trades*		168		162		233	4%	-28%
Financial Volume*		360,750		379,379		540,736	-5%	-33%
Shares traded*		299,809		218,308		220,992	37%	36%
* period average								

3- Subsequent Events

- **08/05/14:** convening of Extraordinary Shareholders' Meeting to be held on Aug/20/2014 to approve capital contribution of R\$ 67 million;

The cash inflow from debenture issue of R\$ 100 million has already generated effect in the 2Q14, however the capital contribution of R\$67 million took place at different moments and will still have cash effect in 3Q14, as per the schedule below:

- **06/30/14:** R\$ 100 million from the 3rd debenture issue
- **06/30/14:** R\$ 21.5 million, of capital contribution after the end of the period for exercising preemptive rights;
- **07/11/14:** R\$ 38.5 million, after 1st apportionment of remaining shares;
- **07/21/14:** R\$ 7 million, after 2nd apportionment of remaining shares;



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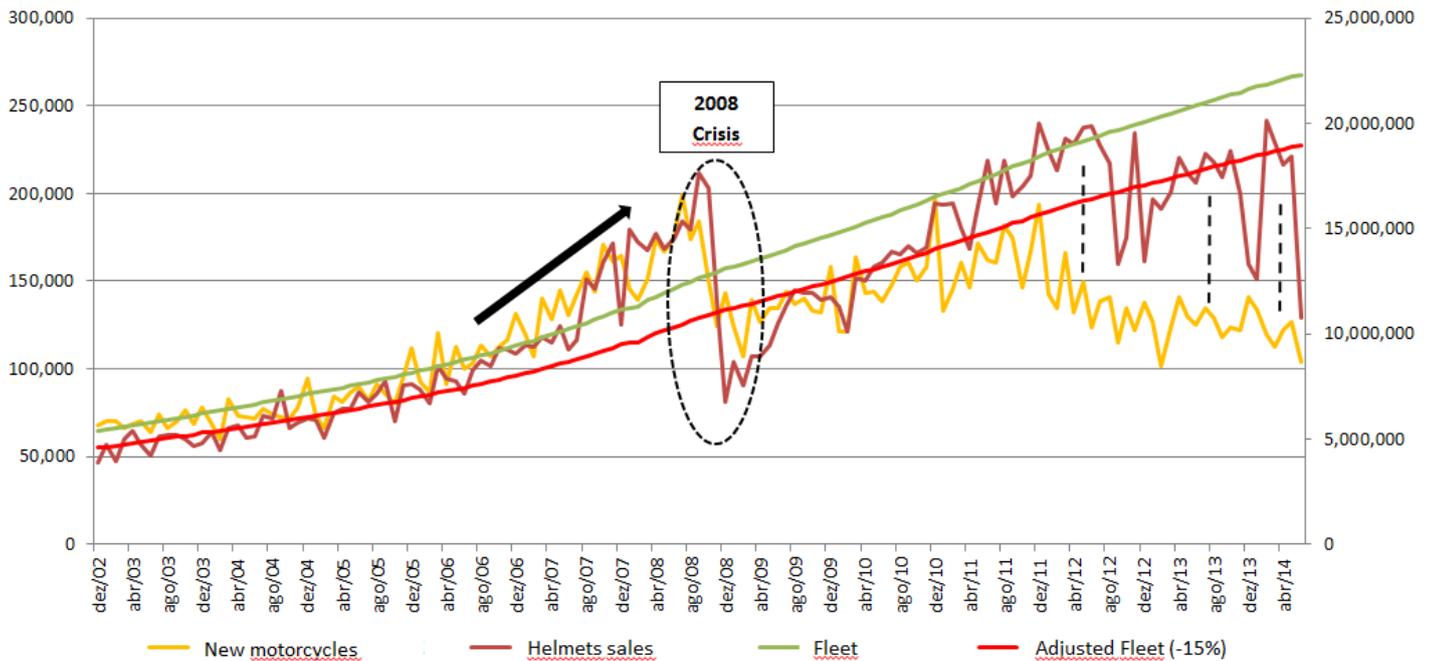
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Attachment I: Market Share – Taurus Helmets

1. Significant Historical Data



From 2011 to 2014, there was “detachment” of sales of Taurus helmets from motorcycle sales measured by the number of license plates disclosed by FENABRAVE, which did not take place before. Factors that may have led to this:

- The marked increase in motorcycle sales that took place from 2005 to 2008, as shown in the graph above, led to an increase in sales of helmets owing to replacement thereof six years later on, since this is the helmet average useful life;
- Better consumer perception about Taurus helmets, due to their quality, innovation, new designs, introduction of new models, leading to market share gain.



2. Market Share Calculation Methodology

$$\text{Market Share} = \frac{\text{Cumulative Taurus Helmet Sales for the last 6 years}}{\text{Potential Helmets Market}}$$

Concepts

- **Market Share:** market share of a company in its segment or in the segment of a certain product. In this case, the helmets segment in Brazil, in terms of quantity.
- **Cumulative Taurus Helmet Sales for the last 6 years:** The period of time selected is due to the helmet useful life, i.e. every day helmets that were sold six years before are replaced.
- **Potential Helmets Market:** Adjusted Fleet of Motorcycles in Circulation x Factor Helmet per Motorcycle in Circulation
 - **Adjusted Fleet of Motorcycles in Circulation:** Data on Fleet of Motorcycles in Circulation is updated monthly by the Brazilian National Traffic Department (DENATRAN).
It is necessary to apply a 15% reduction to the information provided by Denatran owing to the non-computation of a part of vehicles that suffered accidents or were stolen whose chassis numbers have not been written off in the system. Such fleet takes into consideration all vehicles that require helmet use, as under (concepts according to DENATRAN):
 - **Moped:** two or three-wheeled vehicle with an internal combustion engine of less than 50cm³ (3.05 cubic inches) and maximum speed of less than 50km/h;
 - **Motorcycle:** two-wheeled vehicle, with or without side-car, rode by driver;
 - **Scooter:** two-wheeled vehicle, with or without side-car, conducted by driver in sitting position;
 - **Tricycle:** road motor three-wheeled vehicle with mechanical structure alike that of a motorcycle.
 - **Factor Helmet per Motorcycle in Circulation: 1.5** (it means that for each MOTORCYCLE IN CIRCULATION, there are 1.5 Helmets)



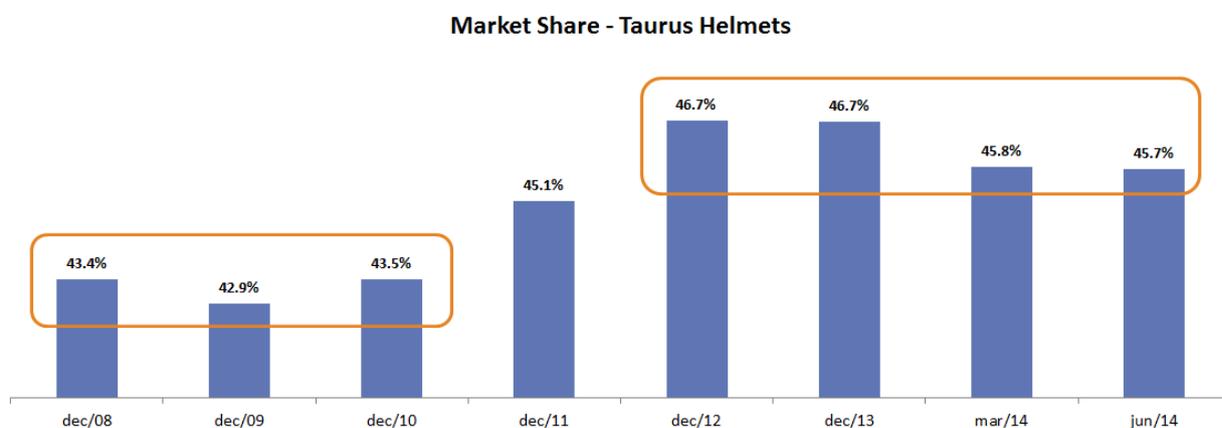
3. Data Series

Period	New Motorcycles FENABRAVE LTM	Taurus Helmets Sales Last 72 Months	Fleet in Circulation	Adjusted Fleet in Circulation (-15%)	Potential Helmet Market	Market Share with Adjusted Fleet
dez/03	840,686	-	6,221,579	5,288,342	7,932,513	-
dez/04	896,410	-	7,123,476	6,054,955	9,082,432	-
dez/05	1,027,424	-	8,155,166	6,931,891	10,397,837	-
dez/06	1,287,290	-	9,446,522	8,029,544	12,044,316	-
dez/07	1,708,640	-	11,158,017	9,484,314	14,226,472	-
dez/08	1,925,161	7,246,921	13,084,099	11,121,484	16,682,226	43.4%
dez/09	1,609,145	8,047,072	14,695,247	12,490,960	18,736,440	42.9%
dez/10	1,803,809	9,142,970	16,500,589	14,025,501	21,038,251	43.5%
dez/11	1,940,533	10,598,041	18,442,413	15,676,051	23,514,077	45.1%
dez/12	1,637,499	11,965,275	20,080,862	17,068,733	25,603,099	46.7%
dez/13	1,515,647	12,861,089	21,597,415	18,357,803	27,536,704	46.7%
mar/14	1,528,912	12,962,784	22,211,479	18,879,757	28,319,636	45.8%
jun/14	1,485,172	13,010,419	22,315,382	18,968,075	28,452,112	45.7%

Source:

- Licensed plates: [FENABRAVE](#)
- Fleet in Circulation: [DENATRAN](#)

4. Conclusion



Until 2010, Taurus' market share, in the segment of helmets for motorcyclists, was of approximately 43%. Along the last years, Taurus invested in this segment, improved the already acknowledged quality of its products, launched models with new and innovative designs, which led market share to increase to 46%. The Company monitors changes in market share through this methodology and expects to increase its market share aligned with increases in margin of this segment.

