Contents

Company Information/Capital Composition

Number of Shares (Units)	Current quarter 06/30/2014
Of Paid-in Capital	
Common shares	47,137,539
Preferred shares	94,275,078
Total	141,412,617
Treasury shares	
Common shares	2,827,206
Preferred shares	9,608,901
Total	12,436,107

Individual financial statements / Balance sheet - Assets

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
1	Total assets	892,958	887,436
1.01	Current assets	361,435	370,502
1.01.01	Cash and cash equivalents	180,356	27,874
1.01.01.01	Cash and banks	93,803	4,102
1.01.01.02	Short-term investments	86,553	23,772
1.01.03	Accounts receivable	49,215	171,648
1.01.03.01	Customers	49,215	171,648
1.01.04	Inventories	64,208	80,702
1.01.06	Taxes recoverable	18,644	25,195
1.01.06.01	Current taxes recoverable	18,644	25,195
1.01.07	Prepaid expenses	4,376	1,897
1.01.08	Other current assets	44,636	63,186
1.01.08.03	Other	44,636	63,186
1.01.08.03.01	Financial instruments	29,815	45,096
1.01.08.03.03	Receivables from related parties	8,218	0
1.01.08.03.04	Other receivables	6,603	18,090
1.02	Noncurrent assets	531,523	516,934
1.02.01	Long-term receivables	59,069	24,436
1.02.01.06	Deferred taxes	3,254	0
1.02.01.06.01	Deferred income and social contribution taxes	3,254	0
1.02.01.08	Receivables from related parties	52,630	21,115
1.02.01.08.04	Receivables from other related parties	52,630	21,115
1.02.01.09	Other noncurrent assets	3,185	3,321
1.02.01.09.03	Taxes recoverable	590	859
1.02.01.09.04	Other	2,595	2,462
1.02.02	Investments	415,986	430,477
1.02.02.01	Investments	415,986	430,477
1.02.02.01.02	Investments in subsidiaries	415,796	430,287
1.02.02.01.04	Other investments	190	190
1.02.03	Property, plant and equipment	52,243	57,379
1.02.03.01	Property, plant and equipment in use	46,825	52,174
1.02.03.03	Construction in progress	5,418	5,205
1.02.04	Intangible assets	4,225	4,642
1.02.04.01	Intangible assets	4,225	4,642
1.02.04.01.02	Intangible assets	4,225	4,642

Individual financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
2	Total liabilities and equity	892,958	887,436
2.01	Current liabilities	451,521	591,581
2.01.01	Social and labor liabilities	14,605	18,149
2.01.01.01	Social security obligations	2,459	4,506
2.01.01.02	Labor obligations	12,146	13,643
2.01.02	Trade accounts payable	47,470	63,487
2.01.02.01	Domestic suppliers	44,861	61,758
2.01.02.02	Foreign suppliers	2,609	1,729
2.01.03	Tax liabilities	3,025	3,508
2.01.03.01	Federal tax liabilities	1,711	988
2.01.03.01.01	Income and social contribution taxes payable	345	675
2.01.03.01.02	Other taxes	1,366	313
2.01.03.02	State tax obligations	1,310	2,515
2.01.03.03	Municipal tax obligations	4	5
2.01.04	Loans and financing	263,823	381,968
2.01.04.01	Loans and financing	228,758	324,403
2.01.04.01.01	In local currency	110,510	136,867
2.01.04.01.02	In foreign currency	118,248	187,536
2.01.04.02	Debentures	35,065	57,565
2.01.05	Other payables	114,491	116,600
2.01.05.02	Other	114,491	116,600
2.01.05.02.01	Dividends and interest on equity payable	7	7
2.01.05.02.04	Payables to related parties	19,774	13,660
2.01.05.02.05	Foreign exchange payable	65,530	0
2.01.05.02.06	Derivative financial instruments	16,423	9,010
2.01.05.02.07	Advance on receivables	0	71,040
2.01.05.02.08	Other payables	12,757	22,883
2.01.06	Provisions	8,107	7,869
2.01.06.01	Tax, social security, labor and civil provisions	3,374	3,135
2.01.06.01.02	Social security and labor provisions	3,374	3,135
2.01.06.02	Other provisions	4,733	4,734
2.01.06.02.01	Provision for warranty	4,733	4,734
2.02	Noncurrent liabilities	337,347	149,862
2.02.01	Loans and financing	277,957	110,425
2.02.01.01	Loans and financing	179,737	110,425
2.02.01.01.01	In local currency	57,935	60,132
2.02.01.01.02	In foreign currency	121,802	50,293
2.02.01.02	Debentures	98,220	0
2.02.02	Other payables	36,606	35,593
2.02.02.02	Other	36,606	35,593
2.02.02.02.03	Taxes payable	1,272	1,444
2.02.02.02.04	Provision for capital deficiency	32,635	31,035
2.02.02.02.05	Other payables	2,699	3,114
2.02.03	Deferred taxes	0	3,456
2.02.03.01	Deferred income and social contribution taxes	0	3,456
2.02.04	Provisions	0	388

Individual financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
2.02.04.01	Tax, social security, labor and civil provisions	0	388
2.02.04.01.01	Tax provisions	0	388
2.02.06	Unappropriated profits and revenues	22,784	0
2.02.06.03	Unappropriated investment grants	22,784	0
2.02.06.03.01	Advance for future capital contribution	22,784	0
2.03	Equity	104,090	145,993
2.03.01	Realized capital	257,797	257,797
2.03.02	Capital reserves	-73,891	-73,891
2.03.02.05	Treasury shares	-32,895	-32,895
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained earnings (accumulated losses)	-129,506	-99,659
2.03.06	Equity valuation adjustments	37,180	37,483
2.03.07	Cumulative translation adjustments	12,510	24,263

Individual financial statements / Income statement

(In thousands of reais)

Account code	Account description	Current quarter 04/01/2014 to 06/30/2014	YTD 01/01/2014 to 06/30/2014	Same prior year period 04/01/2013 to 06/30/2013	Prior-year accrued 01/01/2013 to 06/30/2014
3.01	Revenue from sale of products and/or services	71,829	147,699	98,553	176,532
3.02	Cost of goods sold and/or services rendered	-62,230	-124,362	-81,209	-144,929
3.03	Gross profit	9,599	23,337	17,344	31,603
3.04	Operating income (expenses)	-22,877	-37,268	-15,792	-9,317
3.04.01	Selling expenses	-8,164	-16,234	-8,080	-14,110
3.04.02	General and administrative expenses	-7,826	-14,533	-8,562	-16,421
3.04.04	Other operating income	982	1,726	1,718	1,764
3.04.05	Other operating expenses	-1,099	-3,046	-1,413	-2,158
3.04.06	Equity pickup	-6,770	-5,181	545	21,608
3.05	Income (loss) before financial income (expenses) and taxes	-13,278	-13,931	1,552	22,286
3.06	Financial income (expenses), net	-14,963	-22,929	-16,629	-27,039
3.06.01	Financial income	22,392	55,255	25,925	36,667
3.06.02	Financial expenses	-37,355	-78,184	-42,554	-63,706
3.07	Income (loss) before income taxes	-28,241	-36,860	-15,077	-4,753
3.08	Income and social contribution taxes	2,631	6,710	-5,318	-6,448
3.08.01	Current	1,306	0	0	0
3.08.02	Deferred	1,325	6,710	-5,318	-6,448
3.09	Net income (loss) from continuing operations	-25,610	-30,150	-20,395	-11,201
3.11	Net income (loss) for the period	-25,610	-30,150	-20,395	-11,201
3.99	Earnings (loss) per share – (Reais/Share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	ON	-0.18110	-0.21321	-0.14422	-0.07921
3.99.01.02	PN	-0.18110	-0.21321	-0.14422	-0.07921
3.99.02	Diluted earnings (loss) per share				
3.99.02.01	ON	-0.18110	-0.21321	-0.14422	-0.07921
3.99.02.02	PN	-0.18110	-0.21321	-0.14422	-0.07921

Individual financial statements / Statement of comprehensive income (loss)

(In thousands of reais)

Account code	Account description	Current quarter 04/01/2014 to 06/30/2014	YTD 01/01/2014 to 06/30/2014	Same prior year period 04/01/2013 to 06/30/2013	Prior-year accrued 01/01/2013 to 06/30/2013
4.01	Net income (loss) for the period	-25,610	-30,150	-20,395	-11,201
4.02	Other comprehensive income (loss)	-5,042	-11,753	15,663	14,555
4.02.01	Translation adjustments for the period	-5,042	-11,753	15,663	13,589
4.02.03	Adjustments of financial instruments	0	0	0	966
4.03	Comprehensive income (loss) for the period	-30,652	-41,903	-4,732	3,354

Individual financial statements / Cash flow statement – indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2014 to 06/30/2014	Prior-year accrued 01/01/2013 to 06/30/2013
6.01	Net cash from operating activities	103,015	7,262
6.01.01	Cash from operations	-9,040	-78
6.01.01.01	Net income for the year before income and social contribution taxes	-36,860	-4,753
6.01.01.02	Depreciation and amortization	5,664	5,958
6.01.01.03	Cost of permanent assets written off	1,243	275
6.01.01.04	Allowance for doubtful accounts	-482	15
6.01.01.05	Equity pickup	5,181	-21,608
6.01.01.07	Provision for derivative financial instruments	27,234	-16,517
6.01.01.08	Provision for interest on loans and financing	-10,938	34,659
6.01.01.09	Change in investment in subsidiaries	67	389
6.01.01.12	Provision for contingencies	-149	1,504
6.01.02	Changes in assets and liabilities	112,055	-9,660
6.01.02.01	Decrease in trade accounts receivable	122,915	6,607
6.01.02.02	(Increase) in inventories	16,494	-1,333
6.01.02.03	Decrease (increase) in other accounts receivable	7,341	-4,490
6.01.02.04	(Decrease) increase in suppliers	-16,017	8,860
6.01.02.05	(Decrease) in accounts payable and provisions	-18,678	-19,304
6.01.03	Other	0	17,000
6.01.03.01	Profits and dividends received from subsidiaries	0	17,000
6.02	Net cash used in investing activities	-33,642	-22,641
6.02.01	Receivables from related companies	-31,515	-17,546
6.02.02	Other long-term receivables	137	474
6.02.03	In investments	-910	-848
6.02.04	In property, plant and equipment	-1,326	-4,547
6.02.05	In intangible assets	-28	-174
6.03	Net cash from financing activities	83,109	8,187
6.03.01	Payment of interest on equity and dividends	0	-7,351
6.03.02	Loans raised	206,736	115,837
6.03.03	Loans repayment	-123,294	-83,860
6.03.05	Advance for future capital contribution	22,784	0
6.03.06	Payment of interest on loans	-23,117	-16,439
6.05	Increase (decrease) in cash and cash equivalents	152,482	-7,192
6.05.01	Opening balance of cash and cash equivalents	27,874	101,560
6.05.02	Closing balance of cash and cash equivalents	180,356	94,368

Individual financial statements / Statement of changes in equity (SCE) - 01/01/2014 to 06/30/2014

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Options granted and Treasury shares	Income reserves	Retained earnings/accumulated losses	Other comprehensive income/losses	Equity
5.01	Opening balances	257,797	-73,891	0	-99,659	61,746	145,993
5.03	Adjusted opening balances	257,797	-73,891	0	-99,659	61,746	145,993
5.05	Total comprehensive income (loss)	0	0	0	-29,847	-12,056	-41,903
5.05.01	Net income (loss) for the period	0	0	0	-30,150	0	-30,150
5.05.02	Other comprehensive income (loss)	0	0	0	303	-12,056	-11,753
5.05.02.04	Translation adjustments for the period	0	0	0	0	-11,753	-11,753
5.05.02.06	Realization of equity valuation adjustments	0	0	0	303	-303	0
5.07	Closing balances	257,797	-73,891	0	-129,506	49,690	104,090

Individual financial statements / Statement of changes in equity (SCE) - 01/01/2013 to 06/30/2013

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Options granted and Treasury shares	Income reserves	Retained earnings/accumulated losses	Other comprehensive income/losses	Equity
5.01	Opening balances	257,797	-73,891	321	-20,604	38,157	201,780
5.03	Adjusted opening balances	257,797	-73,891	321	-20,604	38,157	201,780
5.04	Capital transactions with shareholders	0	0	-321	0	0	-321
5.04.06	Dividends	0	0	-321	0	0	-321
5.05	Total comprehensive income (loss)	0	0	0	-10,210	13,564	3.354
5.05.01	Net income (loss) for the period	0	0	0	-11,201	0	-11,201
5.05.02	Other comprehensive income (loss)	0	0	0	991	13,564	14,555
5.05.02.01	Adjustments to financial instruments	0	0	0	0	966	966
5.05.02.04	Translation adjustments for the period	0	0	0	0	13,589	13,589
5.05.02.06	Realization of equity valuation adjustments	0	0	0	991	-991	0
5.07	Closing balances	257,797	-73,891	0	-30,814	51,721	204,813

Individual financial statements / Statement of value added

(In thousands of reais)

Account code	Account description	YTD 01/01/2014 to 06/30/2014	Prior-year accrued 01/01/2013 to 06/30/2013
7.01	Revenues	178,505	189,112
7.01.01	Sales of goods, products and services	176,305	187,362
7.01.02	Other income	1,718	1,765
7.01.04	Set up/reversal of allowance for doubtful accounts	482	-15
7.02	Inputs acquired from third parties	-122,225	-115,384
7.02.01	Cost of products, goods and services sold	-91,331	-55,209
7.02.02	Materials, energy, third-party services and others	-30,894	-60,175
7.03	Gross value added	56,280	73,728
7.04	Retentions	-5,664	-5,958
7.04.01	Depreciation, amortization and depletion	-5,664	-5,958
7.05	Net value added produced by the entity	50,616	67,770
7.06	Value added received in transfer	50,074	58,275
7.06.01	Equity pickup	-5,181	21,608
7.06.02	Financial income	55,255	36,667
7.07	Total value added to be distributed	100,690	126,045
7.08	Distribution of value added	100,690	126,045
7.08.01	Personnel	44,381	46,934
7.08.01.01	Direct compensation	36,910	37,617
7.08.01.02	Benefits	4,734	6,393
7.08.01.03	Unemployment compensation fund (FGTS)	2,737	2,924
7.08.02	Taxes, charges and contributions	3,530	19,530
7.08.02.01	Federal	-438	14,223
7.08.02.02	State	3,968	5,148
7.08.02.03	Municipal	0	159
7.08.03	Remuneration of third-party capital	82,929	70,782
7.08.03.01	Interest	78,184	63,639
7.08.03.02	Rents	3,226	2,866
7.08.03.03	Other	1,519	4,277
7.08.04	Remuneration of third-party capital	-30,150	-11,201
7.08.04.03	Retained earnings (accumulated losses) for the period	-30,150	-11,201

Consolidated financial statements / Balance sheet - Assets

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
1	Total assets	1,091,119	1,184,094
1.01	Current assets	703,463	782,672
1.01.01	Cash and cash equivalents	286,111	281,119
1.01.01.01	Cash and banks	156,621	206,664
1.01.01.02	Short-term investments	129,490	74,455
1.01.03	Accounts receivable	105,439	161,660
1.01.03.01	Customers	105,439	161,660
1.01.04	Inventories	216,311	218,269
1.01.06	Taxes recoverable	29,911	35,785
1.01.06.01	Current taxes recoverable	29,911	35,785
1.01.07	Prepaid expenses	12,605	9,059
1.01.08	Other current assets	53,086	76,780
1.01.08.01	Noncurrent assets for sale	5,446	5,588
1.01.08.03	Other	47,640	71,192
1.01.08.03.01	Derivative financial instruments	29,869	45,212
1.01.08.03.02	Other receivables	17,771	25,980
1.02	Noncurrent assets	387,656	401,422
1.02.01	Long-term receivables	52,520	50,814
1.02.01.06	Deferred taxes	46,595	44,364
1.02.01.06.01	Deferred income and social contribution taxes	46,595	44,364
1.02.01.09	Other noncurrent assets	5,925	6,450
1.02.01.09.03	Taxes recoverable	1,486	2,179
1.02.01.09.04	Other	4,439	4,271
1.02.02	Investments	13,528	14,543
1.02.02.01	Investments	13,528	14,543
1.02.02.01.01	Investments in affiliates	13,179	14,194
1.02.02.01.04	Other investments	349	349
1.02.03	Property, plant and equipment	257,361	268,484
1.02.03.01	Property, plant and equipment in use	241,134	233,962
1.02.03.03	Construction in progress	16,227	34,522
1.02.04	Intangible assets	64,247	67,581
1.02.04.01	Intangible assets	64,247	67,581

Consolidated financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
2	Total liabilities and equity	1,091,119	1,184,094
2.01	Current liabilities	556,890	737,474
2.01.01	Social and labor liabilities	24,861	29,768
2.01.01.01	Social security obligations	5,202	9,324
2.01.01.02	Labor obligations	19,659	20,444
2.01.02	Trade accounts payable	20,201	32,978
2.01.02.01	Domestic suppliers	14,304	19,571
2.01.02.02	Foreign suppliers	5,897	13,407
2.01.03	Tax liabilities	13,705	18,287
2.01.03.01	Federal tax liabilities	8,815	12,131
2.01.03.01.01	Income and social contribution taxes payable	6,635	10,992
2.01.03.01.02	Other taxes	2,180	1,139
2.01.03.02	State tax obligations	4,877	6,139
2.01.03.03	Municipal tax obligations	13	17
2.01.04	Loans and financing	315,553	446,095
2.01.04.01	Loans and financing	280,488	388,530
2.01.04.01.01	In local currency	157,959	178,136
2.01.04.01.02	In foreign currency	122,529	210,394
2.01.04.02	Debentures	35,065	57,565
2.01.05	Other payables	169,086	196,451
2.01.05.02	Other	169,086	196,451
2.01.05.02.01	Dividends and interest on equity payable	7	7
2.01.05.02.04	Derivative financial instruments	17,083	9,595
2.01.05.02.05	Foreign exchange payable	65,530	0
2.01.05.02.06	Advance on real estate credits	14,338	19,606
2.01.05.02.08	Advance on receivables	39.264	115,972
2.01.05.02.09	Other payables	32,864	51,271
2.01.06	Provisions	13,484	13,895
2.01.06.01	Tax, social security, labor and civil provisions	6,893	6,897
2.01.06.01.02	Social security and labor provisions	6,893	6,897
2.01.06.02	Other provisions	6,591	6,998
2.01.06.02.01	Provision for warranty	6,591	6,998
2.02	Noncurrent liabilities	430,139	300,627
2.02.01	Loans and financing	386,664	273,151
2.02.01.01	Loans and financing	288,444	273,151
2.02.01.01.01	In local currency	111,283	134,273
2.02.01.01.02	In foreign currency	177,161	138,878
2.02.01.02	Debentures	98,220	0
2.02.02	Other payables	8,164	9,495
2.02.02.02	Other	8,164	9,495
2.02.02.02.04	Taxes payable	3,455	4,371
2.02.02.02.05	Other payables	4,709	5,124
2.02.03	Deferred taxes	7,821	12,872
2.02.03.01	Deferred income and social contribution taxes	7,821	12,872
2.02.04	Provisions	4,706	5,109
2.02.04.01	Tax, social security, labor and civil provisions	4,706	5,109

Consolidated financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2014	Prior year 12/31/2013
2.02.04.01.01	Tax provisions	4,557	4,944
2.02.04.01.02	Social security and labor provisions	149	165
2.02.06	Unappropriated profits and revenues	22,784	0
2.02.06.03	Unappropriated investment grants	22,784	0
2.02.06.03.01	Advance for future capital contribution	22,784	0
2.03	Consolidated equity	104,090	145,993
2.03.01	Realized capital	257,797	257,797
2.03.02	Capital reserves	-73,891	-73,891
2.03.02.05	Treasury shares	-32,895	-32,895
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained earnings (accumulated losses)	-129,506	-99,659
2.03.06	Equity valuation adjustments	37,180	37,483
2.03.07	Cumulative translation adjustments	12,510	24,263

Consolidated financial statements / Income statement

(In thousands of reais)

Account code	Account description	Current quarter 04/01/2014 to 06/30/2014	YTD 01/01/2014 to 06/30/2014	Same prior year period 04/01/2013 to 06/30/2013	Prior-year accrued 01/01/2013 to 06/30/2013
3.01	Revenue from sale of products and/or services	132,948	301,074	203,884	432,579
3.02	Cost of goods sold and/or services rendered	-106,844	-229,262	-143,384	-294,128
3.03	Gross profit	26,104	71,812	60,500	138,451
3.04	Operating income (expenses)	-37,546	-78,717	-52,191	-93,109
3.04.01	Selling expenses	-20,993	-43,441	-29,767	-51,975
3.04.02	General and administrative expenses	-15,208	-31,293	-20,212	-37,078
3.04.04	Other operating income	2,709	4,468	4,789	6,302
3.04.05	Other operating expenses	-3,361	-7,436	-7,001	-10,431
3.04.06	Equity pickup	-693	-1,015	0	73
3.05	Income (loss) before financial income (expenses) and taxes	-11,442	-6,905	8,309	45,342
3.06	Financial income (expenses), net	-16,427	-26,311	-19,006	-32,032
3.06.01	Financial income	25,978	63,059	30,201	44,042
3.06.02	Financial expenses	-42,405	-89,370	-49,207	-76,074
3.07	Income (loss) before income taxes	-27,869	-33,216	-10,697	13,310
3.08	Income and social contribution taxes	2,259	3,066	-9,698	-24,511
3.08.01	Current	943	-3,713	-5,196	-14,811
3.08.02	Deferred	1,316	6,779	-4,502	-9,700
3.09	Net income (loss) from continuing operations	-25,610	-30,150	-20,395	-11,201
3.11	Net income (loss) for the period	-25,610	-30,150	-20,395	-11,201
3.11.01	Attributed to shareholders of parent company	-25,610	-30,150	-20,395	-11,201
3.99	Earnings (loss) per share – (Reais/Share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	ON	-0.18110	-0.21321	-0.14422	-0.07921
3.99.01.02	PN	-0.18110	-0.21321	-0.14422	-0.07921
3.99.02	Diluted earnings (loss) per share				
3.99.02.01	ON	-0.18110	-0.21321	-0.14422	-0.07921
3.99.02.02	PN	-0.18110	-0.21321	-0.14422	-0.07921

Consolidated financial statements / Statement of comprehensive income (loss)

(In thousands of reais)

Account code	Account description	Current quarter 04/01/2014 to 06/30/2014	YTD 01/01/2014 to 06/30/2014	Same prior year period 04/01/2013 to 06/30/2013	Prior-year accrued 01/01/2013 to 06/30/2013
4.01	Consolidated net income (loss) for the period	-25,610	-30,150	-20,395	-11,201
4.02	Other comprehensive income (loss)	-5,042	-11,753	15,663	14,555
4.02.01	Translation adjustments for the period	-5,042	-11,753	15,663	13,589
4.02.03	Adjustments of financial instruments	0	0	0	966
4.03	Consolidated comprehensive income (loss) for the period	-30,652	-41,903	-4,732	3,354
4.03.01	Attributed to shareholders of parent company	-30,652	-41,903	-4,732	3,354

Consolidated financial statements / Cash flow statement – indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2014 to 06/30/2014	Prior-year accrued 01/01/2013 to 06/30/2013
6.01	Net cash from operating activities	-228	146,887
6.01.01	Cash from operations	-129	74,288
6.01.01.01	Income (loss) before income and social contribution taxes	-33,216	13,310
6.01.01.02	Depreciation and amortization	16,269	17,679
6.01.01.03	Cost of permanent assets written off	2,033	1,794
6.01.01.05	Equity pickup	1,015	-73
6.01.01.06	Provision for derivative financial instruments	27,527	-16,087
6.01.01.07	Allowance for doubtful accounts	-1,008	3,406
6.01.01.10	Provision for interest on loans and financing	-12,342	47,521
6.01.01.17	Additional provision for loss	0	4,508
6.01.01.19	Provision for contingencies	-407	2,230
6.01.02	Changes in assets and liabilities	2,769	84,623
6.01.02.01	(Decrease (increase) in customers	57,229	-32,517
6.01.02.02	Decrease (increase) in inventories	1,958	44,004
6.01.02.03	Decrease (increase) in other accounts receivable	3,218	9,660
6.01.02.04	(Decrease) increase in suppliers	-12,777	-7,147
6.01.02.05	Increase (decrease) in accounts payable and provisions	-46,859	70,623
6.01.03	Other	-2,868	-12,024
6.01.03.01	Profits and dividends received from subsidiaries	0	262
6.01.03.02	Payment of income and social contribution taxes	-2,868	-12,286
6.02	Net cash used in investing activities	-7,609	-14,309
6.02.02	Other receivables	526	1,344
6.02.04	In property, plant and equipment	-7,485	-15,075
6.02.05	In intangible assets	-650	-578
6.03	Net cash from financing activities	12,829	23,754
6.03.01	Payment of interest on equity and dividends	0	-7,351
6.03.02	Loans raised	209,121	155,721
6.03.03	Payment of loans	-185,371	-98,547
6.03.05	Advance for future capital contribution	22,784	0
6.03.07	Interest paid on real estate credit	-1,166	-1,811
6.03.10	Payment of interest on loans	-27,271	-19,914
6.03.11	Real estate credits	-5,268	-4,345
6.03.12	Other	0	1
6.05	Increase (decrease) in cash and cash equivalents	4,992	156,332
6.05.01	Opening balance of cash and cash equivalents	281,119	180,781
6.05.02	Closing balance of cash and cash equivalents	286,111	337,113

Consolidated financial statements / Statement of changes in equity (SCE) - 01/01/2014 to 06/30/2014

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Options granted and Treasury shares	Income reserves	Retained earnings/accumulated losses	Other comprehensive income/losses	Equity	Non-controlling interest	Consolidated Equity
5.01	Opening balances	257,797	-73,891	0	-99,659	61,746	145,993	0	145,993
5.03	Adjusted opening balances	257,797	-73,891	0	-99,659	61,746	145,993	0	145,993
5.05	Total comprehensive income (loss)	0	0	0	-29,847	-12,056	-41,903	0	-41,903
5.05.01	Net income (loss) for the period	0	0	0	-30,150	0	-30,150	0	-30,150
5.05.02	Other comprehensive income (loss)	0	0	0	303	-12,056	-11,753	0	-11,753
5.05.02.04	Translation adjustments for the period	0	0	0	0	-11,753	-11,753	0	-11,753
5.05.02.06	Realization of equity valuation adjustments	0	0	0	303	-303	0	0	0
5.07	Closing balances	257,797	-73,891	0	-129,506	49,690	104,090	0	104,090

Consolidated financial statements / Statement of changes in equity (SCE) - 01/01/2013 to 06/30/2013

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Options granted and Treasury shares	Income reserves	Retained earnings/accumulated losses	Other comprehensive income/losses	Equity	Non-controlling interest	Consolidated Equity
5.01	Opening balances	257,797	-73,891	321	-20,604	38,157	201,780	0	201.780
5.03	Adjusted opening balances	257,797	-73,891	321	-20,604	38,157	201,780	0	201.780
5.04	Capital transactions with shareholders	0	0	-321	0	0	-321	0	-321
5.04.06	Dividends	0	0	-321	0	0	-321	0	-321
5.05	Total comprehensive income (loss)	0	0	0	-10,210	13,564	3,354	0	3.354
5.05.01	Net income (loss) for the period	0	0	0	-11,201	0	-11,201	0	-11.201
5.05.02	Other comprehensive income (loss)	0	0	0	991	13,564	14,555	0	14.555
5.05.02.01	Adjustments to financial instruments	0	0	0	0	966	966	0	966
5.05.02.04	Translation adjustments for the period	0	0	0	0	13,589	13,589	0	13.589
5.05.02.06	Realization of equity valuation adjustments	0	0	0	991	-991	0	0	0
5.07	Closing balances	257,797	-73,891	0	-30,814	51,721	204,813	0	204.813

Consolidated financial statements / Statement of value added

(In thousands of reais)

Account code	Account description	YTD 01/01/2014 to 06/30/2014	Prior-year accrued 01/01/2013 to 06/30/2013
7.01	Revenues	360,345	510,798
7.01.01	Sales of goods, products and services	354,526	507,903
7.01.02	Other income	4,811	6,301
7.01.04	Set up/reversal of allowance for doubtful accounts	1,008	-3,406
7.02	Inputs acquired from third parties	-225,756	-302,286
7.02.01	Cost of products, goods and services sold	-140,808	-148,719
7.02.02	Materials, energy, third-party services and others	-84,948	-153,567
7.03	Gross value added	134,589	208,512
7.04	Retentions	-16,269	-17,679
7.04.01	Depreciation, amortization and depletion	-16,269	-17,679
7.05	Net value added produced by the entity	118,320	190,833
7.06	Value added received in transfer	62,044	44,115
7.06.01	Equity pickup	-1,015	73
7.06.02	Financial income	63,059	44,042
7.07	Total value added to be distributed	180,364	234,948
7.08	Distribution of value added	180,364	234,948
7.08.01	Personnel	85,677	102,757
7.08.01.01	Direct compensation	71,261	86,349
7.08.01.02	Benefits	10,004	10,412
7.08.01.03	Unemployment compensation fund (FGTS)	4,412	5,996
7.08.02	Taxes, charges and contributions	29,555	56,709
7.08.02.01	Federal	23,536	42,931
7.08.02.02	State	5,974	13,460
7.08.02.03	Municipal	45	318
7.08.03	Remuneration of third-party capital	95,282	86,683
7.08.03.01	Interest	89,370	74,426
7.08.03.02	Rents	2,380	6,262
7.08.03.03	Other	3,532	5,995
7.08.04	Remuneration of third-party capital	-30,150	-11,201
7.08.04.03	Retained earnings (accumulated losses) for the period	-30,150	-11,201

RELEASE

2Q14

***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.

HIGLIGHTS 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.

HIGLIGHTS 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;

- ✓

✓ **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

								Variation %				
Ratios	**2Q14**	**1Q14**	**2Q13**	**2Q12**	**1H14**	**1H13**	**1H12**	**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 - Descontinuing 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%
Investiments (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 acording 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;

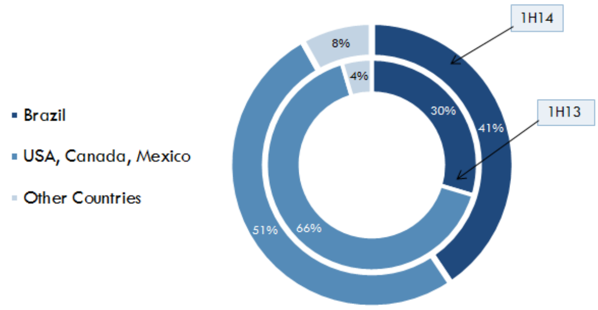
(ii) slowdown of sales to storekeepers due to the fear in relation to the future Brazilian economic prospects; and

(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.

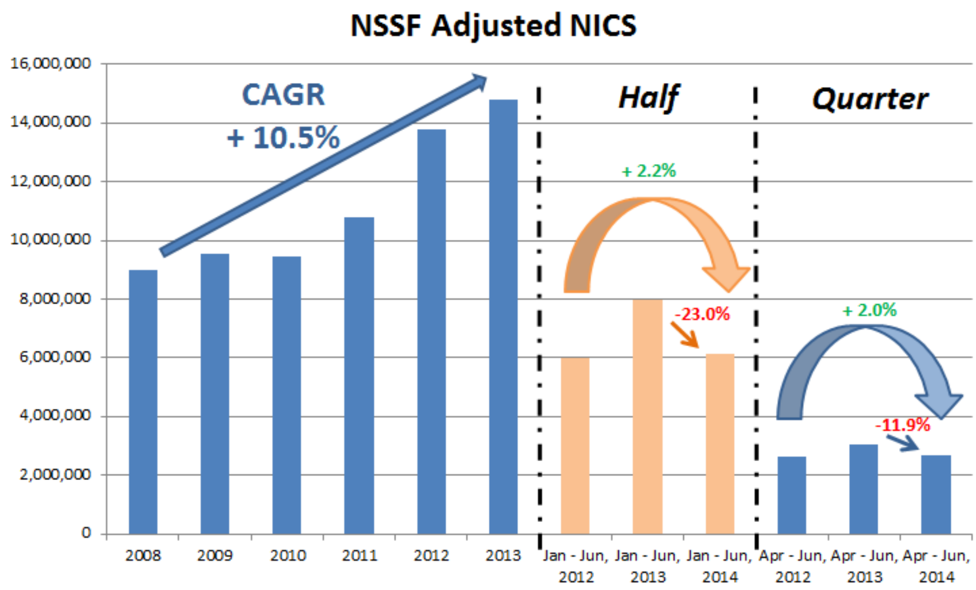
Following the same trend of decrease in Brazilian exports (-3.4%) and by the Rio Grande do Sul State (-20.5%) in 1H14, Taurus exports also decreased, however proportionally more (-41.3%) compared to the same prior year period, due to the decrease in consumption of firearms in the USA, compared to the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



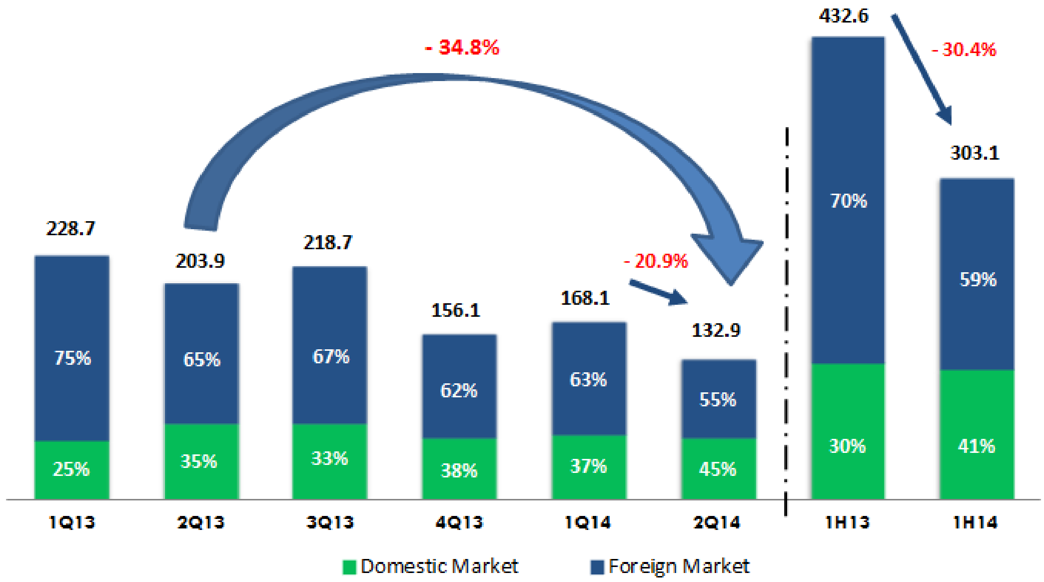
There has been significant decrease in consumption in the North American market since no new facts arose that could lead to increase in sales. As a consequence, competitors made aggressive promotions offering price discounts.   The fast response upon first evidence of decrease in demand led to market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

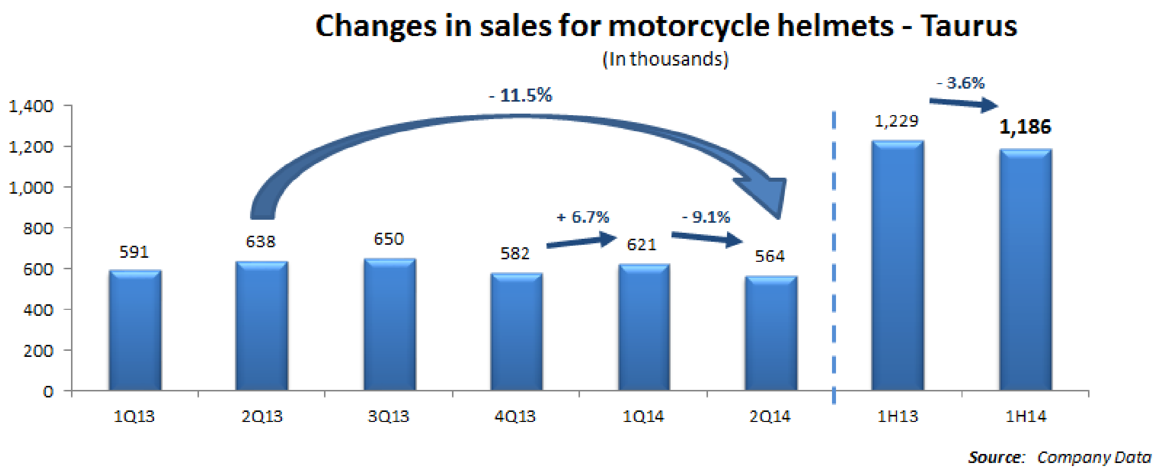
There was 3.6% decrease in the Company's physical sales of motorcycle helmets in 1H14, however proportionally better than the 4.1% decrease in the motorcycle market, which has been facing problems owing to restriction to credit to class C, D and E consumers, who represent the main consumers of our products.

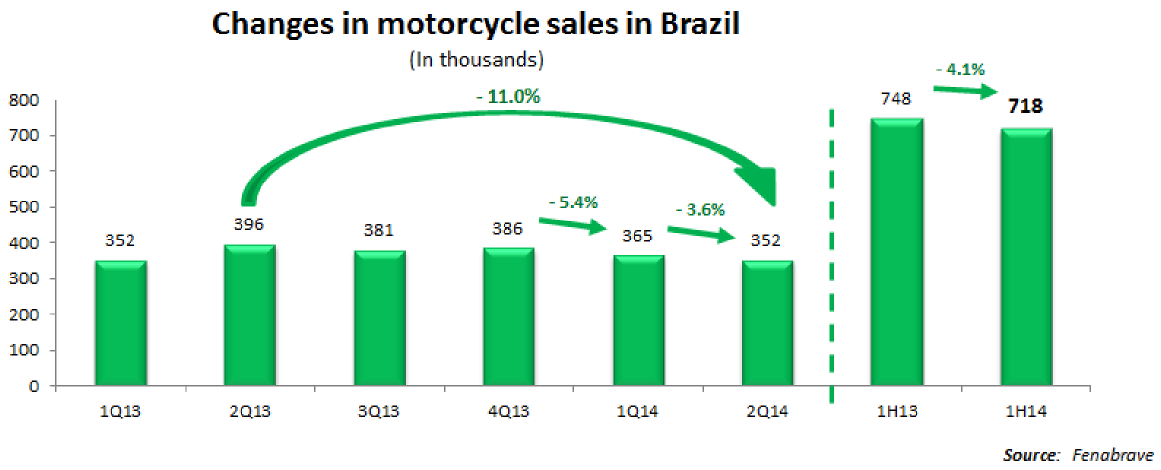
In 2Q14, compared to 1Q14, there was a marked decrease of -9.1%, in the total of 564 thousand helmets sold, compared to 621 thousand in 1Q14, which explains the decrease in margins, while motorcycle sales measured by the number of license plates in the Brazilian market decreased 3.6%, thus departing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

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.

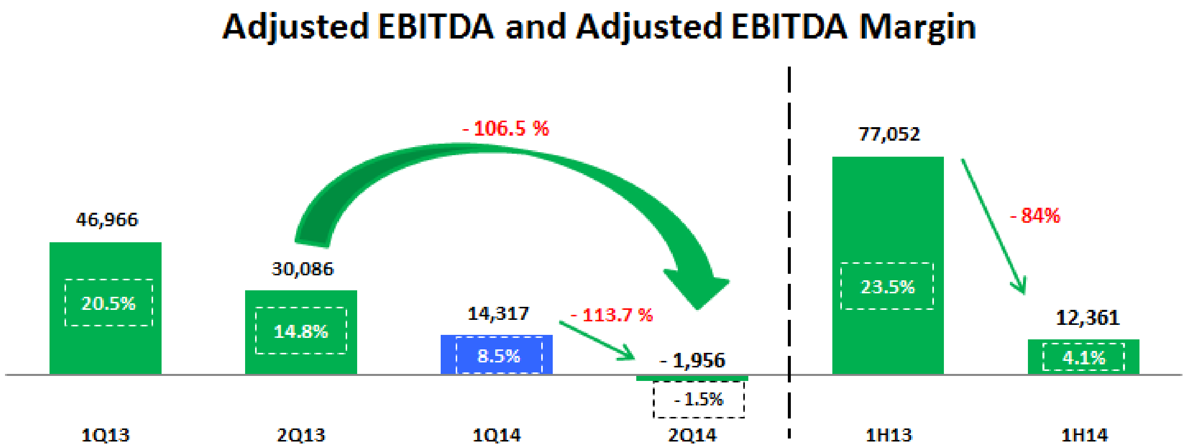
1.5 - Operating Expenses (SG&A)

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*

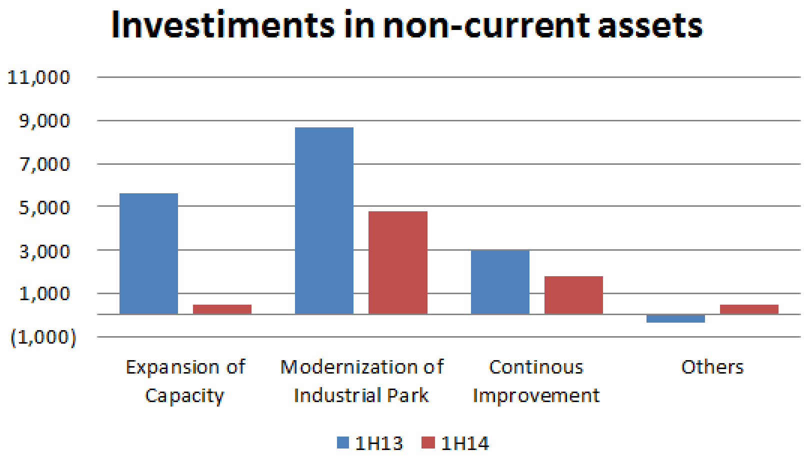
Consolidated investments in 2Q14 totaled R$ 5.1 million, compared to R$ 3.1 million in 1Q14 and R$6.3 million in 2Q13.

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.

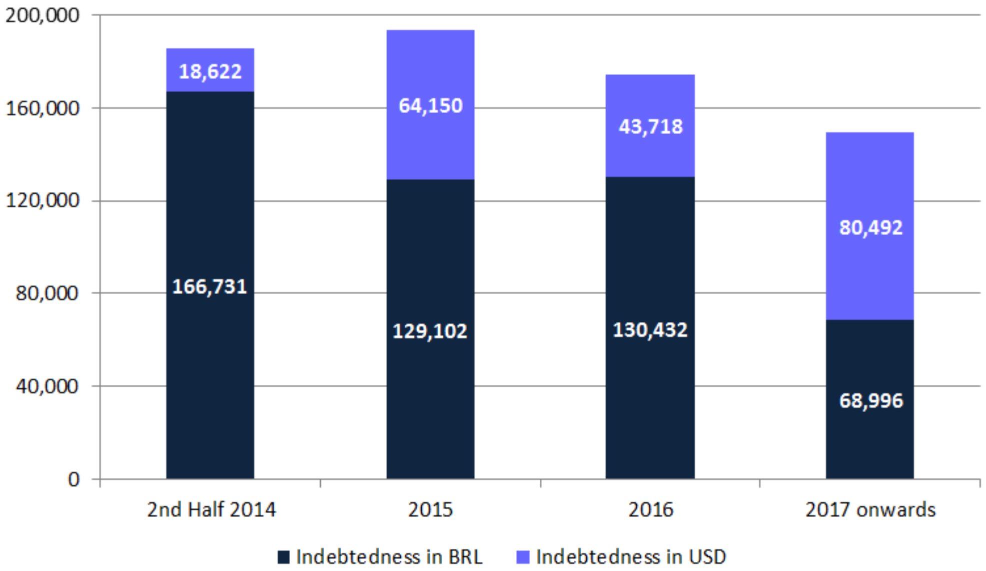
Debentures totaled R$ 133.3 million at Jun/30/14. From 2010 to 2014, Taurus issued three debenture series of R$ 103 million, R$ 50 million and R$ 100 million, each as under:

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

- 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:

	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
							In millions BRL
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%
Antecipation Mortages	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:

	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					
Shareholder	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

	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;

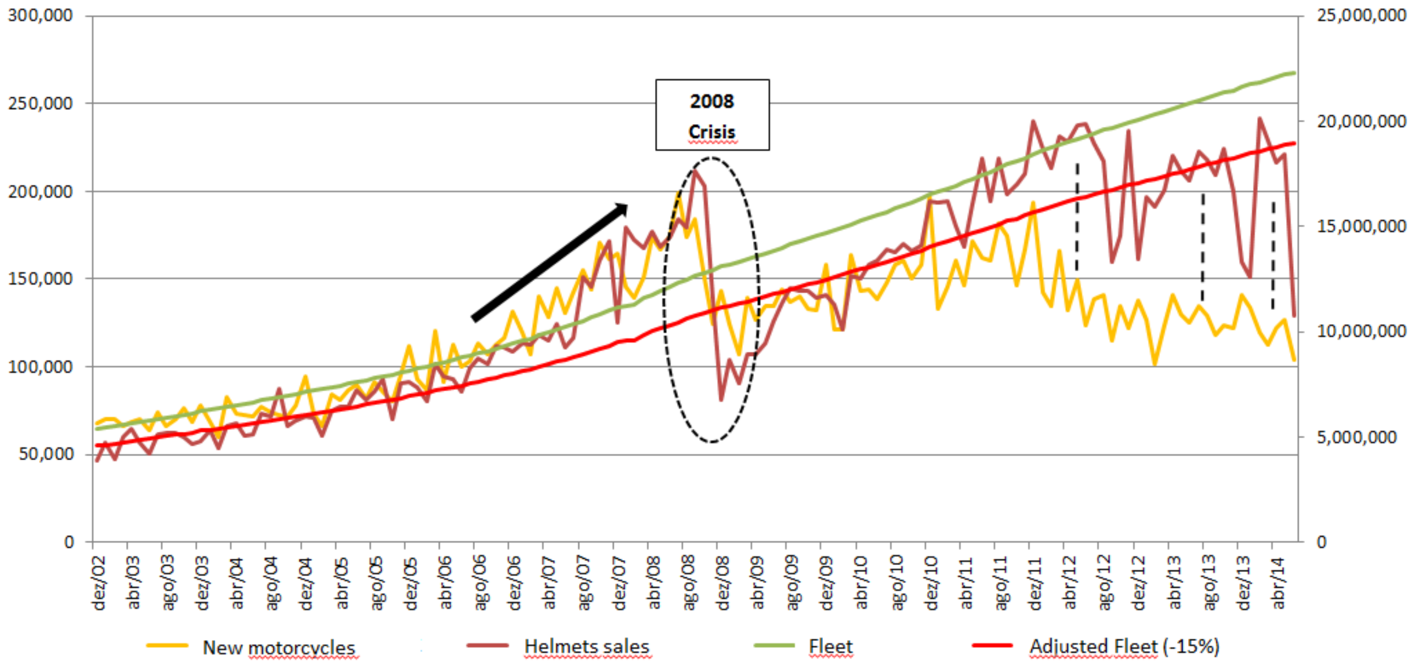
The cash inflow from debenture issue of R$ 100 million has already generated effect in the 2Q14, however the capital contribution of R$67 million took place at different moments and will still have cash effect in 3Q14, as per the schedule below:

- **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;

****

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:

a) 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;

b) 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

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

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)

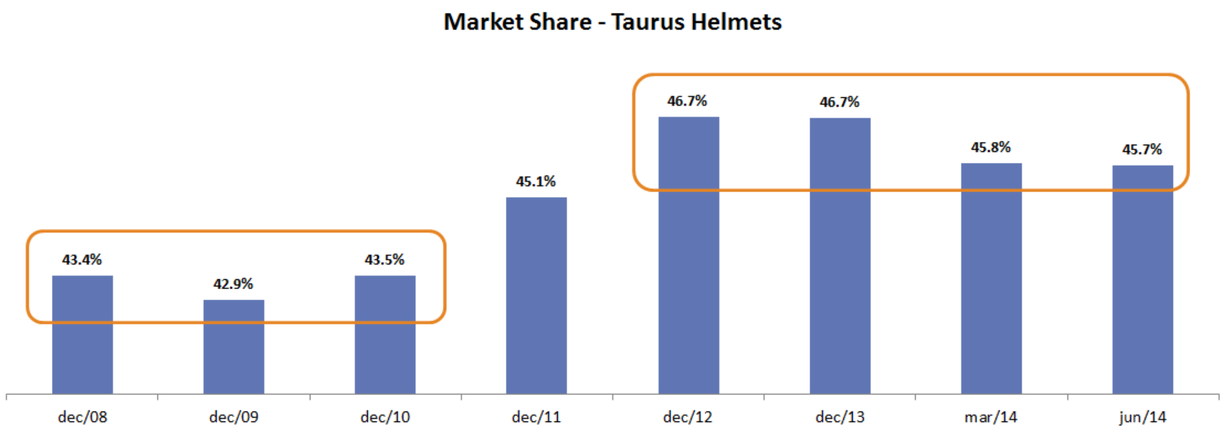
3. Data Series

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.

1. Operations

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

At June 30, 2014, the Company and its subsidiaries operated with six industrial plants, three of which are located in the state of Rio Grande do Sul, one in the state of Paraná, one in the state of Bahia and one located in the United States of America.

Sales made by the Company and its subsidiaries are directed mainly to private customers in the foreign market, particularly those located in North America, and also public bodies in the domestic market, mainly the state, civil and military police. 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. Given the specific characteristics of the weapons and ammunitions market, the Company and its subsidiaries are supervised and follow the rules issued by the national and foreign security bodies for part of their operations.

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

2. Basis of consolidation

		Investment interest	
	Country	**06-30-2014**	**12-31-2013**
Taurus Blindagens Ltda.*	Brazil	**100.00%**	100.00%
Taurus Blindagens Nordeste Ltda.*	Brazil	**100.00%**	100.00%
Taurus Holdings, Inc.	USA	**100.00%**	100.00%
Taurus Security Ltda.	Brazil	**100.00%**	100.00%
Taurus Máquinas-Ferramenta Ltda.*	Brazil	**100.00%**	100.00%
Taurus Investimentos Imobiliários Ltda.*	Brazil	**100.00%**	100.00%
Famastil Taurus Ferramentas S.A.**	Brazil	**35.00%**	35.00%
Taurus Helmets Indústria Plástica Ltda.*	Brazil	**100.00%**	100.00%
Polimetal Metalurgia e Plásticos Ltda.	Brazil	**100.00%**	100.00%

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

(**) Not consolidated.

3. Basis for preparation

a) Statement of compliance (with International Financial Reporting Standards - IFRS and CPC rules)

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

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

The authorization for conclusion of this quarterly information was granted in the board meeting held on August 7, 2014.

b) Basis for measurement

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

c) Functional and reporting 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 the subsidiary Taurus Holdings, Inc., located in the United States, is the US dollar.

d) Use of estimates and judgments

The preparation of the individual and consolidated financial statements in accordance with IFRS and CPC pronouncements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Actual results may differ from the amounts estimated.

Estimates and assumptions are reviewed periodically. Reviews with respect to accounting estimates are recognized in the period estimates are revised and in any future periods affected.

Information on key judgments referring to accounting policies adopted that affect the amounts recognized in the individual and consolidated financial statements and information about.

3. Basis for preparation (Continued)

d) <u>Use of estimates and judgments</u> (Continued)

uncertainties, assumptions and estimates is included in the following notes: 13 – Deferred tax assets and liabilities, 20 – Provision for tax, social security, labor and civil contingencies and 21 – Financial instruments.

4. Significant accounting practices

The calculation policies and method adopted in this quarterly information are the same as those adopted for preparation of the annual financial statements for the year ended December 31, 2013, described in Note 4 therein.

5. Determination of fair value

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

(i) *Trade accounts receivable and other receivables*

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

(ii) *Derivatives*

The fair value of future foreign exchange contracts is based on the listed market price, when available. If a listed market price is not available, the fair value is estimated discounting the difference between the contractual forward price and the current forward price for the remaining period of the contract using a risk free interest rate (based on public securities). The fair value of interest rate swap contracts is based on brokers' quotations. These quotations are tested for reasonableness by means of discounted estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument calculated at the measurement date. The fair values reflect the credit risk of the instrument and include adjustments to consider the credit risk of the Company and counterparties when appropriate.

5. Determination of fair value (Continued)

(iii) *Non-derivative financial liabilities*

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

6. Financial risk management

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

This note presents information on the Company's exposure to each of the aforementioned risks, the objectives of the Company, its policies and processes for measuring and managing risk, and management of the Company's capital. Additional quantitative disclosures, including sensitivity analyses, are disclosed in Note 21.

(i) Risk management structure

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

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

(ii) Credit risk

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

6. Financial risk management (Continued)

(iii) Trade accounts receivable and other receivables

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

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

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

The Company establishes a provision for impairment losses which represents its estimate of losses incurred from trade accounts receivable, other receivables and investments.

(iv) Liquidity risk

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

6. **Financial risk management** (Continued)

(iv) Liquidity risk (Continued)

Typically, the Company ensures that it has sufficient cash to meet its expected operating expenses for approximately 60 days, including fulfilling financial obligations; this does not include the potential impact from extreme circumstances that cannot be reasonably forecast, such as natural disasters. In addition, the Company has approved credit lines, but not yet contracted, from the largest banks that operate in Brazil, for approximately R$ 225 million, at market rates and terms.

Subsidiary Taurus Holdings, Inc. has a credit line of USD 75 million and, at June 30, 2014, it had used USD 26 million.

(v) Market risk

Market risk is the risk that variation in market prices, such as foreign exchange rates and interest rates, will affect the Company's results. The objective of market risk management is to manage and control exposures to market risks, within acceptable parameters and, at the same time, optimize return.

The Company uses derivative financial instruments and also fulfills its financial obligations to manage market risks. All of these operations are undertaken within the guidelines established by Management.

(vi) Currency risk

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

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

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

6. **Financial risk management** (Continued)

(vii) Interest rate risk

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

(viii) Operational risk

Operational risk is the risk of direct or indirect losses arising from a variety of causes related to proceedings, personnel, technology and infrastructure and external factors, except credit, market and liquidity risks, as those due to legal and regulatory requirements and generally accepted standards for business conduct. Operational risks arise from all of the Company's operations.

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

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

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

6. **Financial risk management** (Continued)

(ix) Capital management

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

The Company's consolidated liabilities in relation to adjusted capital at the end of the period are presented below:

	06-30-2014	**12-31-2013**
Total liabilities	**987,029**	1,038,101
Less: Cash and cash equivalents	**(286,111)**	(281,119)
Net debt (A)	**700,918**	756,982
Total equity (B)	**104,090**	145,993
Net debt to equity ratio at June 30, 2014 and December 31, 2013 (A/B)	**6.73**	5.19

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

7. Operating segments

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

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

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

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. and its current operations are limited to rendering of services in connection with technical assistance and guarantee contracts.

Other – result from the forging segment, line decommissioned at the end of 2013, and MIM – *Metal Injection Molding* for third parties (Polimetal Metalurgia e Plásticos Ltda.); bulletproof vests and plastic products (Taurus Blindagens Ltda.). These also include other operations such as the manufacture and sale of glasses, anti-riot shields and providing services. None of these operating segments reached any of the quantitative limits for determining reportable segments at June 30, 2014 and 2013.

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

7. Operating segments (Continued)

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

	Weapons		Helmets		Machinery		Other		Total	
	06-30-2014	**06-30-2013**	**06-30-2014**	**06-30-2013**	**06-30-2014**	**06-30-2013**	**06-30-2014**	**06-30-2013**	**06-30-2014**	**06-30-2013**
External income	**218,102**	333,239	**62,921**	63,482	**332**	3,874	**19,719**	31,984	**301,074**	432,579
Inter-segment income	**20,589**	-	**30**	19	**-**	-	**2,393**	2,419	**23,012**	2,438
Cost of sales	**(173,126)**	(224,739)	**(41,391)**	(39,701)	**(410)**	(3,706)	**(14,335)**	(25,982)	**(229,262)**	(294,128)
Gross profit (loss)	**65,565**	108,500	**21,560**	23,800	**(78)**	168	**7,777**	8,421	**94,824**	140,889
Selling expenses	**(31,904)**	(34,051)	**(9,985)**	(9,134)	**(140)**	(5,618)	**(1,362)**	(2,237)	**(43,391)**	(51,040)
General and administrative expenses	**(25,158)**	(29,174)	**(1,230)**	(1,322)	**(1,571)**	(2,418)	**(375)**	(1,077)	**(28,334)**	(33,991)
Depreciation and amortization	**(3,423)**	(2,941)	**(95)**	(96)	**-**	-	**(921)**	(984)	**(4,439)**	(4,021)
Other operating income (expenses), net	**(1,052)**	(386)	**1,307**	2,663	**(2,013)**	(5,440)	**220**	(967)	**(1,538)**	(4,130)
Equity pickup	**-**	-	**-**	-	**-**	-	**(1,015)**	73	**(1,015)**	73
	(61,537)	(66,552)	**(10,003)**	(7,889)	**(3,724)**	(13,476)	**(3,453)**	(5,192)	**(78,717)**	(93,109)
Operating profit (loss)	**4,028**	41,948	**11,557**	15,911	**(3,802)**	(13,308)	**4,324**	3,229	**16,107**	47,780
Financial income	**56,054**	36,672	**4,333**	3,027	**2,121**	2,372	**551**	1,971	**63,059**	44,042
Financial expenses	**(83,574)**	(64,456)	**(2,037)**	(3,554)	**(1,316)**	(2,806)	**(2,443)**	(5,258)	**(89,370)**	(76,074)
Financial income (expenses), net	**(27,520)**	(27,784)	**2,296**	(527)	**805**	(434)	**(1,892)**	(3,287)	**(26,311)**	(32,032)
Profit (loss) per reportable segment before income and social contribution taxes	**(23,492)**	14,164	**13,853**	15,384	**(2,997)**	(13,742)	**2,432**	(58)	**(10,204)**	15,748
Elimination of inter-segment income	**(20,589)**	-	**(30)**	(19)	**-**	-	**(2,393)**	(2,419)	**(23,012)**	(2,438)
Income (loss) before income and social contribution taxes	**(44,081)**	14,164	**13,823**	15,365	**(2,997)**	(13,742)	**39**	(2,477)	**(33,216)**	13,310
Income and social contribution taxes	**6,200**	(20,922)	**(2,485)**	(3,029)	**-**	(289)	**(649)**	(271)	**3,066**	(24,511)
Net income (loss) for the period	**(37,881)**	(6,758)	**11,338**	12,336	**(2,997)**	(14,031)	**(610)**	(2,748)	**(30,150)**	(11,201)
Assets of reportable segments	**652,610**	863,623	**157,686**	143,519	**4,072**	11,406	**276,751**	248,315	**1,091,119**	1,266,863
Liabilities of reportable segments	**823,576**	813,324	**45,702**	49,765	**(13,662)**	53,423	**131,413**	145,538	**987,029**	1,062,050

7. **Operating segments** (Continued)

Geographic segments

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

	Weapons	
	06-30-2014	**06-30-2013**
Domestic market		
Southeast	**6,865**	8,097
South	**10,839**	9,140
Northeast	**9,596**	9,486
North	**6,606**	1,894
Mid-West	**7,229**	4,368
	41,135	32,985
Foreign market		
USA	**152,486**	280,662
South Africa	**356**	1,393
Germany	**742**	-
Argentina	**741**	217
Australia	**1,517**	-
Chile	**1,219**	320
Singapore	**-**	1,233
Colombia	**-**	4,006
Philippines	**2,889**	-
Haiti	**-**	4,478
Lebanon	**1,030**	-
Pakistan	**1,110**	1,072
Paraguay	**1,627**	-
Peru	**866**	974
Dominican Republic	**584**	1,761
Honduras	**1,138**	-
Egypt	**1,494**	-
El Salvador	**1,192**	-
Djibouti	**2,845**	-
Other countries	**5,131**	4,138
	176,967	300,254
	218,102	333,239

7. Operating segments (Continued)

Geographic segments (Continued)

	Helmets	
	06-30-2014	**06-30-2013**
Domestic market		
Southeast	**17,556**	17,296
South	**3,106**	3,572
Northeast	**18,840**	17,447
North	**13,232**	14,643
Mid-West	**10,100**	10,301
	62,834	63,259
Foreign market		
Paraguay	**87**	195
Bolivia	**-**	28
	87	223
	62,921	63,482

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

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

There are no significant non-cash items, excepting depreciation and amortization, to be reported in the information per segment.

8. Assets and liabilities held for sale and discontinued operations

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

In September 2013, the Company renegotiated the sales price and payment conditions, adjusting the overall value of the Contract related to disposal of subsidiary SM Metalurgia Ltda., from R$115,350 to R$ 57,520, payable as follows:

(a) 1st installment, in the amount of R$ 1,960, duly restated by Long-Term Interest Rate (TJLP) and increased by interest of 1.8% p.a., shall be paid by Renill Participações Ltda., through SM Metalurgia Ltda., with the supply of parts used in the rendering of warranty services for machines manufactured by TMFL, as well as supply of parts and components to any company of the Taurus Group;

(b) Two installments in the amount of R$ 2,055 each, duly restated by TJLP and increased by interest of 1.8% p.a., one maturing on 06/30/2014 (not received to date) and another on 12/30/2014; and

8. Assets and liabilities held for sale and discontinued operations (Continued)

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

(c) Balance in 14 twice-annual installments, maturing as from 06/30/2015,duly restated by TJLP and increased by interest of 1.8% p.a., in the amount of R$3,675 each.

Restatement by TJLP and interest of 1.8% p.a. shall be applied since the date of execution of the Contract for Purchase and Sale of Units of Interest and Other Covenants, namely June 2012.

The Company recorded an additional provision for loss at June 30, 2014 in the amount of R$65,113 due to the following: i) it believes that there has been deterioration of the credit conditions; ii) it has not yet concluded full formalization of guarantees of the operation; iii) since buyer is a limited liability company there is no updated information available to evaluate its current financial situation.

At June 30, 2014 and December 31, 2013, the balance receivable for sale of the operations of TMFL was recorded as follows:

	06-30-2014	**12-31-2013**
Renegotiated value	**57,520**	57,520
Amortizations	**(873)**	-
Contractual monetary restatement	**8,466**	6,052
Balance receivable	**65,113**	63,572
Additional provision for loss	**(65,113)**	(62,991)
Total *	**-**	581

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

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

At the end of 2013, Company management, aligned with the structural changes in the strategies of focusing on higher value added segments, decided to decommission the production line and forging services to third parties of subsidiary Polimetal. The machines and equipment were made available for sale and recorded in a specific account in the financial statements as "noncurrent assets for sale". The balance at June 30, 2014 totals R$ 5,446 (R$5,588 at December 31, 2013), represented by the lower of book and fair value less costs to sell. Revenues from forging services to third parties represent less than 5% of Company sales. The other industrial activities of Polimetal continue being normally carried out.

9. Cash and cash equivalents

	Consolidated		Company	
	06-30-2014	**12-31-2013**	**06-30-2014**	**12-31-2013**
Cash balance	**76**	1,226	**17**	1,165
Demand deposits	**156,545**	205,438	**93,786**	2,937
Short-term investments	**129,490**	74,455	**86,553**	23,772
Cash and cash equivalents	**286,111**	281,119	**180,356**	27,874

Short-term investments are remunerated at rates that vary between 98% and 103% of CDI at June 30, 2014 (98% to 104% of CDI at December 31, 2013) and are made with top line banks.

10. Trade accounts receivable

	Consolidated		Company	
	06-30-2014	**12-31-2013**	**06-30-2014**	**12-31-2013**
Customers – domestic	**82,812**	75,930	**22,843**	17,534
Customers – domestic related parties (Note 22)	**-**	-	**5,391**	3,088
Customers - foreign	**37,665**	103,884	**6,795**	6,406
Customers – foreign related parties (Note 22)	**-**	-	**17,198**	148,215
	120,477	179,814	**52,227**	175,243
Allowance for doubtful accounts- domestic	**(11,189)**	(14,853)	**(2,262)**	(3,589)
Allowance for doubtful accounts- foreign	**(3,849)**	(3,301)	**(750)**	(6)
	(15,038)	(18,154)	**(3,012)**	(3,595)
Total	**105,439**	161,660	**49,215**	171,648

The Company's exposure to credit and currency risk as well as to impairment of trade accounts and other accounts receivable, including accounts receivable aging, are disclosed in Note 21. Changes in the allowance for doubtful accounts are as follows:

Changes in the allowance for doubtful accounts:

	Consolidated	Company
Balance at December 31, 2013	(18,154)	(3,595)
Additions	**(38)**	**-**
Reversal of the allowance for doubtful accounts	**1,046**	**482**
Realization of allowance for doubtful accounts	**1,874**	**-**
Foreign exchange gains (losses)	**234**	**101**
Balance at June 30, 2014	**(15,038)**	**(3,012)**

11. Inventories

	Consolidated		Company	
	06-30-2014	12-31-2013	06-30-2014	12-31-2013
Finished products	**135,432**	131,359	**28,950**	35,946
Work in progress	**31,616**	39,997	**16,438**	25,980
Raw materials	**43,057**	40,083	**15,761**	13,575
Ancillary and maintenance materials	**6,641**	7,350	**3,059**	5,201
Provision for inventory losses	**(435)**	(520)	**-**	-
Total	**216,311**	218,269	**64,208**	80,702

Changes in the provision for inventory losses are as follows:

	Consolidated
Balance at December 31, 2013	(520)
Provisions used in the year	**85**
Balance at June 30, 2014	**(435)**

12. Taxes recoverable

	Consolidated		Company	
	06-30-2014	12-31-2013	06-30-2014	12-31-2013
ICMS	**7,358**	6,742	**1,125**	1,260
IPI	**1,585**	1,242	**320**	328
PIS	**2,257**	3,910	**2,080**	3,636
COFINS	**10,867**	19,075	**10,038**	17,536
Income and social contribution taxes	**9,330**	6,995	**5,671**	3,294
Total	**31,397**	37,964	**19,234**	26,054
Current liabilities	**29,911**	35,785	**18,644**	25,195
Noncurrent liabilities	**1,486**	2,179	**590**	859

State VAT (ICMS)

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

PIS and COFINS

The balance consists of credits originated in non-cumulative PIS and COFINS levy, calculated mainly on the purchases of fixed asset items, which are offset in successive monthly installments, in accordance with legislation. The balance also comprises PIS and COFINS credits arising from the Reintegra Tax Incentive – Law No. 12546/2011, in force until December 31, 2013. Credits from the favorable decision to the companies, referring to the legal proceeding filed in 2005 claiming the unenforceability of PIS and COFINS taxes under Law No. 9718/98 and subsequent amendments are also recognized.

12. Taxes recoverable (Continued)

Federal VAT (IPI)

The balance refers mainly to amounts originating in trade operations.

Income and social contribution taxes

These refer to withholding tax on short-term investments and prepayments of income and social contribution taxes realizable through offset against federal taxes and contributions payable.

13. Deferred tax assets and liabilities

The recorded recoverable amount refers to deferred income tax asset and liability that the entity has the right to offset and intends to do on a net basis.

Deferred tax assets and liabilities were calculated as follows:

	Consolidated	
	06-30-2014	**12-31-2013**
On temporary asset differences and income and social contribution tax losses		
Provision for sales commissions	**720**	586
Present value adjustment	**535**	432
Provision for labor claims	**1,906**	2,094
Provision for losses on insurance claims	**782**	782
Allowance for doubtful accounts	**1,829**	2,677
Provision for product warranty	**3,287**	2,775
Provision for contingencies	**842**	842
Adjustment of deferred revenues	**98**	1,183
Derivative financial instruments	**5,820**	3,338
Income and social contribution tax losses	**42,665**	42,665
Inventories – unrealized profits	**5,128**	5,433
Other items	**2,269**	2,111
	65,881	64,918
On temporary liability differences		
Equity valuation adjustment	**(1,895)**	(3,097)
Depreciation base difference	**(6,643)**	(7,772)
Goodwill allocation	**(6,255)**	(6,058)
Loan charges	**(1,247)**	(1,155)
Present value adjustment	**(20)**	-
Derivative financial instruments	**(11,047)**	(15,344)
	(27,107)	(33,426)
Total asset (liability) balance, net	**38,774**	31,492
Classified in noncurrent assets	**46,595**	44,364
Classified in noncurrent liabilities	**(7,821)**	(12,872)

13. Deferred tax assets and liabilities (Continued)

	Company	
	06-30-2014	**12-31-2013**
On temporary asset differences and income and social contribution tax losses		
Provision for sales commissions	**683**	547
Present value adjustment	**184**	342
Provision for labor claims	**1,147**	1,390
Provision for losses on insurance claims	**782**	782
Allowance for doubtful accounts	**459**	598
Provision for product warranty	**1,609**	1,217
Adjustment of deferred revenues	**80**	-
Derivative financial instruments	**5,584**	3,064
Income and social contribution tax losses	**7,000**	7,000
Inventories – unrealized profits	**138**	1,183
	17,666	16,123
On temporary liability differences		
Equity valuation adjustment	**(1,292)**	(1,454)
Depreciation base difference	**(1,740)**	(1,663)
Loan charges	**(1,243)**	(1,128)
Derivative financial instruments	**(10,137)**	(15,334)
	(14,412)	(19,579)
Total asset (liability) balance, net	**3,254**	(3,456)
Classified in noncurrent assets (liabilities)	**3,254**	(3,456)

Changes in deferred taxes:

	Consolidated	Company
Opening balance of deferred taxes, net	31,492	(3,456)
Posted to P&L (Note 26)	6,779	6,710
Allocated to consolidation goodwill	(197)	-
Effect from exchange variation	700	-
Closing balance of deferred taxes, net	38,774	3,254

As part of the corporate restructuring occurred on July 4, 2011, for using the market economic and strategic benefits for new segments, Company management considered existence of accumulated income and social contribution tax losses recorded by subsidiary Polimetal Metalurgia e Plásticos Ltda. for recording deferred tax asset. The recording was made when it became probable that there will be sufficient taxable income in the future to offset such losses. The evaluation of existence of future taxable income was based on the operating activity to be performed by the subsidiary in the new "Polimetal" segment, which started to account for a significant portion of the Group's operations.

The subsidiary posted income and social contribution tax losses in 2013 and 2012. The studies of future results evidence that there will be future taxable income for use of such credits, consequently, the Company recorded deferred asset until the realizable amount according to its study of future taxable income.

13. Deferred tax assets and liabilities (Continued)

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

	Consolidated		Company	
Year	**Total**	**Ownership %**	**Total**	**Ownership %**
2014	2,138	5.00%	-	-
2015	2,981	6.98%	-	-
2016	3,545	8.30%	-	-
2017	5,408	12.65%	1,415	20.21%
2018	7,850	18.36%	3,356	47.94%
2019	7,563	17.70%	2,229	31.85%
2020	6,686	15.65%	-	-
2021	6,494	15.36%	-	-
Total	42,665	100.00%	7,000	100.00%

The amount of income and social contribution tax losses on which deferred taxes are not recorded totaled R$299,185 - Consolidated (R$265,947 in 2013) and R$26,621 – Company (R$14,677 in 2013).

The main balances of income and social contribution tax losses refer to subsidiary Taurus Máquinas-Ferramenta Ltda. The tax credits arising from income and social contribution tax losses not recognized by this subsidiary totaled R$ 78,080 (R$ 76,988 in 2013). Income and social contribution taxes on the balance of income and social contribution tax losses will be recognized as there is evidence that realization thereof is probable in the foreseeable future.

14. Advance on real estate credits

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

To represent the real estate credits arising from the aforementioned hire contracts, the Company issued Real Estate Credit Notes – CCI, and assigned them, onerously, to CIBRASEC – Companhia Brasileira de Securitização, which used them as the basis for issuing two series of Certificates of Real Estate Receivables – CRI. The terms and maturity dates for these certificates are fixed monthly, with the first falling due on September 15, 2008 and the last on July 15, 2015. At June 30, 2014, the total restated balance was R$ 14,338 and is fully classified in current liabilities due to the noncompliance with the covenants. At December 31, 2013, the balance was R$ 19,606, also classified in current liabilities. The amount reclassified to current liabilities for noncompliance with covenants totals R$2,207 at June 30, 2014 (R$8,548 in 2013).

15. Investments - Equity interest in subsidiaries and affiliates

	Taurus Blindagens Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Holdings, Inc.	Taurus Security Ltda. (1)	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-Ferramenta Ltda.(1)	Famastil Taurus Ferramentas S.A. (2)	Company 06-30-2014	Company 12-31-2013
Current assets	62,771	22,976	215,973	60	29,155	85,408	5,488	72,833		
Noncurrent assets	101,389	16,907	66,100	241	44,666	277,580	390	36,772		
Current liabilities	18,012	6,161	37,125	3	29,155	86,163	19,941	35,729		
Noncurrent liabilities	12,857	9,534	63,347	547	13,020	61,618	46,611	42,550		
Capital	80,209	9,400	671	100	39,917	210,000	233,000	20,000		
Equity	133,291	24,188	181,601	(249)	31,646	215,207	(60,674)	31,326		
Net revenue	39,602	11,846	152,778	-	5,760	25,798	332	46,322		
Net income (loss) for the period	11,625	2,473	354	-	2,567	(7,319)	(2,998)	(2,277)		
Number of shares/units of interest	648	1	302,505	100,000	21,414,136	209,999,999	124,368,143	-		
Direct ownership interest (%)	0,01%	0,10%	100%	100%	75,74%	100%	53,38%	-		
Opening balances	1	22	186,699	-	20,464	220,886	-	2,215	**430,287**	296,369
Capital payment (4)	**-**	**-**	**-**	**-**	**910**	**-**	**-**	**-**	**910**	126,054
Equity pickup (3)	**-**	**2**	**2,570**	**-**	**1,920**	**(8,073)**	**(1,600)**	**-**	**(5,181)**	(488)
Loss on investments	**-**	**-**	**-**	**-**	**(67)**	**-**	**-**	**-**	**(67)**	(106)
Exchange variation on investments	**-**	**-**	**(11,753)**	**-**	**-**	**-**	**-**	**-**	**(11,753)**	23,879
Dividends received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(17,000)
Reclassified to provision for capital deficiency (1)	**-**	**-**	**-**	**-**	**-**	**-**	**1,600**	**-**	**1,600**	1,579
Closing balances (3)	**1**	**24**	**177,516**	**-**	**23,227**	**212,813**	**-**	**2,215**	**415,796**	430,287

(1) Capital deficiency of the subsidiary Taurus Security Ltda. in the amount of R$ 249 and of subsidiary Taurus Máquinas-Ferramenta Ltda. in the amount of R$32,386 is recorded in "Other accounts payable" in current liabilities.

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

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

(4) Capital increase in subsidiary Taurus Investimentos Imobiliários Ltda. amounting to R$ 910 was made in cash.

15. Investments - Equity interest in subsidiaries and affiliates (Continued)

The consolidated financial statements of Taurus Holdings, Inc., an overseas subsidiary, reported total assets of R$ 281,096 at June 30, 2014 (R$ 491,169 in 2013) and current and noncurrent liabilities of R$ 100,305 at June 30, 2014 (R$ 298,170 in 2013). Taurus Holdings, Inc., located in the State of Florida, United States, is the parent company of Taurus International Manufacturing Inc., Braztech International L.C. and other subsidiaries also located in North America, operating mainly in the resale of weapons imported from Forjas Taurus S.A., aimed at the wholesale market. Total net consolidated revenue of Taurus Holdings, Inc. at June 30, 2014 amounted to R$ 152,778 (R$ 280,662 at June 30, 2013) and net income amounted to R$ 354 at June 30, 2014 (R$ 18,100 at June 30, 2013).

The Company has investments in affiliate Famastil Taurus Ferramentas S.A. that are not consolidated. The balances at June 30, 2014 are as follows:

	Consolidated
	Famastil Taurus Ferramentas S.A.
Current assets	72,833
Noncurrent assets	36,772
Current liabilities	35,729
Noncurrent liabilities	42,550
Capital	20,000
Equity	31,326
Net revenue	46,322
Net income (loss) for the period	(2,277)
Number of shares/units of interest	7,000,000
Direct ownership interest (%)	35%
Opening balances (1)	14,194
Equity pickup	**(1,015)**
Closing balances (1)	**13,179**

(1) Includes goodwill paid on the acquisition of investment of R$2,215.

16. Property, plant and equipment

								Consolidated
	Land, buildings and premises	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	Construction in progress	Advances to suppliers	Total
Cost or deemed cost								
Balance at December 31, 2013	114,910	190,724	48,165	18,523	3,312	28,473	6,049	410,156
Additions	770	1,679	39	492	252	4,259	(6)	7,485
Disposals	-	(1,408)	-	(118)	(117)	(2)	-	(1,645)
Transfers of assets under construction	9,570	4,168	1,914	105	-	(10,127)	(5,630)	-
Transfers from other groups	6,249	573	37	(108)	-	(6,789)	-	(38)
Effect from exchange variation	(2,331)	(1,705)	-	(275)	(8)	-	-	(4,319)
Balance at June 30, 2014	**129,168**	**194,031**	**50,155**	**18,619**	**3,439**	**15,814**	**413**	**411,639**
Depreciation								
Balance at December 31, 2013	15,365	83,174	29,110	11,615	2,408	-	-	141,672
Depreciation in the period	1,756	8,600	3,429	1,080	297	-	-	15,162
Disposals	-	(808)	-	(97)	(58)	-	-	(963)
Transfers from other groups	(91)	143	8	(88)	-	-	-	(28)
Effect from exchange variation	(412)	(916)	-	(228)	(9)	-	-	(1,565)
Balance at June 30, 2014	**16,618**	**90,193**	**32,547**	**12,282**	**2,638**	**-**	**-**	**154,278**
Book value								
At December 31, 2013	99,545	107,550	19,055	6,908	904	28,473	6,049	268,484
At June 30, 2014	**112,550**	**103,838**	**17,608**	**6,337**	**801**	**15,814**	**413**	**257,361**

16. Property, plant and equipment (Continued)

	Land, buildings and premises	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	Construction in progress	Advances to suppliers	Total
								Company
Cost or deemed cost								
Balance at December 31, 2013	3,140	62,977	24,225	8,121	1,857	5,199	6	105,525
Additions	1	15	39	53	240	984	(6)	1,326
Disposals	-	(2,360)	-	(69)	(75)	(773)	-	(2,504)
Transfers from other groups	-	-	(1)	(4)	-	-		(5)
Transfers of assets under construction	-	324	404	37	-	(765)	-	-
Balance at June 30, 2014	**3,141**	**60,956**	**24,667**	**8,138**	**2,022**	**5,418**	**-**	**104,342**
Depreciation								
Balance at December 31, 2013	734	27,399	14,100	4,667	1,246	-	-	48,146
Depreciation in the period	155	2,646	1,820	420	173	-	-	5,214
Disposals	-	(1,173)	-	(48)	(39)	-	-	(1,261)
Balance at June 30, 2014	**889**	**28,871**	**15,920**	**5,039**	**1,380**	**-**	**-**	**52,099**
Book value								
At December 31, 2013	2,406	35,578	10,125	3,454	611	5,199	6	57,379
At June 30, 2014	**2,252**	**32,085**	**8,747**	**3,099**	**642**	**5,418**	**-**	**52,243**

Construction in progress

The balance of assets under construction of R$5,418 – Company and R$ 15,814 – Consolidated at June 30, 2014 (R$ 5,199 and R$28,473 at December 31, 2013, respectively) refers to machinery and equipment, premises and installations still in the phase of being implemented, construction in progress and interest capitalization. Capitalized interest in 1H14 amounted to R$ 339 – Company and R$ 392 – Consolidated (R$ 336 and R$ 398, respectively in 1H13). These assets will start being used in 2014.

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. At June 30, 2014, guarantees provided by the Company amounted to R$66,858 (R$82,090 at December 31, 2013).

17. Intangible assets

						Consolidated
	Goodwill	**Trademarks and patents**	**Development of products**	**Systems implementation**	**Other intangible assets**	**Total**
Cost						
Balance at December 31, 2013	39,855	11,378	12,445	2,544	10,657	76,879
Acquisitions	-	-	622	28	-	650
Write-offs	-	-	(1,351)	-	-	(1,351)
Transfers from other groups	-	-	-	38	-	38
Effect from exchange variation	(432)	(443)	(167)	-	(494)	(1,536)
Balance at June 30, 2014	**39,423**	**10,935**	**11,549**	**2,610**	**10,163**	**74,680**
Balance at December 31, 2013	-	185	5,614	1,672	1,827	9,298
Amortization for the period	-	47	356	195	509	1,107
Write-offs	-	-	-	-	-	-
Transfers from other groups	-	-	-	28	-	28
Balance at June 30, 2014	**-**	**232**	**5,970**	**1,895**	**2,336**	**10,433**
Book value						
At December 31, 2013	39,855	11,193	6,831	872	8,830	67,581
At June 30, 2014	**39,423**	**10,703**	**5,579**	**715**	**7,827**	**64,247**

				Company
	Trademarks and patents	**Development of products**	**Systems implementation**	**Total**
Cost				
Balance at December 31, 2013	238	9,385	1,055	10,678
Additions	-	-	28	28
Transfers from other groups	-	-	5	5
Balance at June 30, 2014	**238**	**9,385**	**1,088**	**10,711**
Balance at December 31, 2013	-	5,614	422	6,036
Amortization for the period	-	343	107	450
Balance at June 30, 2014	**-**	**5,957**	**529**	**6,486**
Book value				
At December 31, 2013	238	3,771	633	4,642
At June 30, 2014	**238**	**3,428**	**559**	**4,225**

Goodwill is allocated to the Group’s operational divisions, as follows:

Cash generating unit	**06-30-2014**	**12-31-2013**
Forjas Taurus S.A.	**21,194**	21,194
Taurus Holdings, Inc.	**9,690**	10,122
Taurus Blindagens Ltda.	**6,823**	6,823
Taurus Helmets Indústria Plástica Ltda.	**1,045**	1,045
Famastil Taurus Ferramentas S.A.	**544**	544
Polimetal Metalurgia e Plásticos Ltda.	**127**	127
Total	**39,423**	39,855

The impairment testing of the aforementioned CGUs is performed annually based on the fair value less selling expenses, which is estimated based on discounted cash flows. Management estimates quarterly if there are changes in assumptions that could indicate the need of setting up a provision for impairment. At June 30, 2014 no such indication was identified. The assumptions adopted by the Company are disclosed in the annual financial statements for the year ended December 31, 2013.

18. Loans and financing

	Consolidated		Company	
	06-30-2014	12-31-2013	06-30-2014	12-31-2013
Current liabilities				
Guaranteed bank loans				
Working capital	**108,496**	133,257	**108,496**	133,257
Discount of receivables	**-**	85	**-**	-
FINAME	**2,581**	3,249	**1,121**	1,686
FINEP	**9,611**	9,946	**767**	1,919
BNDES	**79**	5	**79**	5
FNE	**1,451**	1,457	**-**	-
BNDES Progeren	**35,694**	30,136	**-**	-
Working capital USD	**106,260**	176,931	**105,066**	161,001
Financing for acquisition of fixed assets	**47**	196	**47**	196
Investment in USD	**804**	1,104	**-**	-
FINIMP	**15,465**	32,164	**13,182**	26,339
	280,488	388,530	**228,758**	324,403
Noncurrent liabilities				
Guaranteed bank loans				
Working capital	**45,845**	52,500	**45,845**	52,500
FINAME	**5,365**	6,504	**2,009**	2,427
FINEP	**23,587**	28,401	**-**	-
BNDES	**9,995**	5,206	**9,995**	5,205
FNE	**6,304**	7,004	**-**	-
BNDES Progeren	**20,101**	34,658	**-**	-
Working capital USD	**161,895**	121,801	**121,423**	49,688
Financing for acquisition of fixed assets	**86**	-	**86**	-
Investment in USD	**14,887**	16,141	**-**	-
FINIMP	**379**	936	**379**	605
	288,444	273,151	**179,737**	110,425
	568,932	661,681	**408,495**	434,828

18. Loans and financing (Continued)

Terms and schedule for debt amortization

The terms and conditions for loans outstanding were as follows:

							Consolidated
					06-30-2014		12-31-2013
	Currency	Nominal interest rate	Year of maturity	Face value	Book value	Face value	Book value
Guaranteed bank loans							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	187,000	**154,341**	162,000	185,757
Discount of receivables	R$	15.36% p.a.	2014	-	**-**	566	85
FINAME	R$	TJLP + 4.40 to 5.40% p.a.	2014	-	**-**	3,625	96
FINAME	R$	2.50 to 8.70% p.a.	2021	17,675	**7,946**	15,479	9,657
FINEP	R$	TJLP + 0.16 p.a.	2014	11,645	**767**	11,645	1,919
FINEP	R$	4,00 to 5.25% p.a.	2020	58,672	**32,431**	58,672	36,428
BNDES	R$	3.50% p.a.	2020	9,995	**10,074**	5,205	5,210
BNDES Progeren	R$	TJLP + 4.00 to 4.50% p.a.	2016	63,977	**55,795**	63,977	64,796
FNE	R$	9.50% p.a.	2019	9,806	**7,755**	9,806	8,461
Working capital	USD	*Libor* + 1.55 to 5.60% p.a.	2017	115,300	**129,744**	55,697	149,530
Working capital	USD	3.05 to 5.20% p.a.	2016	76,969	**115,298**	63,849	127,389
Working capital	USD	80 to 90% of CDI	2016	10,619	**23,637**	29,135	21,812
Financing for acquisition of fixed	R$	15.52% p.a.	2017	150	**133**	824	196
Investments	USD	5.33% p.a.	2017	6,035	**11,878**	6,035	12,889
Investments	USD	*Libor* + 2.25% p.a.	2017	1,731	**2,944**	1,731	3,886
FINIMP	USD	*Libor* + 2.23 to 4.41% p.a.	2016	7,055	**15,844**	13,937	33,100
Dell financing	USD	Cost 0%	2016	201	**345**	201	470
Total liabilities subject to interest					**568,932**		661,681

							Company
					06-30-2014		12-31-2013
	Currency	Nominal interest rate	Year of maturity	Face value	Book value	Face value	Book value
Guaranteed bank loans							
Working capital	R$	CDI + 2.42 to 3.00%	2018	187,000	**154,341**	162,000	185,757
FINAME	R$	TJLP + 4.40 p.a.	2014	-	**-**	1,117	42
FINAME	R$	2.50 to 5.50% p.a.	2021	11,464	**3,130**	8,798	4,071
FINEP	R$	TJLP + 0.16% p.a.	2014	11,645	**767**	11,645	1,918
BNDES	R$	3.50% p.a.	2020	9,995	**10,074**	5,205	5,210
Working capital	USD	*Libor* + 3.41 to 5.60%	2017	40,300	**89,272**	30,000	64,077
Working capital	USD	3.05 to 3.91% p.a.	2016	73,849	**113,580**	63,849	124,801
Working capital	USD	85 to 90% of CDI	2016	10,619	**23,637**	29,135	21,812
Financing for acquisition of fixed	R$	15.52% p.a.	2017	150	**133**	824	196
FINIMP	USD	*Libor* + 2.23 to	2016	6,047	**13,561**	11,578	26,944
Total liabilities subject to interest					**408,495**		434,828

18. Loans and financing (Continued)

Maturity dates of noncurrent liabilities:

	Consolidated		Company	
Year of maturity	**06-30-2014**	**12-31-2013**	**06-30-2014**	**12-31-2013**
2015	**63,028**	100,576	**43,319**	57,871
2016	**108,930**	43,643	**88,147**	23,258
2017	**81,998**	100,411	**32,825**	20,607
2018 onwards	**34,488**	28,521	**15,446**	8,689
	288,444	273,151	**179,737**	110,425

The loans and financing are guaranteed by promissory notes, 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 22 – Related parties.

The loan and financing contracts agreed between the Company and its subsidiaries include covenants that limit certain corporate alterations, as under: change in direct or indirect controlling interest in the Company, reduction of capital of the Company and/or its subsidiary, distribution of dividends, payment of interest on equity or any other payments to shareholders of the Company and/or its controlling company in case of delay to fulfill any obligation, reduction of Company capital. In addition to these points, they require maintenance of certain financial ratios: indebtedness (net financial debt/EBITDA) lower than 3.5; interest coverage index (EBITDA/net financial expenses) equal to or higher than 2.75. If such restrictions are not met, creditors may claim accelerated maturity. All the above ratios are calculated quarterly based on the last twelve months. At June 30, 2014 these covenants were not met. Thus, part of the loans, in the amount of R$25,838 (R$82,431 at December 31, 2013) was reclassified to current liabilities.

19. Debentures

On June 8, 2010, September 6, 2011 and June 25, 2014, the Company entered into a private instrument of public indenture for 1st, 2nd and 3rd issue of debentures not convertible into shares in the total amount of R$ 103,000, R$ 50,000 and R$ 100,000, respectively.

The issues were made in a single series, corresponding to 10,300 debentures for the 1st issue and 200 debentures for the 2nd issue and 10,000 debentures for the 3rd issue, distributed on the secondary market through the National Debenture system, with restrictions on the placing allocated exclusively to qualified investors.

The 1st issue was fully settled on April 15, 2014. For the 2nd issue, the unit nominal value will be paid in 13 quarterly installments, with a grace period of 2 years, beginning on August 23, 2013. For the 3rd issue, the unit nominal value will be paid in 3 semi-annual installments, with grace period of 2 years, beginning on June 25, 2016. Interest is charged on the amount, calculated based on the compound capitalization system, equivalent to the accumulated variation in the average daily rates for DI – Interbank deposits, plus interest as detailed below:

						06-30-2014
	Index	**Current**	**Noncurrent**	**Transaction costs incurred**	**Transaction costs appropriated**	**Transaction costs to appropriate**
Debentures						
2nd issue	DI rate + 2.8%	**35,065**	**-**	**884**	**884**	**-**
3rd issue	DI rate + 3.25%	**-**	**98,220**	**-**	**-**	**1,940**
		35,065	**98,220**	**884**	**884**	**1,940**

					12-31-2013
	Index	**Current**	**Transaction costs incurred**	**Transaction costs appropriated**	**Transaction costs to appropriate**
Debentures					
1st issue	DI rate + 4.1%	15,008	1,424	1,335	89
2nd issue	DI rate + 2.8%	42,557	856	598	258
		57,565	2,280	1,933	347

The effective interest rate of the 2nd issue is 13.70% p.a. and of the 3rd issue is 14.68% p.a. Measurement of the effective rate was based on contractual index rate in force on the reporting date. The 2nd issue of debentures is guaranteed by personal security of the subsidiaries Forjas Taurus S.A. in Brazil. The 3rd issue of debentures does not involve the requirement of guarantee.

19. Debentures (Continued)

The instrument provides for accelerated maturity of all obligations subject matter of the indenture in certain circumstances, which include: change in the direct or indirect control of the Company, capital reduction in the Company and/or its parent company, dividend distribution, payment of interest on equity or other payments made to shareholders by the Company and/or its parent in the event of delays with any of its obligations related to the debentures, decrease in the Company's capital and/or that of Polimetal (1), making by the Company or by the guarantors of any type of sale or transfer of assets that has an impact equal to or higher than 15% of the Company's consolidated assets or equal to or higher than 20% of consolidated gross revenue of the Company (2), undertaking, by the Company or its subsidiaries, of financing, advance or loan operations, in the position of creditors, with any of its direct or indirect controlling companies, except for the exclusive purpose of refinancing obligations agreed prior to the issuing of the debentures, the granting, by the Company or its subsidiaries, of bonds or any type of guarantee for the financial operations of direct or indirect controlling companies for amounts in excess of those existing at the date of issuing the debentures, maintaining minimum financial ratios (net debt/EBITDA) equal to or less than 3.25x (3rd issue) and 3x (2nd issue) and EBITDA/net financial expenses equal to or higher than 2.75x (3rd issue), where: net debt is equal to total debts (including sureties and guarantees) less cash, EBITDA is equal to profit before taxes, interest, depreciation and amortization in the previous 12 months and net financial expenses refer to total financial income less financial expenses for the previous 12 months, adjusted for non-recurring items.

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

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

Management from the Company and its subsidiaries monitors these indices on a systematic and constant basis, to ensure that the terms are met. At June 30, 2014, the Company did not meet the minimum financial ratios of the 2nd issue and thus transferred the amount of R$19,231 (R$26,923 at December 31, 2013) to current liabilities due to the contractually provided for clauses.

The ratios for the 3rd issue were met at June 30, 2014.

20. Tax, social security, labor and civil provisions

The Company, based on the opinion of its legal advisors and the analysis of judicial proceedings pending judgment, set up a provision for contingencies for an amount considered sufficient to cover estimated losses on proceedings pending judgment involving probable unfavorable outcome. The amounts of the provision are recorded in the group of other accounts payable. Breakdown of contingencies is as under:

				Consolidated
			06-30-2014	12-31-2013
	Provision	Judicial deposit (1)	Net	Net
Labor	**7,042**	**3,043**	**3,999**	4,179
Tax				
Federal	**4,557**	**423**	**4,134**	4,099
State	**-**	**761**	**(761)**	(338)
	11,599	**4,227**	**7,372**	7,940
Classified in current liabilities	**6,893**			
Classified in noncurrent liabilities	**4,706**			

				Company
			06-30-2014	12-31-2013
	Provision	Judicial deposit (1)	Net	Net
Labor	**3,374**	**1,440**	**1,934**	1,830
Tax				
Federal	**-**	**423**	**(423)**	(423)
State	**-**	**724**	**(724)**	(338)
	3,374	**2,587**	**787**	1,069
Classified in current liabilities	**3,374**			

(1) Recorded in other liabilities in noncurrent liabilities.

20. Tax, social security, labor and civil provisions (Continued)

Changes in provisions are as follows:

	Consolidated		
	Civil and labor	Tax	Total
Balance at December 31, 2013	7,061	4,945	12,006
Provisions made in the period	301	-	301
Provisions used in the period	(320)	(388)	(708)
Balance at June 30, 2014	**7,042**	**4,557**	**11,599**

	Company		
	Civil and labor	Tax	Total
Balance at December 31, 2013	3,135	388	3,523
Provisions made in the period	239	-	239
Provision write down	-	(388)	(388)
Balance at June 30, 2014	**3,374**	**-**	**3,374**

The Company and its subsidiaries have other proceedings that have been assessed by the legal advisors as involving possible or remote unfavorable outcome, for the amount of approximately R$ 22,915 - Company and R$68,584 – Consolidated (R$ 21,840 and R$65,368, respectively at December 31, 2013) for which no provision has been recorded, given that accounting practices adopted in Brazil do not require this. The main individual case refers to the proceeding filed by Hunter Douglas NV against Wotan Máquinas Ltda. related to collection of amount resulting from intercompany loan to finance exports entered into by the parties in 2001. Subsidiary Taurus Máquinas-Ferramenta Ltda. is defendant in the proceeding due to the rent of an industrial unit by Wotan Máquinas Ltda. in 2004. The case amount was estimated at R$ 20 million and the chances of an unfavorable outcome are assessed by the Company's legal advisors as possible.

The Company filed several proceedings for the recognition of several tax credits, of which the amounts will be recognized based on the realization thereof.

21. Financial instruments

i) Derivatives

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

We summarize below our positions with derivative instruments:

	Consolidated		Company	
	06-30-2014	**12-31-2013**	**06-30-2014**	**12-31-2013**
Derivative financial instruments assets	**29,869**	45,212	**29,815**	45,096
Derivative financial instruments liabilities	**(17,083)**	(9,595)	**(16,423)**	(9,010)
	12,786	35,617	**13,392**	36,086

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

			06-30-2014		12-31-2013	
Instrument	**Counterparty**	**Contract currency with respect to notional value**	**Notional – in thousands**	**Fair value**	**Notional – in thousands**	**Fair value**
Swap Fixed x Libor						
Taurus Holdings, Inc.	TD Bank	US dollars - USD	**5,711**	**(660)**	5,711	(585)
Swap Fixed x CDI						
Forjas Taurus S.A.	Banco Itaú BBA	Reais – BRL	**37,356**	**225**	37,356	440
Taurus Blindagens Ltda.	Banco Itaú BBA	Reais – BRL	**9,652**	**40**	9,652	80
Taurus Helmets Ltda.	Banco Itaú BBA	Reais – BRL	**4,355**	**14**	4,355	36
***Swap Interest + E.V.* USD x CDI + R$**						
Forjas Taurus S.A.	Banco Itaú BBA	Reais – BRL	**100,000**	**25,707**	100,000	40,964
Forjas Taurus S.A.	Banco Citibank	Reais – BRL	**30,391**	**1,494**	30,391	3,692
Forjas Taurus S.A.	Banco Pine	Reais – BRL	**40,000**	**(2,194)**	40,000	(7,617)
Forjas Taurus S.A.	Banco Santander	Reais – BRL	**23,200**	**(1,841)**	-	-
Non-deliverable forward (exports)						
Forjas Taurus S.A.	Banco Pine	US dollars - USD	**19,801**	**(7,121)**	-	-
Forjas Taurus S.A.	Bes Investimentos	US dollars - USD	**15,000**	**2,389**	20,000	(1,393)
Non-deliverable forward						
Forjas Taurus S.A.	Banco ABC	US dollars - USD	**13,800**	**(1,305)**	-	-
Forjas Taurus S.A.	Bes Investimentos	US dollars - USD	**40,000**	**(1,318)**	-	-
Forjas Taurus S.A.	Banco Pine	US dollars - USD	29,384	**(2,644)**	-	-
				12,786		35,617

21. Financial instruments (Continued)

i) Derivatives (Continued)

The fair value does not represent the obligation for immediate disbursement or receiving of cash, given that this effect will only occur on the contractual dates or maturity dates of each operation, when the results are determined, depending on the case and the market conditions on these dates. It should be noted that all of the contracts outstanding at June 30, 2014 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.

We set out below descriptions of each of the derivatives in force and the hedging instruments.

Swap Fixed x *Libor*

The Company has conventional currency swap position from fixed rate to *Libor* rate for the purpose of fixing the flow for debt payments tied to a fixed rate, to a post fixed rate on the domestic market.

Swap Fixed x CDI

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

Swap Libor + E.V. USD x CDI + R$

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

Non-deliverable forward (exports)

In accordance with the Company's export policies, derivative financial instruments were taken out to hedge a percentage of export revenue highly susceptive to variations in exchange rate to the US dollar.

Non-deliverable forward

The Company took out NDF transactions for *hedge* against the foreign exchange effects on the financial flow of loans and financing in foreign currency.

21. Financial instruments (Continued)

i) Derivatives (Continued)

Swap Interest + E.V. USD x CDI + R$

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.

ii) Risks

a) *Credit risk*

Exposure to credit risk

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

	Consolidated	
	Book value	
	06-30-2014	**12-31-2013**
Financial assets held to maturity		
Trade accounts receivable	**120,477**	179,814
Other loans and receivables	**17,142**	20,691
Cash and cash equivalents	**286,111**	281,119
Foreign exchange forward and interest rate swap contracts used for asset hedging	**29,869**	45,212
Total	**453,599**	526,836

	Company	
	Book value	
	06-30-2014	**12-31-2013**
Financial assets held to maturity		
Trade accounts receivable	**52,227**	175,243
Other loans and receivables	**14,191**	16,905
Cash and cash equivalents	**180,356**	27,874
Foreign exchange forward and interest rate swap contracts used for asset hedging	**29,815**	45,096
Total	**276,589**	265,118

21. Financial instruments (Continued)

ii) Risks (Continued)

a) *Credit risk (Continued)*

Exposure to credit risk (Continued)

The maximum exposure to credit risk for trade accounts receivable at the reporting date by geographic region is as follows:

	Consolidated		Company	
	Book value		Book value	
	06-30-2014	**12-31-2013**	**06-30-2014**	**12-31-2013**
Domestic-trade accounts receivable	**59,033**	84,788	**28,234**	20,622
United States – trade accounts receivable	**49,395**	79,346	**17,198**	142,465
Other	**12,049**	15,680	**6,795**	12,156
Total	**120,477**	179,814	**52,227**	175,243

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

	Consolidated		Company	
	Book value		Book value	
	06-30-2014	**12-31-2013**	**06-30-2014**	**12-31-2013**
Customers – public bodies	**27,107**	33,745	**23,812**	27,971
Customers - distributors	**86,744**	135,153	**26,822**	146,276
End customers	**6,626**	10,916	**1,593**	996
Total	**120,477**	179,814	**52,227**	175,243

Impairment losses

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

	Consolidated			
	Gross	**Gross**	***Impairment***	***Impairment***
	06-30-2014	**12-31-2013**	**06-30-2014**	**12-31-2013**
Falling due	**92,182**	158,818	**-**	-
Overdue between 0-30 days	**2,718**	990	**-**	-
Overdue between 31-360 days(1)	**8,271**	2,813	**(827)**	(1,883)
Overdue for more than one year	**17,306**	17,193	**(14,211)**	(16,271)
Total	**120,477**	179,814	**(15,038)**	(18,154)

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

21. Financial instruments (Continued)

ii) Risks (Continued)

a) *Credit risk (Continued)*

Impairment losses (Continued)

				Company
	Gross	Gross	***Impairment***	*Impairment*
	06-30-2014	12-31-2013	**06-30-2014**	12-31-2013
Falling due	**41,787**	169,540	**-**	-
Overdue between 0-30 days	**714**	569	**-**	-
Overdue between 31-360 days[1]	**6,042**	1,603	**(827)**	(399)
Overdue for more than one year	**3,684**	3,531	**(2,185)**	(3,196)
Total	**52,227**	175,243	**(3,012)**	(3,595)

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

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

The other amounts receivable refer to sundry receivables maturing within up to one year and with low credit risk.

b) *Liquidity risk*

Presented below are the contractual maturities of financial liabilities, including payments of estimated interest, excluding the impact of currency negotiation agreements at the net position. The position considers short-term portions due to noncompliance with covenants.

21. Financial instruments (Continued)

ii) Risks (Continued)

b) *Liquidity risk* (Continued)

	Consolidated					
	06-30-2014					
	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities						
Suppliers	**20,201**	**20,201**	**20,201**	**-**	**-**	**-**
Guaranteed bank loans	**568,932**	**645,545**	**297,913**	**71,701**	**250,001**	**25,929**
Debentures	**133,285**	**186,318**	**38,584**	**-**	**147,733**	**-**
Certificates of real estate receivables	**14,338**	**15,906**	**15,906**	**-**	**-**	**-**
Foreign exchange payable	**65,530**	**67,804**	**67,804**	**-**	**-**	**-**
Advance on receivables	**39,264**	**39,264**	**39,264**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(29,869)**	**(29,869)**	**(29,869)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**17,083**	**17,083**	**17,083**	**-**	**-**	**-**
	828,764	**962,252**	**466,886**	**71,701**	**397,734**	**25,929**

	Consolidated					
	12-31-2013					
	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities						
Suppliers	32,978	32,978	32,978	-	-	-
Guaranteed bank loans	661,681	744,177	416,440	117,318	186,083	24,336
Debentures	57,565	64,997	64,997	-	-	-
Certificates of real estate receivables	19,606	22,516	22,516	-	-	-
Advance on receivables	115,972	115,972	115,972	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(45,212)	(45,212)	(45,212)	-	-	-
Derivative instruments (liabilities)	9,595	9,595	9,595	-	-	-
	852,185	945,023	617,286	117,318	186,083	24,336

	Company					
	06-30-2014					
	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than from 5 years
Non-derivative financial liabilities						
Suppliers	**47,470**	**47,470**	**47,470**	**-**	**-**	**-**
Guaranteed bank loans	**408,495**	**462,940**	**243,104**	**49,171**	**165,507**	**5,158**
Debentures	**133,285**	**186,318**	**38,584**	**-**	**147,733**	**-**
Foreign exchange payable	**65,530**	**54,107**	**54,107**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(29,815)**	**(29,815)**	**(29,815)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**16,423**	**16,423**	**16,423**	**-**	**-**	**-**
	641,388	**737,443**	**369,873**	**49,171**	**313,240**	**5,158**

21. Financial instruments (Continued)

ii) Risks (Continued)

b) *Liquidity risk (Continued)*

						Company
						12-31-2013
	Book value	**Contractual cash flow**	**Up to 1 year**	**1-2 years**	**2-5 years**	**More than from 5 years**
Non-derivative financial liabilities						
Suppliers	63,487	63,487	63,487	-	-	-
Guaranteed bank loans	434,828	486,876	348,332	67,598	67,935	3,011
Debentures	57,565	64,997	64,997	-	-	-
Advance on receivables	71,040	71,040	71,040	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(45,096)	(45,096)	(45,096)	-	-	-
Derivative instruments (liabilities)	9,010	9,010	9,010	-	-	-
	590,834	650,314	511,770	67,598	67,935	3,011

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

c) *Currency risk*

The Company's exposure to currency risk was as follows (in nominal values):

		Consolidated
		USD 000
	06-30-2014	**12-31-2013**
Trade accounts receivable	**16,829**	45,914
Foreign exchange payable	**(29,753)**	-
Guaranteed bank loans	**(140,627)**	(149,096)
Foreign suppliers	**(2,677)**	(5,723)
Net balance sheet exposure	**(156,228)**	(108,905)

The exposure to consolidated foreign exchange risk includes the guaranteed bank loans from Taurus Holdings, Inc. for the amount of USD 26,042 at June 30, 2014 (USD 45,381 at December 31, 2013).

		Company
		USD 000
	06-30-2014	**12-31-2013**
Trade accounts receivable	**3,085**	4,302
Accounts receivable from foreign related parties	**7,808**	63,269
Foreign exchange payable	**(29,753)**	-
Guaranteed bank loans	**(113,549)**	(101,524)
Foreign suppliers	**(1,185)**	(738)
Net balance sheet exposure	**(133,592)**	(34,691)

21. Financial instruments (Continued)

ii) Risks (Continued)

c) *Currency risk* (Continued)

The following exchange rates were used during the period ended June 30 , 2014 and the year of 2013:

	Average rate		Spot rate	
	06-30-2014	**12-31-2013**	**06-30-2014**	**12-31-2013**
R$/USD	**2.2834**	**2.1741**	**2.2025**	**2.3426**

Sensitivity analysis

The devaluation of the Real to the US dollar, at June 30, 2014 decreased equity and net income as reported below. This analysis is based on the expected exchange rate of period end, which is of R$2.29 (probable scenario), based on the Focus report of July 4, 2014, issued by the Central Bank of Brazil. The analysis considered that all the other variables, particularly interest rates, would remain constant.

	Consolidated		Company	
	Equity	**P&L for the year**	**Equity**	**P&L for the year**
June 30, 2014				
R$/USD (forecast rate 2.29)	**(13,670)**	**(13,670)**	**(11,689)**	**(11,689)**
R$/USD (25% - forecast rate 2.86)	**(103,111)**	**(103,111)**	**(88,171)**	**(88,171)**
R$/USD (50% - forecast rate 3.44)	**(192,551)**	**(192,551)**	**(164,652)**	**(164,652)**

d) *Interest rate risk*

Sensitivity analysis of the fair value for fixed rate instruments

The Company did not record any financial asset or liability with fixed interest rate at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect P&L.

21. Financial instruments (Continued)

ii) Risks (Continued)

d) *Interest rate risk* (Continued)

Sensitivity analysis of cash flows for variable rate instruments

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

	Consolidated	
	Book value	
	06-30-2014	**12-31-2013**
Fixed rate instruments		
Financial liabilities	**101,250**	127,012
Variable rate instruments		
Financial assets	**159,359**	119,667
Financial liabilities	**697,918**	621,435

	Company	
	Book value	
	06-30-2014	**12-31-2013**
Fixed rate instruments		
Financial liabilities	**26,139**	35,220
Variable rate instruments		
Financial assets	**116,368**	68,868
Financial liabilities	**577,897**	466,183

A variation of 10 percentage points in interest rates, on the reporting date of the financial statements, would increase (reduce) equity and net income for the year on the balance for interest not liquidated, by the amounts presented below. The analysis considers that all variables, particularly foreign currency, would remain stable. The analysis was made considering the same base for June 30, 2014 and December 31, 2013.

Sensitivity analysis of cash flows for variable rate instruments (Continued)

	Consolidated	
	Equity and net income for the year	
	06-30-2014	**12-31-2013**
Change in interest rate on financing	**(3,254)**	(2,741)
Change in interest rate on short-term investments	**697**	363

	Company	
	Equity and net income for the year	
	06-30-2014	**12-31-2013**
Change in interest rate on financing	**(2,746)**	(2,082)
Change in interest rate on short-term investments	**466**	116

21. Financial instruments (Continued)

iii) Fair value versus book value

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

				Consolidated
	06-30-2014		12-31-2013	
	Book value	**Book value**	**Book value**	**Book value**
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for *hedge* operations	**29,869**	**29,869**	45,212	45,212
Assets stated at amortized cost				
Cash and cash equivalents	**286,111**	**286,111**	281,119	281,119
Trade accounts receivable	**105,439**	**105,439**	161,660	161,660
Bills receivable	**-**	**-**	580	580
	391,550	**391,550**	443,359	443,359
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for *hedge* operations	**17,083**	**17,083**	9,595	9,595
Liabilities stated at amortized cost				
Guaranteed bank loans	**568,932**	**531,552**	661,681	621,487
Debentures	**133,285**	**142,140**	57,565	59,212
Foreign exchange payable	**65,530**	**63,580**	-	-
Suppliers and advances on receivables	**59,465**	**59,465**	148,950	148,950
Advance on real estate credits	**14,338**	**14,597**	19,606	20,512
	841,550	**811,334**	887,802	850,161

				Company
	06-30-2014		12-31-2013	
	Book value	**Book value**	**Book value**	**Book value**
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for *hedge* operations	**29,815**	**29,815**	45,096	45,096
Assets stated at amortized cost				
Cash and cash equivalents	**180,356**	**180,356**	27,874	27,874
Trade accounts receivable	**49,215**	**49,215**	175,243	175,243
	229,571	**229,571**	203,117	203,117
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for *hedge* operations	**16,423**	**16,423**	9,010	9,010
Liabilities stated at amortized cost				
Guaranteed bank loans	**408,495**	**390,783**	434,828	423,207
Debentures	**133,285**	**142,140**	57,565	59,212
Foreign exchange payable	**65,530**	**63,580**	-	-
Suppliers and advances on receivables	**47,470**	**47,470**	134,527	134,527
	654,780	**643,973**	626,920	616,946

21. Financial instruments (Continued)

iii) Fair value versus book value (Continued)

The fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted using the market interest rate determined at the reporting date of the financial statements. The interest rates used to discount the estimated cash flows, when applicable, are based on forecast rates for the interbank certificates of deposits (CDI) at the balance sheet date. A significant portion of loans is contracted at variable rates. Observable rates in recent operations are similar to the contractual rates.

The effects from gains and losses related to derivative financial instruments, not classified as *hedge* accounting, are disclosed in the note on financial income (expense), in a specific line. The Company did not post gains or losses with non-derivative instruments since they are measured at amortized cost.

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

22. Related parties

	Outstanding balances of subsidiaries with the Company					Effect from result of operations of subsidiaries with the Company	
	Current assets (***)	Noncurrent assets (receivables from related parties)	Total assets	Current liabilities (*)	Total liabilities	Revenue	Expenses
December 31, 2013							
Taurus Blindagens Ltda.	-	-	-	-	-	-	12
Taurus Holdings, Inc. (Note 10)	148,215	-	148,215	15,635	15,635	248,265	4,542
Taurus Security Ltda.	-	547	547	-	-	-	-
Taurus Investimentos Imobiliários Ltda. (**)	5,811	-	5,811	-	-	-	4,914
Taurus Máquinas-Ferramenta Ltda.	196	20,568	20,764	-	-	-	-
Polimetal Metalurgia e Plásticos Ltda.	6,494	-	6,494	50,798	50,798	3,558	78,064
	160,716	**21,115**	**181,831**	**66,433**	**66,433**	**251,823**	**87,532**
June 30, 2014							
Taurus Holdings, Inc. (Note 10)	**17,198**	**-**	**17,198**	**20,594**	**20,594**	**81,413**	**292**
Taurus Security Ltda.	**-**	**547**	**547**	**-**	**-**	**-**	**-**
Taurus Investimentos Imobiliários Ltda. (**)	**5,813**	**-**	**5,813**	**-**	**-**	**-**	**2,524**
Taurus Máquinas-Ferramenta Ltda.	**320**	**28,357**	**28,677**	**-**	**-**	**-**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**7,476**	**23,726**	**31,200**	**37,800**	**37,800**	**670**	**20,589**
	30,807	**52,630**	**83,435**	**58,394**	**58,394**	**82,083**	**23,405**

(*) Recorded as accounts payable
(**) Disposal of fixed assets by the Company to subsidiary.
(***) Amount recorded in trade accounts receivable and receivables from related parties.

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

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

The transactions with related parties are carried out under the price and terms agreed by the parties.

Subsidiary Taurus Máquinas-Ferramenta Ltda. has intercompany loan payable to Forjas Taurus S.A. in the amount of R$ 28,357 at June 30, 2014 (R$ 20,568 at December 31, 2013). Subsidiary Taurus Security Ltda. has intercompany loan with Forjas Taurus S.A. in the amount of R$ 547 at June 30, 2014 and December 31, 2013. Subsidiary Polimetal Metalurgia e Plásticos Ltda. has intercompany loan payable to Forjas Taurus S.A. in the amount of R$ 23,726 at June 30, 2014. The loans are restated by 100% of Interbank Deposit Certificate (CDI).

22. Related parties (Continued)

Remuneration of key management personnel

At June 30, 2014, remuneration paid to key management personnel amounted to R$ 7,469 (R$ 9,443 at June 30, 2013), and includes salaries, fees and benefits.

Remuneration of key management personnel includes:

	Consolidated		Company	
	06-30-2014	06-30-2013	06-30-2014	06-30-2013
Remuneration and benefits of statutory directors and board members	**2,928**	3,741	**2,928**	3,741
Remuneration of key personnel	**4,541**	5,702	**2,100**	2,650
Total	**7,469**	9,443	**5,028**	6,391

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

Operations of directors and key management personnel

The directors and key management personnel directly control 39.34% of the Company's voting capital.

Some of the key management personnel hold units of interest in other entities, resulting in them having control or significant influence over the financial or operating policies of these companies. There were no transactions between the Company and these parties in the period ended June 30, 2014 and year ended December 31, 2013, excepting salaries.

Sureties between related parties

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

	06-30-2014	12-31-2013
Polimetal Metalurgia e Plásticos Ltda.	**95,795**	118,950
Forjas Taurus S.A.	**59,640**	111,591
	155,435	230,541

23. **Equity** (Company)

a) Capital

Capital at June 30, 2014 and December 31, 2013 amounted to R$257,797.

Preferred shares

Preferred shares are non-voting shares and are not entitled to differentiated dividends but have preference in the return of capital.

In accordance with article 5, paragraph 4 of the Company's 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, takeover, 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) valuation of assets destined to payment of the Company's capital increase;

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

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

Authorized shares (in thousands of shares)

	06-30-2014	**12-31-2013**
Common shares	**51,851**	51,851
Preferred shares	**103,702**	103,702
	155,553	155,553

23. Equity (Company) (Continued)

Shares issued and fully paid up

	Common shares		Preferred shares	
	Number In thousands	**R$ 000**	**Number In thousands**	**R$ 000**
At December 31, 2013				
ON - R$ 2.66 - PN - R$ 2.28*	47,138	125,387	94,275	214,947
At June 30, 2014				
ON - R$ 1.32 - PN - R$ 0.92*	47,138	62,222	94,275	86,733

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

a) Treasury shares

Treasury shares refer to repurchased capital. The amount of remuneration paid includes directly attributable costs, net of any tax effects. When treasury shares are sold or subsequently re-issued, the amount received is recognized as an increase in equity, and the resulting excess or deficit are transferred to/from retained earnings/accumulated losses. The Company posted loss for 2013 and 2012, consequently does not have sufficient income reserve balance to keep treasury shares. Company management is structuring a plan to regularize its treasury shares.

b) Reserves

Legal reserve

The legal reserve is set up at 5% of net income each year, calculated under the terms of article 93 of Law No. 6404/76, until its balance reaches the limit of 20% of the amount of capital.

Statutory reserve and profit retention

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

Equity valuation adjustments

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

23. Equity (Company) (Continued)

b) Reserves (Continued)

Cumulative translation adjustments

Cumulative translation adjustments include all of the foreign currency differences arising from translation of the financial statements of foreign operations.

c) Earnings (loss) per share

Basic earnings (loss) per share were calculated based on profit (loss) for the period attributable to controlling and non-controlling shareholders of the Company up to June 30, 2014, and the respective average number of common outstanding shares in this period, compared to the period ended June 30, 2013, as presented below:

	06-30-2014	06-30-2013
P&L for the period	**(30,150)**	(11,201)
Net income (loss) attributable to shareholders	**(30,150)**	(11,201)
Basic and diluted earnings (loss) per share – in R$	**(0.2132)**	(0.0792)

Basic earnings (loss) per share are calculated based on net income (loss) for the period attributable to Company shareholders divided by the weighted average of outstanding in the period.
At June 30, 2014, the Company's basic and diluted earnings per share have the same amount since there are no financial instruments convertible into shares and its common shares are not entitled to differentiated participation in profits.

24. Operating income

	Consolidated		Company	
	06-30-2014	06-30-2013	06-30-2014	06-30-2013
Product sales	**348,917**	492,633	**165,885**	197,754
Provision of services	**40**	23	**40**	21
Total gross revenue	**348,957**	492,656	**165,925**	197,775
Sales taxes	**(45,582)**	(57,869)	**(16,579)**	(12,791)
Sales returns and rebates	**(2,301)**	(2,208)	**(1,647)**	(8,452)
Total net operating revenue	**301,074**	432,579	**147,699**	176,532

25. Financial income (expenses)

	Consolidated		Company	
	06-30-2014	06-30-2013	06-30-2014	06-30-2013
Financial expenses				
Interest	**(31,243)**	(28,684)	**(23,839)**	(20,934)
Capitalized interest on fixed assets	**281**	336	**281**	336
Exchange variation	**(36,379)**	(32,823)	**(35,975)**	(31,656)
Tax on Financial Transactions - IOF	**(564)**	(584)	**(159)**	(67)
Swap on financial operations	**(18,321)**	(10,925)	**(18,247)**	(10,593)
Other expenses	**(3,144)**	(3,394)	**(245)**	(792)
	(89,370)	(76,074)	**(78,184)**	(63,706)
Financial income				
Interest	**8,919**	11,729	**4,345**	5,302
Exchange variation	**43,924**	9,867	**42,947**	9,169
Swap on financial operations	**7,879**	22,163	**7,814**	21,952
Other income	**2,337**	283	**149**	244
	63,059	44,042	**55,255**	36,667
Financial income (expenses), net	**(26,311)**	(32,032)	**(22,929)**	(27,039)

26. Income and social contribution tax expense

The reconciliation of the expense calculated using the combined tax rates and the income and social contribution tax expense posted to P&L is demonstrated below:

	Consolidated		Company	
	06-30-2014	06-30-2013	06-30-2014	06-30-2013
Income/loss before income and social contribution taxes	**(33,216)**	13,310	**(36,860)**	(4,753)
Combined tax rate	**34%**	34%	**34%**	34%
Income and social contribution taxes:				
At combined tax rate	**11,293**	(4,525)	**12,532**	1,616
Permanent additions and exclusions:				
Non-deductible expenses	**(35)**	(250)	**(35)**	(250)
Tax exempt income – equity pickup	**(345)**	-	**(1,762)**	7,347
Other – Law No. 11196/05	**81**	86	**-**	-
Unrecognized tax loss	**(11,403)**	(19,480)	**(4,061)**	(15,138)
Effects from differentiated rates on profit computed as a percentage of gross revenue –"*lucro presumido*"	**2,365**	-	**-**	-
Other items	**1,110**	(342)	**36**	(23)
Income and social contribution taxes in the P&L for the year	**3,066**	(24,511)	**6,710**	(6,448)
Income and social contribution taxes in the P&L for the year:				
Current	**(3,713)**	(14,811)	**-**	-
Deferred (Note 13)	**6,779**	(9,700)	**6,710**	(6,448)
	3,066	(24,511)	**6,710**	(6,448)
Effective rate	**9.23%**	184.15%	**18.20%**	135.66%

26. Income and social contribution tax expense (Continued)

Provisional Executive Order (MP) No. 627/13 converted into law

In November 2013, Provisional Executive Order No. 627 was published and established that no taxation should be levied on profits and dividend calculated based on P&L computed between January 1, 2008 and December 31, 2013, by legal entities adopting the taxable profit, profit computed as a percentage of the Company's gross revenue, or reconstructed profit determined by the tax authorities, effectively paid up to the publication date of the referred to Provisional Executive Order, at amounts exceeding those computed in light of the accounting methods and criteria in force as of December 31, 2007, provided that the Company that has paid profit and dividend elected early adoption of the new tax regime as from 2014.

In May 2014, this Provisional Executive Order was converted into Law No. 12973, with amendment to some provisions, including in connection with how to treat dividends, IOE and investment measurement at equity value. Differently from the Provisional Executive Order, Law No. 12973 determined that no taxes are to be levied, unconditionally, on profit and dividend calculated based on P&L computed from January 1, 2008 to December 31, 2013.

The Company prepared studies on the effects that could arise from application of the provisions of Law 12973 and concluded that there are no significant effects on its financial statements at June 30, 2014 and December 31, 2013 and is evaluating whether it will opt or not for early recognition of its effects, to be confirmed in the Federal Tax Debit and Credit Return (DCTF) referring to taxable events occurred in the month to be determine by Brazilian Internal Revenue Service (SRFB).

27. Insurance coverage

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

At June 30, 2014, the Company's insurance coverage was as follows:

	06-30-2014	
	Consolidated	**Company**
Property damage	336,560	82,358
Civil liability	30,025	8,000
Loss of profits	5,841	-

28. Expenses by nature

The Company opted for presenting consolidated income statement by function. As required by IFRS, the Company sets out below a detailed consolidated income statement by nature:

	Consolidated		**Company**	
	06-30-2014	**06-30-2013**	**06-30-2014**	**06-30-2013**
Expenses by function				
Cost of goods sold	**(229,262)**	(294,128)	**(124,362)**	(144,929)
Selling expenses	**(43,441)**	(51,975)	**(16,234)**	(14,110)
General and administrative expenses	**(31,293)**	(37,078)	**(14,533)**	(16,421)
Other operating expenses	**(7,436)**	(10,431)	**(3,046)**	(2,158)
	(311,432)	(393,612)	**(158,175)**	(177,618)
Expenses by nature				
Depreciation and amortization	**(16,269)**	(17,679)	**(5,664)**	(5,958)
Personnel expenses	**(68,044)**	(65,841)	**(61,753)**	(58,827)
Labor indemnification	**(2,653)**	(3,799)	**(1,245)**	(1,388)
Restaurant expenses	**(2,754)**	(2,955)	**(1,580)**	(1,815)
Raw materials and use and consumption materials	**(149,671)**	(228,961)	**(57,143)**	(84,442)
Freight and commissions	**(18,970)**	(25,110)	**(5,936)**	(8,437)
Machinery conservation and maintenance service	**(3,680)**	(2,522)	**(1,072)**	(933)
Third-party services	**(9,277)**	(7,348)	**(5,200)**	(3,765)
Advertising and publicity	**(6,525)**	(10,324)	**(493)**	(1,320)
Product warranty expenses	**(6,368)**	(2,983)	**(4,616)**	(109)
Rent expenses	**(5,439)**	(4,105)	**(3,172)**	(3,010)
Water and energy	**(4,501)**	(4,245)	**(2,420)**	(2,430)
Travel and lodging	**(2,738)**	(1,254)	**(1,842)**	(1,188)
Taxes and charges	**(2,508)**	(1,135)	**(697)**	(909)
Cleaning and hygiene	**(1,462)**	(1,466)	**(867)**	(881)
Environmental management	**(910)**	(940)	**(618)**	(733)
Idle capacity	**(914)**	(820)	**(914)**	-
Insurance expenses	**(5,489)**	(1,433)	**(1,153)**	(1,199)
Allowance for doubtful accounts	**-**	(10,587)	**-**	(16)
Other expenses	**(3,257)**	(105)	**(1,788)**	(258)
	(311,432)	(393,612)	**(158,175)**	(177,618)

29. Cost of goods sold

	Consolidated		Company	
	06-30-2014	**06-30-2013**	**06-30-2014**	**06-30-2013**
Cost of goods sold	**219,688**	294,128	**115,437**	144,929
Unallocated costs	**9,574**	-	**8,925**	-
Total cost of goods sold	**229,262**	294,128	**124,362**	144,929

Unallocated costs represent unusual amounts or indirect production costs adventitiously not allocated to products, mainly related to low production volume, directly posted to P&L for the period in which they take place, in a separate account from cost of goods sold, as prescribed by CPC16 (R1) – Inventories.

30. Advance for future capital contribution

In June 2014, the Company received from its shareholders the amount of R$ 22,784 as advance for future capital contribution, to be paid in August 2014, after approval by the Extraordinary Shareholders' Meeting.

31. Subsequent events

a) Capital increase

The Extraordinary Shareholders' Meeting held on April 29, 2014 approved capital increase proposed by shareholder Luis Fernando Costa Estima together with Estimapar Investimentos e Participações Ltda., which proposed increase of Company capital of up to R$ 200,906 through issue of up to 48,528,020 common shares and 97,056,038 preferred shares, all being book-entry shares, at unit price of R$ 1.38 each, to be paid-up on demand and in national legal tender upon subscription.

With the end of the 2(two) rounds of remaining shares and of the review period ended July 30, 2014, 48,522,214 common shares and 85,703 preferred shares were subscribed in the total amount of R$ 67,079, thus concluding capital increase to be submitted to the Extraordinary Shareholders' Meeting for approval.

With conclusion of the capital increase and after the approval from the shareholders' meeting, capital will be divided into 95,659,753 common shares and 94,360,781 preferred shares, totaling 190,020,534 shares in the amount of R$ 324,876.

31. Subsequent events (Continued)

With conclusion of the capital increase and after approval for the shareholders' meeting, the Company's shareholding structure will be as follows:

	Total shares	% in treasury	ON	% in treasury	PN	% in treasury
Companhia Brasileira de Cartuchos - CBC	49,537,543	27.90	48,747,843	52.51	789,700	0.93
Caixa de Prev. dos Func. do Banco do Brasil	34,504,344	19.43	6,777,638	7.30	27,726,706	32.72
Estimapar Investimentos e Participações Ltda.	21,502,852	12.11	21,502,852	23.16	-	-
Figi Fundo de Investimento de Ações	4,885,600	2.75	4,470,600	4.82	415,000	0.49
Other	67,154,088	37.82	11,333,614	12.21	55,820,474	65.86
Total in treasury	177,584,427	100.00	92,832,547	100.00	84,751,880	100.00
Treasury shares	12,436,107	-	2,827,206	-	9,608,901	-
Total	190,020,534	-	95,659,753	-	94,360,781	-

b) Board of Directors

The ordinary shareholders' meeting of June 27, 2014 elected the new Board of Directors members who were inaugurated on July 17, 2014 as follows:

Chairman:	Jorio Dauster Magalhães e Silva
Vice-Chairman:	Ruy Lopes Filho
Board Members:	André Ricardo Balbi Cerviño
	Durval José Soledade Santos
	Fernando José Soares Estima
	João Verner Juenemann
	Luis Fernando Costa Estima
	Luiz Felix de Freitas
	Manuel Jeremias Leite Caldas

A free translation from Portuguese into English of independent auditor's review report on individual interim financial information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and on consolidated interim financial information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB and specific CVM rules

Independent auditor's review report on interim financial information

The
Shareholders, Board of Directors and Officers
Forjas Taurus S.A.
Porto Alegre - RS

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Forjas Taurus S.A. (Company), contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2014, comprising the balance sheet as at June 30, 2014 and the related income statement, statement of comprehensive income for the three and six-month periods then ended, and the statement of changes in equity and cash flow statement for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with Accounting Pronouncement CPC 21 – Interim Financial Reporting and of the consolidated interim financial information in accordance with CPC 21 and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with specific rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (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). 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 standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of quarterly information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of quarterly information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the six-month period ended June 30, 2014, prepared under the responsibility of the Company's management, of which presentation in the interim financial information is required by CVM rules applicable to preparation of quarterly information (ITR) and considered as supplementary information for IFRS purposes, which do not require SVA presentation. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Porto Alegre, August 7, 2014.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6/F/RS

Américo F. Ferreira Neto
Accountant CRC-1SP192685/O-9

Representation of Supervisory Board

The Supervisory Board of Forjas Taurus S.A., abiding by legal and statutory provisions, examined the Quarterly Information - ITR, for the period from the second quarter of 2014. Based on the analysis performed, and further considering the report of independent auditor Ernst & Young Auditores Independentes S.S., dated Aug 07, 2014, as well as information and clarification received in the period by the Company Management, represents hereby that the referred to documents are in condition of being disclosure.

Porto Alegre - Aug 14, 2014.

Amoreti Franco Gibbon

Mauro César Medeiros de Mello

Juliano Puchalski Teixeira

Marcelo de Deus Saweryn

Reinaldo Fujimoto

REPRESENTATION LETTER OF FORJAS TAURUS S.A. OFFICERS ON THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2014

Mr. André Ricardo Balbi Cerviño, Eduardo Ermida Moretti, Eduardo Feldmann Costa and Mrs. Dóris Beatriz França Wilhelm, Officers of Forjas Taurus S.A., a company headquartered at Avenida do Forte, nº 511, Vila Ipiranga, Porto Alegre, Rio Grande do Sul (RS) state, enrolled with Brazilian IRS Registry of Legal Entities under No. 92.781.335/0001-02, for the purpose of items V and VI of article 25 of Brazilian Securities and Exchange Commission (CVM) Ruling No. 480, of December 7, 2009, do hereby represent that they have reviewed, discussed and agreed with the Financial Statements of Forjas Taurus S.A. and consolidated companies for the period from January 1, 2014 to June 30, 2014.

Porto Alegre, Aug 07, 2014.

André Ricardo Balbi Cerviño
Chief Executive Officer

Eduardo Ermida Moretti
Sales and Marketing Vice President Officer

Eduardo Feldmann Costa
Administrative and Finance Vice President Officer

Doris Beatriz França Wilhelm
Investor Relations Officer

REPRESENTATION LETTER OF FORJAS TAURUS S.A. OFFICERS ON INDEPENDENT AUDITOR'S REPORT

Mr. André Ricardo Balbi Cerviño, Eduardo Ermida Moretti, Eduardo Feldmann Costa and Mrs. Dóris Beatriz França Wilhelm, Officers of Forjas Taurus S.A., a company headquartered at Avenida do Forte, nº 511, Vila Ipiranga, Porto Alegre, Rio Grande do Sul (RS) state, enrolled with Brazilian IRS Registry of Legal Entities under No. 92.781.335/0001-02, for the purpose of items V and VI of article 25 of Brazilian Securities and Exchange Commission (CVM) Ruling No. 480, of December 7, 2009, do hereby represent that they have reviewed, discussed and agreed with the opinions expressed by Ernst & Young Auditores Independentes S.S., dated Aug 07, 2014, in the Independent Auditor's Report on the Financial Statements for the period from January 1, 2014 to June 30, 2014.

Porto Alegre, Aug 07, 2014.

André Ricardo Balbi Cerviño
Chief Executive Officer

Eduardo Ermida Moretti
Sales and Marketing Vice President Officer

Eduardo Feldmann Costa
Administrative and Finance Vice President Officer

Doris Beatriz França Wilhelm
Investor Relations Officer