Contents

Company information / Composition of capital

Number of shares (Units)	Current quarter 09/30/2012
Paid-in capital	
Common	47,137,539
Preferred	94,275,078
Total	141,412,617
Treasury stock	
Common	2,827,206
Preferred	9,608,901
Total	12,436,107

Individual financial statements / Balance sheet – Assets

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2012	Prior year 12/31/2011
1	Total assets	885,751	863,369
1.01	Current assets	357,225	350,759
1.01.01	Cash and cash equivalents	86,910	71,320
1.01.01.01	Cash and banks	9,466	12,397
1.01.01.02	Short-term investments	77,444	58,923
1.01.03	Accounts receivable	101,726	144,879
1.01.03.01	Trade accounts receivable	101,726	144,879
1.01.04	Inventories	83,395	86,216
1.01.06	Taxes recoverable	36,528	9,950
1.01.06.01	Taxes recoverable – current	36,528	9,950
1.01.07	Prepaid expenses	500	2,301
1.01.08	Other current assets	48,166	36,093
1.01.08.03	Other	48,166	36,093
1.01.08.03.01	Financial instruments	32,231	17,778
1.01.08.03.02	Advance on interest on equity	0	3,625
1.01.08.03.03	Other receivables	15,935	14,690
1.02	Non-current assets	528,526	512,610
1.02.01	Long-term receivables	110,337	64,283
1.02.01.08	Receivables from related parties	99,802	59,087
1.02.01.08.04	Receivables from other related parties	99,802	59,087
1.02.01.09	Other non-current assets	10,535	5,196
1.02.01.09.03	Taxes recoverable	1,406	3,210
1.02.01.09.04	Other	9,129	1,986
1.02.02	Investments	350,100	321,982
1.02.02.01	Investments	350,100	321,982
1.02.02.01.02	Investments in subsidiaries	349,910	321,852
1.02.02.01.04	Other investments	190	130
1.02.03	Property, plant and equipment	63,150	120,967
1.02.03.01	Property, plant and equipment in use	53,595	102,736
1.02.03.03	Construction in progress	9,555	18,231
1.02.04	Intangible assets	4,939	5,378
1.02.04.01	Intangible assets	4,939	5,378

Individual financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2012	Prior year 12/31/2011
2	Total liabilities and equity	885,751	863,369
2.01	Current liabilities	539,191	305,697
2.01.01	Social and labor obligations	16,663	23,514
2.01.01.01	Social obligations	2,140	4,229
2.01.01.02	Labor obligations	14,523	19,285
2.01.02	Suppliers	35,722	15,823
2.01.02.01	Suppliers – domestic	34,484	14,841
2.01.02.02	Suppliers – foreign	1,238	982
2.01.03	Tax obligations	539	13,312
2.01.03.01	Federal tax obligations	445	5,402
2.01.03.01.01	Income and social contribution tax payable	445	5,402
2.01.03.02	State tax obligations	80	7,892
2.01.03.03	Municipal tax obligations	14	18
2.01.04	Loans and financing	395,527	160,903
2.01.04.01	Loans and financing	283,551	85,112
2.01.04.01.01	In local currency	105,398	75,365
2.01.04.01.02	In foreign currency	178,153	9,747
2.01.04.02	Debentures	111,976	75,791
2.01.05	Other payables	89,162	90,680
2.01.05.02	Other	89,162	90,680
2.01.05.02.01	Dividends and interest on equity payable	9,035	15,270
2.01.05.02.04	Foreign exchange payable	49,983	39,626
2.01.05.02.05	Derivative financial instruments	12,899	19,358
2.01.05.02.06	Other payables	17,245	16,426
2.01.06	Provisions	1,578	1,465
2.01.06.01	Social security, labor and civil provisions	1,578	1,465
2.01.06.01.02	Social security and labor provisions	1,578	1,465
2.02	Noncurrent liabilities	116,908	232,337
2.02.01	Loans and financing	82,180	225,861
2.02.01.01	Loans and financing	82,180	176,322
2.02.01.01.01	In local currency	51,559	56,555
2.02.01.01.02	In foreign currency	30,621	119,767
2.02.01.02	Debentures	0	49,539
2.02.02	Other payables	29,156	4,371
2.02.02.02	Other	29,156	4,371
2.02.02.02.03	Provision for negative investments	24,295	148
2.02.02.02.04	Other	4,861	4,223
2.02.03	Deferred taxes	5,572	2,105
2.02.03.01	Deferred income and social contribution taxes	5,572	2,105
2.03	Equity	229,652	325,335
2.03.01	Paid-in capital	257,797	257,797
2.03.02	Capital reserves	-73,891	-73,891
2.03.02.05	Treasury stock	-32,895	-32,895
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.04	Income reserves	9,280	107,765
2.03.04.01	Legal reserve	9,280	25,718

Individual financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2012	Prior year 12/31/2011
2.03.04.08	Proposed additional dividends	0	469
2.03.04.10	Reserve for investments	0	81,578
2.03.06	Equity valuation adjustment	36,929	44,807
2.03.07	Cumulative translation adjustments	-463	-11,143

Individual financial statements / Income statement

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2012 to 09/30/2012	YTD 01/01/2012 to 09/30/2012	Same prior year quarter 07/01/2011 to 09/30/2011	Prior year Accrued 01/01/2011 to 09/30/2011
3.01	Revenue from sale of goods and/or services	107,056	292,330	116,897	278,459
3.02	Cost of goods and/or services sold	-79,729	-221,738	-71,279	-194,900
3.03	Gross profit	27,327	70,592	45,618	83,559
3.04	Operating income (expenses)	-3,606	3,784	10,857	-3,756
3.04.01	Selling expenses	-7,460	-23,090	-7,560	-26,602
3.04.02	General and administrative expenses	-9,749	-25,335	-12,923	-33,602
3.04.04	Other operating income	130	736	1,146	1,655
3.04.05	Other operating expenses	-1,587	-4,111	-2,038	-4,577
3.04.06	Equity pickup	15,060	55,584	32,232	59,370
3.05	Income before financial expenses and income taxes	23,721	74,376	56,475	79,803
3.06	Financial expenses, net	-9,909	-28,774	-29,617	-38,156
3.06.01	Financial income	4,909	66,764	25,685	34,868
3.06.02	Financial expenses	-14,818	-95,538	-55,302	-73,024
3.07	Income before income taxes	13,812	45,602	26,858	41,647
3.08	Income and social contribution taxes	-2,454	-4,829	1,464	607
3.08.01	Current	0	0	487	0
3.08.02	Differed	-2,454	-4,829	977	607
3.09	Net income from continuing operations	11,358	40,773	28,322	42,254
3.10	Net loss from discontinued operations	-2,775	-134,991	-11,848	-18,854
3.10.01	Net loss from discontinued operations	-2,775	-134,991	-11,848	-18,854
3.11	Net income for the period	8,583	-94,218	16,474	23,400
3.99	Earnings per share - (Reais / share)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	0.06069	-0.66626	0.11650	0.16880
3.99.01.02	PN	0.06069	-0.66626	0.11650	0.16880
3.99.02	Diluted earnings per share				
3.99.02.01	ON	0.06069	-0.66626	0.11650	0.16880
3.99.02.02	PN	0.06069	-0.66626	0.11650	0.16880

Individual financial statements / Statement of comprehensive income

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2012 to 09/30/2012	YTD 01/01/2012 to 09/30/2012	Same prior year quarter 07/01/2011 to 09/30/2011	Prior year Accrued 01/01/2011 to 09/30/2011
4.01	Net income for the period	8,583	-94,218	16,474	23,400
4.02	Other comprehensive income	1,237	8,032	17,497	11,340
4.02.01	Cumulative translation adjustments for the period	624	10,677	17,497	11,340
4.02.03	Adjustments from financial instruments	613	-2,645	0	0
4.03	Comprehensive income for the period	9,820	-86,186	33,971	34,740

Individual financial statements / Cash flow statement - Indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 09/30/2012	Prior year Accrued 01/01/2011 to 09/30/2011
6.01	Net cash provided by operating activities	17,717	32,109
6.01.01	Cash from operations	1,898	21,943
6.01.01.01	Net income for the year	-94,218	23,400
6.01.01.02	Depreciation and amortization	8,842	12,994
6.01.01.03	Cost of permanent assets disposed of	6,347	1,659
6.01.01.04	Deferred income and social contribution taxes	4,829	-1,274
6.01.01.05	Equity pickup	-55,584	-59,370
6.01.01.06	Provision for derivative financial instruments	0	5,239
6.01.01.07	Equity pickup from discontinued operations	134,991	18,854
6.01.01.08	Provision for interest on loans	20,508	20,257
6.01.01.09	Allowance for doubtful accounts	43	141
6.01.01.10	Change in investment in subsidiaries	269	43
6.01.01.11	Swap related to financial operations	-24.129	0
6.01.02	Changes in assets and liabilities	15,817	-18,036
6.01.02.01	(Increase) decrease in trade accounts receivable	43,110	-27,975
6.01.02.02	(Increase) in inventories	-12,707	-7,185
6.01.02.03	(Increase) decrease in other accounts receivable	-26,882	-464
6.01.02.04	Increase in suppliers	20,537	701
6.01.02.05	Increase in accounts payable and provisions	-8,241	16,887
6.01.03	Other	2	28,202
6.01.03.01	Receipt of profits and dividends from subsidiaries	2	28,202
6.02	Net cash used in investing activities	-59,667	-50,502
6.02.01	Receivables from related companies	-40,715	-21,914
6.02.02	Other long-term receivables	-6,927	-675
6.02.03	In investments	-1,414	-3,402
6.02.04	In property, plant and equipment	-9,961	-24,243
6.02.05	In intangible assets	-650	-268
6.03	Net cash provided by (used in) financing activities	57,540	-23,630
6.03.01	Payment of interest on equity and dividends	-12,104	-12,165
6.03.02	Loans raised	210,827	261,113
6.03.03	Loans repayment	-122,784	-61,238
6.03.04	Treasury stock	0	-32,895
6.03.05	Corporate restructuring	0	-165,000
6.03.06	Payment of interest on loans	-18,399	-13,446
6.03.10	Other	0	1
6.05	Increase (decrease) in cash and cash equivalents	15,590	-42,023
6.05.01	Beginning balance of cash and cash equivalents	71,320	138,370
6.05.02	Ending balance of cash and cash equivalents	86,910	96,347

Individual financial statements / Statement of changes in equity / DMPL - 01/01/2012 à 30/09/2012

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Options granted and Treasury stock	Income reserves	Retained earnings/ accumulated losses	Other comprehensive income/losses	Equity
5.01	Opening balances	257,797	-73,891	107,765	0	33,664	325,335
5.03	Adjusted opening balances	257,797	-73,891	107,765	0	33,664	325,335
5.04	Capital transactions with shareholders	0	0	-469	-9,028	0	-9,497
5.04.06	Dividends	0	0	0	-9,028	0	-9,028
5.04.08	Non-controlling shareholders	0	0	-469	0	0	-469
5.05	Total comprehensive income	0	0	0	-88,988	2,802	-86,186
5.05.01	Net income for the period	0	0	0	-94,218	0	-94,218
5.05.02	Other comprehensive income	0	0	0	5,230	2,802	8,032
5.05.02.01	Adjustment from financial instruments	0	0	0	0	-2,645	-2,645
5.05.02.04	Cumulative translation adjustments for the period	0	0	0	0	10,677	10,677
5.05.02.06	Realization of equity valuation adjustment	0	0	0	5,230	-5,230	0
5.06	Changes in equity	0	0	-98,016	98,016	0	0
5.06.01	Constitution of reserves	0	0	-98,016	98,016	0	0
5.07	Closing balances	257,797	-73,891	9,280	0	36,466	229,652

Individual financial statements / Statement of changes in equity - 01/01/2011 to 09/30/2011

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Options granted and Treasury stock	Income reserves	Retained earnings/ accumulated losses	Other comprehensive income/ losses	Equity
5.01	Opening balances	201,000	0	234,290	0	25,236	460,526
5.03	Adjusted opening balances	201,000	0	234,290	0	25,236	460,526
5.04	Capital transactions with shareholders	56,797	-73,891	-19,766	-3,869	0	-40,729
5.04.01	Capital increases	56,797	0	-18,000	0	0	38,797
5.04.04	Acquired treasury stock	0	-32,895	0	0	0	-32,895
5.04.06	Dividends	0	0	-1,766	-3,869	0	-5,635
5.04.08	Capital transactions	0	-40,996	0	0	0	-40,996
5.05	Total comprehensive income	0	0	0	27,856	7,610	35,466
5.05.01	Net income for the period	0	0	0	23,400	0	23,400
5.05.02	Other comprehensive income	0	0	0	4,456	7,610	12,066
5.05.02.04	Cumulative translation adjustments for the period	0	0	0	0	11,340	11,340
5.05.02.06	Realization of equity valuation adjustment	0	0	0	4,456	-3,730	726
5.06	Changes in equity	0	0	-108,156	-23,987	0	-132,143
5.06.01	Constitution of reserves	0	0	24,645	-23,987	0	658
5.06.04	Corporate restructuring	0	0	-132,801	0	0	-132,801
5.07	Ending balances	257,797	-73,891	106,368	0	32,846	323,120

Individual financial statements / Statement of value added

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 09/30/2012	Prior year Accrued 01/01/2011 to 09/30/2011
7.01	Revenues	340,264	340,294
7.01.01	Sales of goods, products and services	339,571	338,780
7.01.02	Other revenues	736	1,655
7.01.04	Set up /reversal of allowance for doubtful accounts	-43	-141
7.02	Inputs acquired from third parties	-197,488	-131,722
7.02.01	Cost of goods and services sold	-115,472	-60,089
7.02.02	Materials, electricity, third party services and others	-82,016	-71,633
7.03	Gross value added	142,776	208,572
7.04	Withholdings	-8,842	-12,994
7.04.01	Depreciation, amortization and depletion	-8,842	-12,994
7.05	Net value added produced	133,934	195,578
7.06	Value added received in transfer	-12,643	75,384
7.06.01	Equity pickup	55,584	59,370
7.06.02	Financial income	66,764	34,868
7.06.03	Other	-134,991	-18,854
7.06.03.01	Equity pickup from discontinued operations	-134,991	-18,854
7.07	Total value added to be distributed	121,291	270,962
7.08	Distribution of value added	121,291	270,962
7.08.01	Personnel	75,732	89,337
7.08.01.01	Direct compensation	62,571	74,872
7.08.01.02	Benefits	6,953	9,381
7.08.01.03	Unemployment compensation fund (F.G.T.S.)	6,208	5,084
7.08.02	Taxes, charges and contributions	8,276	67,960
7.08.02.01	Federal	7,541	48,948
7.08.02.02	State	606	18,869
7.08.02.03	Municipal	129	143
7.08.03	Third-party capital remuneration	131,501	90,265
7.08.03.01	Interest	95,522	73,024
7.08.03.02	Rent	4,440	6,974
7.08.03.03	Other	31,539	10,267
7.08.04	Own-capital remuneration	-94,218	23,400
7.08.04.01	Interest on equity	9,028	3,869
7.08.04.03	Retained profit for the period	-103,246	19,531

Consolidated financial statements / Balance sheet – Assets

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2012	Prior year 12/31/2011
1	Total assets	1,147,738	1,114,327
1.01	Current assets	746,073	750,018
1.01.01	Cash and cash equivalents	187,271	162,226
1.01.01.01	Cash and banks	37,694	74,758
1.01.01.02	Short-term investments	149,577	87,468
1.01.03	Accounts receivable	171,564	148,881
1.01.03.01	Trade accounts receivable	171,564	148,881
1.01.04	Inventories	277,440	237,578
1.01.06	Taxes recoverable	44,766	17,141
1.01.06.01	Taxes recoverable- current	44,766	17,141
1.01.07	Prepaid expenses	4,068	7,154
1.01.08	Other current assets	60,964	177,038
1.01.08.02	Assets from discontinued operations	0	137,785
1.01.08.03	Other	60,964	39,253
1.01.08.03.01	Financial instruments	32,853	18,262
1.01.08.03.02	Advance on interest on equity	27,300	3,625
1.01.08.03.03	Other receivables	811	17,366
1.02	Non-current assets	401,665	364,309
1.02.01	Long-term receivables	51,598	50,587
1.02.01.03	Accounts receivable	3,896	0
1.02.01.03.01	Trade accounts receivable	195	0
1.02.01.03.02	Other accounts receivable	3,701	0
1.02.01.06	Deferred taxes	40,003	43,767
1.02.01.06.01	Deferred income and social contribution taxes	40,003	43,767
1.02.01.08	Receivables from related parties	0	219
1.02.01.08.04	Receivables from other related parties	0	219
1.02.01.09	Other noncurrent assets	7,699	6,601
1.02.01.09.03	Taxes recoverable	3,778	3,553
1.02.01.09.04	Other	3,921	3,048
1.02.02	Investments	16,232	15,505
1.02.02.01	Investments	16,232	15,505
1.02.02.01.01	Investments in affiliates	15,883	15,216
1.02.02.01.04	Other investments	349	289
1.02.03	Property, plant and equipment	269,935	256,476
1.02.03.01	Property, plant and equipment in use	239,075	232,579
1.02.03.03	Construction in progress	30,860	23,897
1.02.04	Intangible assets	63,900	41,741
1.02.04.01	Intangible assets	63,900	41,741

Consolidated financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2012	Prior year 12/31/2011
2	Total liabilities	1,147,738	1,114,327
2.01	Current liabilities	660,269	465,568
2.01.01	Social and labor obligations	28,934	28,349
2.01.01.01	Social obligations	5,290	6,552
2.01.01.02	Labor obligations	23,644	21,797
2.01.02	Suppliers	22,559	26,291
2.01.02.01	Suppliers – domestic	17,281	17,445
2.01.02.02	Suppliers – foreign	5,278	8,846
2.01.03	Tax obligations	15,472	31,159
2.01.03.01	Federal tax obligations	13,515	18,334
2.01.03.01.01	Income and social contribution taxes payable	12,421	13,187
2.01.03.01.02	Other taxes	1,094	5,147
2.01.03.02	State tax obligations	1,927	12,800
2.01.03.03	Municipal tax obligations	30	25
2.01.04	Loans and financing	416,982	174,834
2.01.04.01	Loans and financing	305,006	99,043
2.01.04.01.01	In local currency	123,509	76,398
2.01.04.01.02	In foreign currency	181,497	22,645
2.01.04.02	Debentures	111,976	75,791
2.01.05	Other payables	173,988	121,742
2.01.05.02	Other	173,988	121,742
2.01.05.02.01	Dividends and interest on equity payable	9,035	15,270
2.01.05.02.04	Derivative financial instruments	12,899	19,358
2.01.05.02.05	Foreign exchange payable	49,983	39,626
2.01.05.02.06	Advance on real estate credit	30,768	7,417
2.01.05.02.07	Other accounts payable	15,750	0
2.01.05.02.08	Advance on receivables	22,150	17,530
2.01.05.02.09	Other payables	33,403	22,541
2.01.06	Provisions	2,334	1,465
2.01.06.01	Social security, labor and civil provisions	2,334	1,465
2.01.06.01.02	Social security and labor provisions	2,334	1,465
2.01.07	Liabilities for discontinued noncurrent assets for sale	0	81,728
2.01.07.02	Liabilities for assets from discontinued operations	0	81,728
2.02	Noncurrent liabilities	257,817	323,524
2.02.01	Loans and financing	240,807	282,192
2.02.01.01	Loans and financing	240,807	232,653
2.02.01.01.01	In local currency	133,500	70,782
2.02.01.01.02	In foreign currency	107,307	161,871
2.02.01.02	Debentures	0	49,539
2.02.02	Other payables	6,952	35,220
2.02.02.01	Payables to related parties	0	219
2.02.02.01.04	Payables to other related parties	0	219
2.02.02.02	Other	6,952	35,001
2.02.02.02.03	Advance on real estate credit	0	28,710
2.02.02.02.04	Provision for tax contingencies	2,796	2,796

Consolidated financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2012	Prior year 12/31/2011
2.02.02.02.05	Other liabilities	4,156	3,495
2.02.03	Deferred taxes	9,208	6,112
2.02.03.01	Deferred income and social contribution taxes	9,208	6,112
2.02.04	Provisions	850	0
2.02.04.02	Other provisions	850	0
2.02.04.02.01	Provision for warranty	850	0
2.03	Consolidated equity	229,652	325,235
2.03.01	Paid-in capital	257,797	257,797
2.03.02	Capital reserves	-73,891	-73,891
2.03.02.05	Treasury stock	-32,895	-32,895
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.04	Income reserves	9,280	107,765
2.03.04.01	Legal reserve	9,280	25,718
2.03.04.06	Special reserve for undistributed dividends	0	469
2.03.04.10	Reserve for investments	0	81,578
2.03.06	Equity valuation adjustments	36,929	44,807
2.03.07	Cumulative translation adjustments	-463	-11,143
2.03.09	Non-controlling shareholders	0	-100

Consolidated financial statements / Income statement

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2012 to 09/30/2012	YTD 01/01/2012 to 09/30/2012	Same prior quarter 07/01/2011 to 09/30/2011	Prior year Accrued 01/01/2011 to 09/30/2011
3.01	Revenue from sale of goods and/or services	151,053	504,810	139,988	443,690
3.02	Cost of goods and/or services sold	-81,296	-295,036	-73,741	-256,129
3.03	Gross profit	69,757	209,774	66,247	187,561
3.04	Operating expenses	-39,119	-111,259	-39,105	-115,121
3.04.01	Selling expenses	-20,767	-63,794	-17,714	-60,801
3.04.02	General and administrative expenses	-16,812	-44,694	-20,824	-52,509
3.04.04	Other operating income	1,407	3,825	2,141	4,811
3.04.05	Other operating expenses	-3,145	-7,507	-3,285	-8,113
3.04.06	Equity pickup	198	911	577	1,491
3.05	Income before financial expenses and taxes	30,638	98,515	27,142	72,440
3.06	Financial expenses, net	-10,833	-30,726	-27,923	-39,051
3.06.01	Financial income	7,161	74,226	26,235	37,290
3.06.02	Financial expenses	-17,994	-104,952	-54,158	-76,341
3.07	Income before income taxes	19,805	67,789	-781	33,389
3.08	Income and social contribution taxes	-8,447	-27,016	38,264	22,991
3.08.01	Current	-5,948	-18,677	-2,059	-11,602
3.08.02	Deferred	-2,499	-8,339	40,323	34,593
3.09	Net income from continuing operations	11,358	40,773	37,483	56,380
3.10	Loss from discontinued operations	-2,775	-134,991	-21,010	-32,961
3.10.01	Net loss from discontinued operations	-2,775	-134,991	-21,010	-32,961
3.11	Consolidated net income for the period	8,583	-94,218	16,473	23,419
3.11.01	Attributed to controlling shareholders	8,583	-94,218	16,474	23,400
3.11.02	Attributed to noncontrolling shareholders	0	0	-1	19
3.99	Earnings per share - (Reais / share)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	0.06069	-0.66626	0,11650	0,16880
3.99.01.02	PN	0.06069	-0.66626	0,11650	0,16880
3.99.02	Diluted earnings per share				

Consolidated financial statements / Income statement

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2012 to 09/30/2012	YTD 01/01/2012 to 09/30/2012	Same prior year quarter 07/01/2011 to 09/30/2011	Prior year Accrued 01/01/2011 to 09/30/2011
3.99.02.01	ON	0.06069	-0.66626	0.11650	0.16880
3.99.02.02	PN	0.06069	-0.66626	0.11650	0.16880

Consolidated financial statements / Statement of comprehensive income

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2012 to 09/30/2012	YTD 01/01/2012 to 09/30/2012	Same prior year quarter 07/01/2011 to 09/30/2011	Prior year Accrued 01/01/2011 to 09/30/2011
4.01	Consolidated net income for the period	8,583	-94,218	16,474	23,400
4.02	Other comprehensive income	1,237	8,032	17,497	11,340
4.02.01	Cumulative translation adjustment for the period	624	10,677	17,497	11,340
4.02.03	Adjustment of financial instruments	613	-2,645	0	0
4.03	Consolidated comprehensive income for the period	9,820	-86,186	33,971	34,740
4.03.01	Attributed to controlling shareholders	9,820	-86,186	33,840	34,728
4.03.02	Attributed to non-controlling shareholders	0	0	131	12

Consolidated financial statements / Cash flow statement - Indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 09/30/2012	Prior year Accrued 01/01/2011 to 09/30/2011
6.01	Net cash provided by operating activities	12,395	39,570
6.01.01	Cash from operations	83,651	39,100
6.01.01.01	Net income for the year	-94,218	23,400
6.01.01.02	Depreciation and amortization	23,242	20,145
6.01.01.03	Cost of permanent assets diposed of	9,262	2,138
6.01.01.04	Deferred income and social contribution taxes	8,047	-34,912
6.01.01.05	Equity pickup	-911	-1,491
6.01.01.06	Provision for derivative financial instruments	-24,129	4,758
6.01.01.07	Allowance for doubtful accounts	8,594	154
6.01.01.09	Noncontrolling shareholders	100	-153
6.01.01.10	Provision for interest on loans	29,216	25,061
6.01.01.13	Provision for interest on real estate credit	3,522	0
6.01.01.15	Disposal of fixed asset held for sale	57,830	0
6.01.01.16	Provision for loss	58,681	0
6.01.01.17	Additional provision for loss	4,385	0
6.01.02	Changes in assets and liabilities	-71,847	-11,517
6.01.02.01	(Increase in trade accounts receivable	-8,932	-18,803
6.01.02.02	(Increase) in inventories	-29,712	-21,749
6.01.02.03	Decrease in other accounts receivable	-18,162	9,253
6.01.02.04	(Decrease) increase in suppliers	-5,119	-14,776
6.01.02.05	Increase in accounts payable and provisions	-9,922	34,558
6.01.03	Other	591	11,987
6.01.03.01	Profits and dividends received from subsidiaries	591	553
6.01.03.03	Assets and liabilities held for sale - Note 8	0	11,434
6.02	Net cash provided by (used in) investing activities	-68,422	-39,511
6.02.01	receivables from related parties	219	0
6.02.02	Other long-term receivables	-5,610	-760
6.02.03	In investments	-60	-2
6.02.04	In property, plant and equipment	-39,765	-38,117
6.02.05	In intangible assets	-23,206	-632
6.03	Net cash provided by (used in) financing activities	81,072	-14,846
6.03.01	Payment of interest on equity and dividends	-12,104	-12,182
6.03.02	Loans	304,588	275,762
6.03.03	Loan repayment	-176,254	-63,472
6.03.04	Treasury stock	0	-32,895
6.03.05	Corporate restructuring	0	-168,812
6.03.06	Changes in cash from assets and liabilities held for sale - Note 8	0	2,418
6.03.08	Real estate credit	-5,255	0
6.03.10	Payment of interest on loans	-29,684	-13,476
6.03.11	Other	-219	-2,189
6.05	Increase (decrease) in cash and cash equivalents	25,045	-14,787
6.05.01	Opening cash and cash equivalent balance	162,226	184,216
6.05.02	Closing cash and cash equivalent balance	187,271	169,429

Consolidated financial statements / Statement of changes in equity - 01/01/2012 to 09/30/2012

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Granted options and Treasury stock	Income reserves	Retained earnings/ Accumulated losses	Other comprehensive income/losses	Equity	Noncontrolling interest	Consolidated equity
5.01	Opening balances	257,797	-73,891	107,765	0	33,664	325,335	-100	325,235
5.03	Adjusted opening balances	257,797	-73,891	107,765	0	33,664	325,335	-100	325,235
5.04	Capital transactions with shareholders	0	0	-469	-9,028	0	-9,497	100	-9,397
5.04.06	Dividends	0	0	0	-9,028	0	-9,028	0	-9,028
5.04.08	Non-controlling shareholders	0	0	-469	0	0	-469	100	-369
5.05	Total comprehensive income	0	0	0	-88,988	2,802	-86,186	0	-86,186
5.05.01	Net income for the period	0	0	0	-94,218	0	-94,218	0	-94,218
5.05.02	Other comprehensive income	0	0	0	5,230	2,802	8,032	0	8,032
5.05.02.01	Adjustment of financial instruments	0	0	0	0	-2,645	-2,645	0	-2,645
5.05.02.04	Cumulative translation adjustments for the period	0	0	0	0	10,677	10,677	0	10,677
5.05.02.06	Realization of equity valuation adjustment	0	0	0	5,230	-5,230	0	0	0
5.06	Changes in equity	0	0	-98,016	98,016	0	0	0	0
5.06.01	Constitution of reserves	0	0	-98,016	98.,016	0	0	0	0
5.07	Closing balances	257,797	-73,891	9,280	0	36,466	229,652	0	229,652

Consolidated financial statements / Statement of changes in equity - 01/01/2011 to 09/30/2011

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Granted options and Treasury stock	Income reserves	Retained earnings/ accumulated losses	Other comprehensive income/losses	Equity	Non-controlling shareholders	Consolidated equity
5.01	Opening balances	201,000	0	234,290	0	25,236	460,526	53	460,579
5.03	Adjusted opening balances	201,000	0	234,290	0	25,236	460,526	53	460,579
5.04	Capital transactions with shareholders	56,797	-73,891	-19,766	-3,869	0	-40,729	-153	-40,882
5.04.01	Capital increase	56,797	0	-18,000	0	0	38,797	0	38,797
5.04.04	Acquired treasury stock	0	-32,895	0	0	0	-32,895	0	-32,895
5.04.06	Dividends	0	0	-1,766	-3,869	0	-5,635	0	-5,635
5.04.08	Non-controlling shareholders	0	0	0	0	0	0	-153	-153
5.04.09	Capital transactions	0	-40,996	0	0	0	-40,996	0	-40,996
5.05	Total comprehensive income	0	0	0	27,856	7,610	35,466	0	35,466
5.05.01	Net income for the period	0	0	0	23,400	0	23,400	0	23,400
5.05.02	Other comprehensive income	0	0	0	4,456	7,610	12,066	0	12,066
5.05.02.04	Cumulative translation adjustments for the period	0	0	0	0	11,340	11,340	0	11,340
5.05.02.06	Equity valuation adjustment realization	0	0	0	4,456	-3,730	726	0	726
5.06	Changes in equity	0	0	-108,156	-23,987	0	-132,143	0	-132,143
5.06.01	Constitution of reserves	0	0	24,645	-23,987	0	658	0	658
5.06.04	Corporate restructuring	0	0	-132,801	0	0	-132,801	0	-132,801
5.07	Closing balances	257,797	-73,891	106,368	0	32,846	323,120	-100	323,020

Consolidated financial statements / Statement of value added

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 09/30/2012	Prior year Accrued 01/01/2011 to 09/30/2011
7.01	Revenues	621,305	549,603
7.01.01	Sales of goods, products and services	626,073	544,946
7.01.02	Other revenues	3,826	4,811
7.01.04	Constitution/reversal of allowance for doubtful accounts	-8,594	-154
7.02	Inputs purchased from third parties	-229,918	-203,353
7.02.01	Cost of products, goods and services sold	-123,500	-109,811
7.02.02	Materials, electricity, third party services and others	-106,418	-93,542
7.03	Gross value added	391,387	346,250
7.04	Withholdings	-23,242	-20,145
7.04.01	Depreciation, amortization and depletion	-23,242	-20,145
7.05	Net value added produced	368,145	326,105
7.06	Value added received in transfer	-59,854	30,492
7.06.01	Equity pickup	911	1,491
7.06.02	Financial income	74,226	37,290
7.06.03	Other	-134,991	-8,289
7.06.03.01	Loss from discontinued operations	-134,991	-8,289
7.07	Total value added to be distributed	308,291	356,597
7.08	Distribution of value added	308,291	356,597
7.08.01	Personnel	148,826	132,057
7.08.01.01	Direct compensation	123,993	111,444
7.08.01.02	Benefits	13,949	14,280
7.08.01.03	Unemployment compensation fund (F.G.T.S.)	10,884	6,333
7.08.02	Taxes, charges and contributions	107,008	104,506
7.08.02.01	Federal	90,966	81,645
7.08.02.02	State	15,835	22,691
7.08.02.03	Municipal	207	170
7.08.03	Third-party capital remuneration	146,675	96,634
7.08.03.01	Interest	104,952	76,341
7.08.03.02	Rent	7,975	9,024
7.08.03.03	Other	33,748	11,269
7.08.04	Own-capital remuneration	-94,218	23,400
7.08.04.01	Interest on equity	9,028	3,869
7.08.04.03	Retained profit for the period	-103,246	19,531

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, industrial processing of metal parts made to order, industrial boilers and investing in other companies.
The subsidiary companies produce and sell civilian pistols, glasses, bullet proof jackets, motorbike helmets, injected plastic products, tools for civil construction, mechanical, gardening and similar products, the purchase, sale and rental of own and third party real estate.

At September 30, 2012, the Company and its subsidiaries operated with seven industrial plants, four of which are located in the state of Rio Grande do Sul, one in the state of Paraná, one in the state of Bahia and one located in the United States of America.

Sales made by the Company and its subsidiaries are directed mainly to private customers on the foreign market, particularly those located in North America, and also public bodies on the domestic market, mainly the state, civil and military police. Sales made by the Company and its subsidiaries are not subject to restrictions and there is no significant concentration that implies dependence on government bodies or any other single client. Given the specific characteristics of the weapons and ammunitions market, the Company and its subsidiaries are supervised and follow the 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. The Company's entities

		Investment interest	
	Country	**09-30-2012**	**12-31-2011**
Taurus Blindagens Ltda.*	Brazil	**100.00%**	100.00%
Taurus Blindagens Nordeste Ltda.*	Brazil	**100.00%**	99.86%
Taurus Holdings, Inc.	United States	**100.00%**	100.00%
Taurus Security Ltda.	Brazil	**100.00%**	60.00%
Taurus Máquinas-Ferramenta Ltda. (a)	Brazil	**100.00%**	99.98%
Taurus Investimentos Imobiliários Ltda.*	Brazil	**100.00%**	99.96%
Famastil Taurus Ferramentas S.A.**	Brazil	**35.00%**	35.00%
Taurus Helmets Indústria Plástica Ltda.	Brazil	**100.00%**	99.86%
Polimetal Metalurgia e Plásticos Ltda.	Brazil	**100.00%**	100.00%
Steelinject – Injeção de Aços Ltda.*(b)	Brazil	**100.00%**	-

(*) The investments reported represent the percentage interest held by the investing Company directly or indirectly in the capital of the subsidiary companies.
(**) Not consolidated.

2. The Company's entities (Continued)

a) Disposal of operations of subsidiary Taurus Máquinas-Ferramenta Ltda.

The Board of Directors' meeting held on June 21, 2012 approved disposal of operations of subsidiary Taurus Máquinas-Ferramenta Ltda. to Renill Participações Ltda. The operation was made through disposal of SM Metalurgia Ltda., a subsidiary of Taurus Máquinas-Ferramenta Ltda.

b) Acquisition of Steelinject - Injeção de Aços Ltda.

The Company's Board of Directors approved on January 1, 2012 the acquisition of Steelinject - Injeção de Aços Ltda. for R$ 14,000, payable in five monthly installments of R$ 2,800, in order to supplement its portfolio of products obtained through the M.I.M. (*Metal Injection Molding*) process. Under the purchase and sale contract executed by the parties, the controlling interest in the company was transferred to Polimetal Metalurgia e Plásticos Ltda. on January 1, 2012, the effective acquisition date, with transfer of the company's units of interest.

The transaction amount totaled R$ 14,000, with recording of preliminary goodwill of R$ 4,338. On September 30, 2012, determination of fair value of acquired assets and assumed liabilities by expert appraisers had not yet been concluded, including final goodwill determination and allocation, however, the preliminary reports indicate that goodwill will be substantially allocated to property, plant and equipment and intangible assets. The Company has up to one year (measurement period) to adjust the provisional amounts preliminarily recognized, on the acquisition date, on a retrospective basis as information necessary to measure fair value of assets and liabilities is obtained, according to CPC 15 and IFRS 3.

We set out below a summary of computation of preliminary goodwill, considering the balance sheet of Steelinject before fair value adjustment, at December 31, 2011.

Property, plant and equipment	5,899
Other assets	4,976
Liabilities	(1,213)
Total identifiable assets, net	9,662
(-) Consideration amount	(14,000)
Paid goodwill (Note 17)	(4,338)

2. The Company's entities (Continued)

c) Acquisition of Heritage Manufacturing Inc.

On May 2, 2012, subsidiary Taurus Holding, Inc. acquired for US$ 10 million the controlling interest in Heritage Manufacturing Inc., located in Opa Locka, Florida-USA. The company manufactures Single Action guns.

Initial goodwill of R$15,882 was recorded in connection with the acquisition. On September 30, 2012, the valuation by experts engaged to determine fair value of acquired assets and assumed liabilities, including determination and allocation of final goodwill, had not yet been concluded. The Company has up to one year (measurement period) to adjust the provisional amounts preliminarily recorded on the acquisition date, retrospectively as necessary information for measuring fair value of assets and liabilities is obtained, according to CPC 15 and IFRS 3. In management's view, the amount will be substantially allocated to intangible assets.

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 individual financial statements, since the investments held in subsidiaries and associated companies are valued using the equity method in BR GAAP, whilst for purposes of IFRS they are valued at cost or fair value.

b) Basis for measurement

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

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

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

Information on key judgments referring to the accounting policies adopted that affect the amounts recognized in the individual and consolidated financial statements and information on uncertainties, assumptions and estimates has been included in the following notes: 13 – Deferred tax assets and liabilities, 20 – Contingencies and 21 – Financial instruments.

e) Restatement of financial statements

On June 21, 2012 Forjas Taurus S/A completed the sale of the operations of Taurus Máquinas-Ferramenta Ltda. (“TMFL”) to Renill Participações Ltda. (“RPL”) in the amount of R$115,350 as per the Share Purchase and Sale Agreement and Other Covenants (“Agreement”) signed between the parties.

As mentioned in Note 8, the parties renegotiated the selling price and payment terms, adjusting the total amount of the Agreement for sale of TMFL operations to R$57,520.

The accounting effect of the renegotiation resulted in a reduction in the selling value from R$115,350 to R$57,520, corresponding to a loss of R$57,830.

The Company revisited all agreements and correspondence related to the sale and concluded, in line with the position expressed by the external auditors, that the events that led to the reduction of the original selling value were already present on June 20, 2012 and, as such, the loss should have been recognized on such date.

Given this, the Company decided, voluntarily, to retroactively adjust all effects in the financial statements, as set out in CPC 23 – Accounting Policies, Changes in Accounting Estimates and Correction of Errors (equivalent to IAS 8), as follows:

						Consolidated
						At September 30, 2012
	Assets		Liabilities and equity			
	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Income (loss) for
Balance originally disclosed	**759,805**	**516,319**	**435,396**	**485,671**	**355,057**	**31,187**
Write-off of accounts receivable (a)	-	(57,830)	-	-	(57,830)	(57,830)
Supplementary provision for losses (b)	(2,601)	(56,824)	-	-	(59,425)	(59,425)
Provision for inventory losses (c)	(4,385)	-	-	-	(4,385)	(4,385)
Allowance for doubtful accounts (c)	(6,746)	-	-	-	(6,746)	(6,746)
Transfer to current liabilities (d)	-	-	227,854	(227,854)	-	-
Statutory profit sharing (e)	-	-	(2,981)	-	2,981	2,981
Restated balance	**746,073**	**401,665**	**660,269**	**257,817**	**229,652**	**(94,218)**

3. **Basis of preparation** (Continued)

e) Restatement of financial statements (Continued)

						Company
						At September 30, 2012
	Assets		Liabilities and equity			Income
		Noncurrent		Noncurrent		(loss) for
	Current assets	assets	rrent liabilities	liabilities	Equity	the period
Balance originally disclosed	**357,225**	**632,866**	**336,401**	**298,633**	**355,057**	**31,187**
Decrease of investments in subsidiaries	-	(104,340)	-	-	(104,340)	(104,340)
Capital deficiency at subsidiary	-	-	-	24,046	(24,046)	(24,046)
Transfer to current liabilities (d)	-	-	205,771	(205,771)	-	-
Statutory profit sharing (e)	-	-	(2,981)	-	2,981	2,981
Restated balance	**357,225**	**528,526**	**539,191**	**116,908**	**229,652**	**(94,218)**

(a) Write-off of accounts receivable generated by the sale of the machinery operations, as a result of renegotiation, resulting in a reduction of the selling value, as mentioned in Note 8..

(b) In addition to write-off of accounts receivable generated by the sale of the machinery operations, as mentioned in item (a) above, management recorded a supplementary provision for losses regarding the balance receivable from Renill Participações, due to impairment of the credit conditions, difficulties in fully implementing the guarantees and lack of updated information on the debtor's financial conditions. In accordance with CPC 24, which addresses subsequent events occurring between the financial statements date and the date of approval for restatements, such allowance was also recognized as of June 30, 2012.

(c) Because of the adjustments for restatement purposes, management undertook a new approval process for its financial statements. As part of this process and in accordance with CPC 24, the impacts of subsequent events occurring between the financial statements date and approval for their restatement were also considered. These events evidence conditions existing at the time the statements were adjusted for restatement purposes.

(d) Considering the record of losses, as indicated above, certain financial ratios (covenants) of loan and debenture agreements were not met, and the long-term portion was reclassified to current liabilities.

(e) Reversal of statutory provision due to the change of profit to loss for the period.

3. **Basis of preparation** (Continued)

e) Restatement of financial statements (Continued)

The above provisions and losses were substantially determined by the subsidiary Taurus Máquinas-Ferramenta Ltda., which has no capacity to recover tax credits from income and social contribution tax taxes on that date. As such, deferred income and social contribution tax losses were not recorded for these provisions and losses.

The statements of comprehensive income, statements of changes in equity, cash flow statements and statements of value added were adjusted to reflect the effects indicated.

Authorization to complete the preparation and restatement of interim financial statements occurred at the board meeting of March 24, 2014.

4. Significant accounting practices

The policies and calculation methods adopted in this quarterly information are the same adopted in preparing the annual financial statements for the year ended December 31, 2011, described in Note 4 to the referred to financial statements, except for the following changes:

<u>Derivative financial instruments and hedge accounting:</u>

The Company uses derivative financial instruments, such as exchange forward contracts and interest rate swaps, among others in order to provide hedge against the risk of variation in exchange rates and interest rates, respectively.

Derivative financial instruments in hedge operations are initially recognized at fair value on the date the derivative contract is executed, being subsequently revaluated also at fair value. Derivatives are presented as financial assets when fair value of the instrument is positive, and as financial liabilities when fair value is negative.

Any gains or losses resulting from changes in fair value of derivatives in the year are posted directly to P&L, excepting the effective portion of cash flow hedges that, as from April 1, 2012, started to be recognized on a prospective basis directly in equity, in other comprehensive income account. For hedge accounting purposes, there are the following classifications: fair value hedge, cash flow hedge and foreign investment hedge.

For the period ended September 30, 2012 the Company only has operations classified as cash flow hedge. Cash flow hedge are derivative financial instruments destined to offset variation in estimated future cash flow of the entity. Hedged items and related derivative financial instruments are recorded as follows: (i) the effective portion of gain or loss with the hedge instrument is recognized directly in equity in other comprehensive income account; and (ii) the ineffective portion of gain or loss with the hedge instrument is recognized directly in P&L for the period.

Upon initial recognition of a hedge relationship, the Company formally classifies and documents the hedge relationship to which it intends to apply hedge accounting, as well as the objective and the risk management strategy of management for hedging purposes. Documentation includes identification of the hedge instrument, the hedged item or transaction, hedged risk nature, the nature of risks excluded from the hedge relationship, the prospective statement of hedge relationship effectiveness and the manner in which the Company will assess hedge instrument effectiveness in order to offset exposure to changes in fair value of the hedged item or cash flows related to the hedged risk.

4. Significant accounting practices (Continued)

Derivative financial instruments and hedge accounting: (Continued)

In relation to cash flow hedge, the demonstration of the highly probable nature of the forecast hedged transaction, as well as the estimated periods for transfer of gains or losses resulting from hedge instruments from equity to P&L, are also included in the hedge relationship documentation. It is expected that these hedges will be highly effective to offset changes in fair value or cash flows, which are periodically evaluated to determine whether they were actually highly effective along all the reporting periods to which they were destined.

5. Measurement of fair values

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

(i) *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. Measurement of fair values (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 are included throughout these financial statements.

(i) Risk management structure

The risk management policies are established to identify and analyze the risks faced by the Company, to define appropriate risk limits and controls and to monitor risks and adherence to limits. The risk management systems and policies are revised frequently to reflect any changes in market conditions and the Company's activities. The Company, based on its 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.

6. Financial risk management (Continued)

(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.

(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.

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

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

(iii) Trade accounts receivable and other receivables (Continued)

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

(iv) Liquidity risk

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

Typically, the Company ensures that it has sufficient cash to meet its expected 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 the following credit lines:

Subsidiary Taurus Holdings, Inc. has a credit line of USD 75 million and, at September 30, 2012, it had used USD 30,4 million.

In addition, the Company has approved credit lines, but not yet contracted, from the largest banks that operate in Brazil, for approximately R$ 750 million, at market rates and terms.

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

(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) Foreign currency risk

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

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

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

	09-30-2012 (restated)	**12-31-2011**
Total liabilities	**918,086**	789,092
Less: cash and cash equivalents	**(187,271)**	(162,226)
Net debt (A)	**730,815**	626,866
Total equity (B)	**229,652**	325,335
Net debt to equity ratio at September 30, 2012 and December 31, 2011 (A/B)	**3,18**	1.93

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:

7. **Operating segments** (Continued)

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 assemble; 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. These operations were disposed of in June 2012.

Others – the result of the forging segment (Polimetal Metalurgia e Plásticos Ltda.); bullet proof jackets and plastic products (Taurus Blindagens Ltda.). These also include other operations such as the manufacture and sale of glasses, anti-riot shields and providing services. None of these operating segments reached any of the quantitative limits for determining reportable segments at September 30, 2012 or December 31, 2011.

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 (discontinued)		Other		Total	
	09-30-2012 (restated)	09-30-2011	09-30-2012	09-30-2011	09-30-2012 (restated)	09-30-2011	09-30-2012	09-30-2011	09-30-2012 (restated)	09-30-2011
External income	365,483	320,405	94,899	86,786	9,407	22,808	44,428	36,499	514,217	466,498
Inter-segment income	-	-	3,021	141	-	174	85,345	8,885	88,366	9,200
Costs of sales	(217,793)	(176,523)	(54,833)	(48,842)	(7,687)	(24,521)	(22,410)	(30,764)	(302,723)	(280,650)
Gross profit (loss)	147,690	143,882	43,087	38,085	(1,720)	(1,539)	107,363	14,620	299,860	195,048
Selling expenses	(44,726)	(46,820)	(13,573)	(11,169)	(8,985)	(8,797)	(2,915)	(2,254)	(70,199)	(69,040)
General and administrative expenses	(40,415)	(43,808)	(1,965)	(1,676)	(2,385)	(2,935)	(1,592)	(5,585)	(46,357)	(54,004)
Depreciation and amortization	(3,543)	(1,751)	(165)	(176)	-	(123)	(1,112)	(71)	(4,820)	(2,121)
Other operating income (expenses), net	(2,386)	(2,541)	1,147	384	122,253	(14,071)	(925)	(1,145)	(124,417)	(17,373)
Equity pickup	-	-	-	-	-	-	911	1,491	911	1,491
	(91,070)	(94,920)	(14,556)	(12,637)	(133,623)	(25,926)	(5,633)	(7,564)	(244,882)	(141,047)
Operating profit (loss)	56,620	48,962	28,531	25,448	(131,903)	(27,465)	101,730	7,056	54,978	54,001
Financial income	66,768	31,679	4,694	4,939	1,763	813	2,764	672	75,989	38,103
Financial expenses	(97,626)	(74,459)	(2,050)	(1,528)	(5,638)	(6,364)	(5,276)	(354)	(110,590)	(82,705)
Financial income (expenses), net	(30,858)	(42,780)	2,644	3,411	(3,875)	(5,551)	(2,512)	318	(34,601)	(44,602)
Profit (loss) per reportable segment before income and social contribution taxes	25,762	6,182	31,175	28,859	(135,778)	(33,016)	99,218	7,374	20,377	9,399
Elimination of inter-segment income	-	-	(3,021)	(141)	-	(174)	(85,345)	(8,885)	(88,366)	(9,200)
Profit (loss) before income and social contribution taxes	25,762	6,182	28,154	28,718	(135,778)	(33,190)	13,873	(1,511)	(67,989)	199
Income and social contribution taxes	(13,066)	(5,715)	(7,465)	(7,139)	787	229	(6,486)	35,826	(26,229)	23,201
Net profits/losses	12,696	467	20,689	21,579	(134,991)	(32,961)	7,388	34,315	(94,218)	23,400
Assets of reportable segments	730,135	671,174	189,828	145,659	43,687	135,457	184,088	155,698	1,147,738	1,107,958
Liabilities of reportable segments	715,844	634,133	67,794	37,215	78,441	85,155	56,007	28,435	918,086	784,938

7. **Operating segments** (Continued)

Reconciliation of income and profit from reportable segments

	09-30-2012 (restated)	09-30-2011
Income		
Total income from reportable segments	**514,217**	466,498
Elimination of discontinued operations	**(9,407)**	(22,808)
Consolidated income	**504,810**	443,690
Profit (loss) before income and social contribution taxes		
Total profit (loss) from reportable segments	**(67,989)**	199
Elimination of discontinued operations	**135,778**	33,190
Consolidated profit before income and social contribution taxes	**67,789**	33,389

Geographic segments

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

	Weapons	
	09-30-2012	09-30-2011
Domestic market		
Southeast	**24,648**	34,495
South	**14,446**	16,359
Northeast	**13,753**	7,171
North	**5,815**	7,032
Mid-West	**6,510**	14,062
	65,172	79,119
Foreign market		
United States	**270,563**	216,978
Argentina	**718**	4,020
Chile	**10,057**	830
Philippines	**3,111**	3,369
Pakistan	**2,338**	1,702
Peru	**1,265**	2,125
Thailand	**666**	1,623
Other countries	**11,593**	10,639
	300,311	241,286
	365,483	320,405

7. **Operating segments** (Continued)

Geographic segments (Continued)

	Helmets	
	09-30-2012	**09-30-2011**
Domestic market		
Southeast	**25,326**	26,510
South	**6,719**	5,235
Northeast	**33,118**	26,664
North	**16,559**	14,212
Mid-West	**12,663**	13,360
	94,385	85,981
Foreign market		
Bolivia	**-**	47
Paraguay	**458**	654
Peru	**-**	20
Uruguay	**56**	84
	514	805
	94,899	86,786

	Machinery (discontinued)	
	09-30-2012	**09-30-2011**
Domestic market		
Southeast	**8,177**	14,985
South	**1,219**	5,782
North	**-**	2
	9,396	20,769
Foreign market		
United States	**11**	2,039
	11	2,039
	9,407	22,808

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

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

8. Assets and liabilities held for sale and discontinued operations

The operations of subsidiary Taurus Máquinas-Ferramenta Ltda. were classified and recorded at December 31, 2011 as a group of assets held for sale, as under:

	12-31-2011
Assets related to discontinued operations	
Cash and cash equivalents	136
Trade accounts receivable and other receivables	21,775
Inventories	48,715
Taxes recoverable	2,698
Property, plant and equipment and intangible assets	21,816
Accounts receivable from related parties	34,136
Other assets	8,509
	137,785

	12-31-2011
Liabilities related to discontinued operations	
Trade accounts payable	2,025
Provisions	2,798
Advances from customers	5,228
Loans and financing	68,481
Other liabilities	3,196
	81,728

	09-30-2012 (restated)	09-30-2011
Loss for the period from discontinued operations		
Revenues	**19,733**	30,420
Expenses	**(154,724)**	(63,381)
Loss for the period from discontinued operations	**(134,991)**	(32,961)

Sale of TMFL – Taurus Máquinas-Ferramenta Ltda.

On June 21, 2012, Forjas Taurus S.A. concluded the sale of the operational activities of Taurus Máquinas-Ferramenta Ltda. (“TMFL”) to Renill Participações Ltda. (“RPL”), as per the Agreement for Purchase and Sale of Units of Interest and Other Covenants (“Agreement”) executed by and between the parties.

The selling company was Taurus Máquinas-Ferramenta Ltda. (“TMFL”), with the consent of Wotan Máquinas Ltda. and Taurus Investimentos Imobiliários Ltda. (“TIIL”), through set up of a company denominated SM Metalurgia Ltda. (“SML”), whose subscribed capital of R$115,350 represents the final selling amount, paid with properties, machinery and inventories.

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

<u>Sale of TMFL – Taurus Máquinas-Ferramenta Ltda.</u> (Continued)

With payment of the debt, of the capitalization and payment in kind by Wotan Máquinas Ltda. and Taurus Investimentos Imobiliários Ltda., Taurus Máquinas-Ferramenta Ltda. now holds the totality of the units of interest of SM Metalurgia Ltda., and Renill Participações Ltda. has the commitment to sell and the commitment to purchase the totality of the units of interest for R$115,350.

Renegotiation

On August 12, 2013, Renill Participações Ltda.("RPL") requested renegotiation of the conditions of the Agreement for Purchase and Sale of Units of Interest and Other Covenants, referring to the sale of the subsidiary SM Metalurgia Ltda. ("SML").

On September 12, 2013, the Company disclosed a material news release stating that it concluded the review of the Agreement conditions for sale of the subsidiary SML, executing an amendment thereto after analyzing the original terms.

The Parties renegotiated the selling price and payment conditions, adjusting the total Agreement amount to R$57,520, payable as follows:

(a) 1st installment of R$1,960, restated based on the TJLP plus interest of 1.8% p.a., payable by RPL, through SML, with supply of parts in the provision of guarantee services related to machinery manufactured by TMFL, as well as supply of parts and components for all Taurus Group companies;

(b) 2 installments of R$2,055 each, restated based on the TJLP plus interest of 1.8% p.a., the first of which maturing on 06/30/2014 and the second on 12/30/2014; and

(c) the remaining balance, payable in 14 half-yearly installments of R$3,675 each, maturing as from 06/30/2015, restated based on the TJLP plus interest of 1.8% p.a.

The monetary restatement based on the TJLP plus interest of 1.8% p.a. is applicable as from the date of the Agreement for Purchase and Sale of Units of Interest and Other Covenants, executed in June 2012.

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

Sale of TMFL – Taurus Máquinas-Ferramenta Ltda. (Continued)

Accounting effects of the renegotiation of SML's Agreement for Purchase and Sale of Units of Interest and Other Covenants

(i) The accounting effect of the renegotiation was in a reduction in the selling price from R$115,350 to R$57,520, corresponding to a loss of R$57,830. Although the renegotiation was formalized in 2013, the Company revisited all agreements and correspondence relating to the sale and concluded that the event that led to the reduction of the original selling price was already present in June, date of origin of the operation, and, as such, a loss was recognized on such date, giving rise to this financial statements restatement.

(ii) The Company recorded a supplementary provision for losses as of September 30, 2012 of R$59,425, considering that: i) In its understanding, the credit conditions have been impaired; ii) the operation guarantees have not been fully formalized; iii) the buyer is a limited liability company and there is no updated information to assess its current financial conditions. The Company decided to record such provision in June 2012, as commented in Note 3.e.

At September 30, 2012, the balance receivable for the sale of TMFL's operations is shown below:

	09-30-2012 (restated)
Selling price	**115,350**
Contractual monetary restatement	**1,905**
Balance originally presented	**117,255**
Price adjustment	**(57,830)**
Supplementary provision for losses	**(59,425)**
Total	**-**

9. Cash and cash equivalents

	Consolidated		**Company**	
	09-30-2012	**12-31-2011**	**09-30-2012**	**12-31-2011**
Cash	**154**	76	**62**	37
Demand deposits	**37,540**	74,682	**9,404**	12,360
Short-term investments	**149,577**	87,468	**77,444**	58,923
Cash and cash equivalents	**187,271**	162,226	**86,910**	71,320

Short-term investments are remunerated at rates that vary between 98% and 103% of CDI at September 30, 2012 (98% and 103% of CDI at December 31, 2011) and are made with top line banks. The Company's exposure to interest rate risks and the sensitivity analysis of financial assets and liabilities are disclosed in Note 21.

10. Trade accounts receivable

	Consolidated		Company	
	09-30-2012 (restated)	**12-31-2011**	**09-30-2012**	**12-31-2011**
Customers - local	**91,202**	101,082	**30,037**	69,171
Customers - local related parties	**-**	-	**988**	83
Allowance for doubtful accounts – local	**(11,904)**	(3,484)	**(2,707)**	(2,657)
Customers – foreign	**95,570**	54,218	**47,852**	6,858
Customers – foreign related parties	**-**	-	**25,561**	71,436
Allowance for doubtful accounts- foreign	**(3,109)**	(2,935)	**(5)**	(12)
Total	**171,759**	148,881	**101,726**	144,879
Current	**171,564**	148,881	**101,726**	144,879
Non-current	**195**	-	**-**	-

The Company's exposure to credit and currency risks and impairment losses related to trade accounts receivable and other receivables, is disclosed in Note 21.

Changes in the allowance for doubtful accounts are as under:

	Consolidated	**Company**
Balance at December 31, 2011	(6,419)	(2,669)
Additions	(10,673)	(135)
Reversal of the allowance for doubtful accounts	2,079	92
Balance at September 30, 2012	**(15,013)**	**(2,712)**

11. Inventories

	Consolidated		Company	
	09-30-2012 (restated)	**12-31-2011**	**09-30-2012**	**12-31-2011**
Finished products	**166,894**	146,856	**30,855**	26,244
Work-in-process	**56,880**	43,106	**32,168**	38,722
Raw materials	**48,090**	38,203	**13,070**	11,881
Ancillary and maintenance materials	**9,961**	9,413	**7,302**	9,369
Inventory write-off	**(4,385)**	-	**-**	-
	277,440	237,578	**83,395**	86,216

Changes in the provision for inventory losses are as follows:

	Consolidated (restated)	**Company**
Balance at December 31, 2011	-	-
Additions	(4,385)	-
Balance at September 30, 2012	**(4,385)**	**-**

12. Taxes recoverable

	Consolidated		Company	
	09-30-2012	**12-31-2011**	**09-30-2012**	**12-31-2011**
ICMS	**11,425**	5,508	**7,642**	4,728
IPI	**11,794**	1,187	**9,875**	415
PIS	**2,841**	442	**2,384**	396
COFINS	**13,131**	2,044	**11,053**	1,840
Income and social contribution taxes	**9,353**	11,513	**6,980**	5,781
Total	**48,544**	20,694	**37,934**	13,160
Current	**44,766**	17,141	**36,528**	9,950
Noncurrent	**3,778**	3,553	**1,406**	3,210

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.

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

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

The carrying value of the deferred tax asset is revised monthly. Management considers that the deferred assets arising from temporary differences will be realized as the events in which they originated are resolved.

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

13. Deferred tax assets and liabilities (Continued)

Deferred tax assets and liabilities were computed as follows:

	Consolidated	
	09-30-2012	**12-31-2011**
On temporary difference assets, income and social contribution tax losses		
Provision for commissions	**1,033**	1,455
Present value adjustment	**156**	187
Provision for labor proceedings	**700**	552
Provision for employer proceedings	**782**	782
Allowance for doubtful accounts	**1,873**	1,762
Provision for products warranty	**360**	66
Derivative financial instruments	**5,061**	6,886
Income and social contribution tax losses	**36,002**	37,448
Inventories – unrealized profits	**4,698**	6,822
Other items	**2,147**	137
	52,812	56,097
On temporary difference liabilities		
Equity valuation adjustment	**(2,807)**	(4,898)
Depreciation base difference	**(6,982)**	(6,378)
Financial charges	**(1,124)**	(1,006)
Derivative financial instruments	**(11,104)**	(6,160)
	(22,017)	(18,442)
Total assets and liabilities, net	**30,795**	37,655
Classified in non-current assets	**40,003**	43,767
Classified in non-current liabilities	**(9,208)**	(6,112)

	Company	
	09-30-2012	**12-31-2011**
On temporary difference assets		
Provision for commissions	**778**	1,455
Present value adjustment	**646**	187
Provision for labor proceedings	**590**	552
Provision for employer proceedings	**782**	782
Allowance for doubtful accounts	**459**	459
Derivative financial instruments	**4,655**	6,582
Other items	**1,935**	137
	9,845	10,154
On temporary difference liabilities		
Equity valuation adjustment	**(1,937)**	(3,907)
Depreciation base difference	**(1,426)**	(1,339)
Financial charges	**(1,096)**	(968)
Derivative financial instruments	**(10,958)**	(6,045)
	(15,417)	(12,259)
Total assets and liabilities, net	**(5,572)**	(2,105)
Classified in non-current liabilities	**(5,572)**	(2,105)

Changes in deferred taxes:

	Consolidated	**Company**
Opening balance of deferred taxes	37,655	(2,105)
Posted to P&L (Note 27)	(7,217)	(4,829)
Posted to equity (Note 21.e)	1,362	1,362
Reclassification of assets and liabilities held for sale	177	-
Effect of changes in exchange rates	(1,182)	-
Closing balance of deferred taxes	30,795	(5,572)

13. Deferred tax assets and liabilities (Continued)

a) The subsidiary Taurus Máquinas Ferramenta Ltda. has tax credits arising from income and social contribution tax losses for the amount of R$ 64,056 at September 30, 2012 (R$ 37,878 at December 31, 2011), not recognized in the accounting registers. Income tax and social contribution on the balances of income and social contribution tax losses are recognized when there is evidence that realization will be probable within the near future.

b) As part of the corporate restructuring, which occurred on July 04, 2011, regarding obtaining economic benefits and market strategies for new segments, Company management considered the existence of accumulated balances for income and social contribution tax losses registered by subsidiary Polimetal Metalurgia e Plásticos Ltda., for purposes of registering the deferred tax asset. The accounting entry was made when it was considered probable that in the future there would be sufficient taxable profits for offset against these losses. Assessment of existence of future taxable profits was based on the operating activities to be undertaken by the subsidiary in the new market segment, "Polimetal Segment", which will be responsible for a significant part of the Group's operations.

The forecasts indicate that the balance for tax credits registered in the accounting books at September 30, 2012 by subsidiary Polimetal Metalurgia e Plásticos Ltda. will be absorbed by taxable profits estimated for the next ten years, as demonstrated below:

Year	IRPJ	CSLL	Total	% share
2012	810	292	1,102	3.06%
2013	2,029	730	2,759	7.66%
2014	2,198	791	2,989	8.30%
2015	2,380	857	3,237	8.99%
From 2016 to 2021	19,055	6,860	25,915	71.99%
Total	26,472	9,530	36,002	100.00%

The amount of income and social contribution tax losses on which no deferred taxes were recorded totaled in consolidated R$ 220,848 (R$ 127,870 at December 31, 2011), and R$ 30,865 – Company (R$ 16,465 at December 31, 2011).

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 September 30, 2012, restated balance totaled R$30,768, fully classified under current liabilities, considering that in view of the restatement adjustments made (Note 3.e), the covenants were not met. At December 31, 2011, balance amounted to R$36,127, of which R$7,417 is classified under current liabilities and R$28,710 under noncurrent liabilities.

15. Investments

								Company	
	Taurus Blindagens Ltda.	**Taurus Blindagens Nordeste Ltda.**	**Taurus Holdings, Inc.**	**Taurus Security Ltda. (1)**	**Taurus Investimentos Imobiliários Ltda. (1)**	**Polimetal Metalurgia e Plásticos Ltda.**	**Famastil Taurus Ferramentas S.A. (2)**	**09-30-2012 (restated)**	**12-31-2011**
Current assets	82,041	23,985	214,712	60	6,191	49,021	73.154		
Noncurrent assets	72,267	18,329	53,360	241	64,682	271,616	20.893		
Current liabilities	6,645	6,861	50,313	3	39,164	20,411	31.841		
Noncurrent liabilities	32,885	14,751	79,337	547	60,158	80,622	23.151		
Capital	80,209	9,400	621	100	30,850	210,000	20.000		
Equity	114,778	20,702	138,422	(249)	(28,449)	219,604	39.055		
Net revenue	64,423	21,844	270,563	-	8,366	100,366	72.778		
Net income (loss) for the period	8,301	6,858	11,162	-	(56,408)	(46,874)	2.604		
Number of shares/units of interest	648	1	302,505	100,000	30,752,186	209,999,999	-		
Direct ownership interest (%)	0.01%	0.1%	100%	100%	74.81%	100%	-		
Opening balances	1	14	107,271	-	17,906	194,445	2.215	**321,852**	232,409
Capital payment (4)	**-**	**-**	**-**	**-**	**1,354**	**71,655**	**-**	**73,009**	58,919
Equity pickup – continued operations (3)	**-**	**7**	**14,755**	**-**	**(43,039)**	**83,861**	**-**	**55,584**	69,288
Equity pickup – discontinued operations (3)	**-**	**-**	**-**	**-**	**-**	**(134,991)**	**-**	**(134,991)**	(21,373)
Loss on investment	**-**	**-**	**-**	**-**	**(267)**	**-**	**-**	**(267)**	(117)
Exchange variation on investments	**-**	**-**	**10,677**	**-**	**-**	**-**	**-**	**10,677**	12,726
Dividends received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(30,000)
Reclassified to capital deficiency	**-**	**-**	**-**	**-**	**24,046**	**-**	**-**	**24,046**	-
Closing balances (3)	**1**	**21**	**132,703**	**-**	**-**	**214,970**	**2,215**	**349,910**	321,852

(1) Capital deficiency at the subsidiary Taurus Security Ltda. of R$249 and at the subsidiary Taurus Investimentos Imobiliários Ltda. of R$24,206 are recorded under "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 in the column of investments 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) Payment of capital of subsidiary Polimetal was made as follows: R$53,514 in property, plant and equipment (Note 16), R$15,529 in inventories, R$2,448 in taxes recoverable and R$164 in intangible assets (Note 17). Capital increase of subsidiary Taurus Investimentos Imobiliários in the amount of R$1,354 was made in cash.

15. Investments (Continued)

	Consolidated Famastil Taurus Ferramentas S.A.
Current assets	73,154
Noncurrent assets	20,893
Current liabilities	31,841
Noncurrent liabilities	23,151
Capital	20,000
Equity	39,055
Net revenue	72,778
Net income for the period	2,604
Number of shares/units of interest	7,000,000
Direct ownership interest (%)	35%
Opening balances (1)	15,216
Equity pickup	**911**
Dividends received	**(244)**
Closing balances (1)	**15,883**

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

The financial statements of Taurus Holdings, Inc., an overseas subsidiary, reported total assets of R$ 268,072 at September 30, 2012 (R$ 282,330 at December 31, 2011) and current and noncurrent liabilities of R$ 129,650 at September 30, 2012 (R$ 165,750 at December 31, 2011). Taurus Holdings, Inc., located in the State of Florida, United States, is the parent company of Taurus International Manufacturing Inc., Braztech International L.C. and other subsidiaries also located in North America, operating mainly in the resale of weapons imported from Forjas Taurus S.A., aimed at the wholesale market. Consolidated net revenue of Taurus Holdings Inc. reported for September 30, 2012 was equivalent to R$ 270,563 (R$ 216,978 at September 30, 2011) and net income equivalent to R$ 11,162 at September 30, 2012 (R$ 6,418 at September 30, 2011).

16. Property, plant and equipment

	Land, buildings and facilities	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	Fixed assets in progress	Advances to suppliers	Total
								Consolidated
Cost or deemed cost								
Balance at December 31, 2011	104,639	153,055	35,880	20,855	4,020	18,577	5,320	342,346
Additions	1,041	13,313	847	999	378	21,471	1,716	39,765
Disposals	(6,341)	(964)	(17)	(57)	(396)	(10)	(429)	(8,214)
Transfers of assets under construction	1,040	3,192	3,358	567	-	(8,157)	-	-
Effect from exchange variation	2,081	1,432	-	219	9	-	-	3,741
Balance at September 30, 2012	**102,460**	**170,028**	**40,068**	**22,583**	**4,011**	**31,881**	**6,607**	**377,638**
Depreciation								
Balance at December 31, 2011	8,142	51,154	15,884	9,307	1,383	-	-	85,870
Depreciation for the period	2,328	12,211	4,750	2,253	572	-	-	22,114
Disposals	(461)	(807)	-	(54)	(140)	-	-	(1,462)
Effect from exchange variation	301	719	-	157	4	-	-	1,181
Balance at September 30, 2012	**10,310**	**63,277**	**20,634**	**11,663**	**1,819**	**-**	**-**	**107,703**
Book value								
At December 31, 2011	96,497	101,901	19,996	11,548	2,637	18,577	5,320	256,476
At September 30, 2012	**92,150**	**106,751**	**19,434**	**10,920**	**2,192**	**31,881**	**6,607**	**269,935**

16. Property, plant and equipment (Continued)

	Land, buildings and facilities	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	Fixed assets in progress	Advances to suppliers	Total
								Company
Cost or deemed cost								
Balance at December 31, 2011	3,486	114,427	24,815	7,913	2,821	13,715	4,516	171,693
Additions	26	277	78	330	369	7,405	1,476	9,961
Disposals	-	(787)	(12)	(33)	(396)	-	(5,630)	(6,858)
Transfers to Investment (1)	(1,457)	(55,325)	(7,514)	(1,524)	(247)	(7,957)	(60)	(74,084)
Transfers of assets under construction	336	1,352	1,918	304	-	(3,910)	-	-
Balance at September 30, 2012	**2,391**	**59,944**	**19,285**	**6,990**	**2,547**	**9,253**	**302**	**100,712**
Depreciation								
Balance at December 31, 2011	358	36,188	9,846	3,409	925	-	-	50,726
Depreciation for the period	169	4,392	2,246	763	347			7,917
Disposals		(341)		(30)	(140)			(511)
Transfers to investment (1)	(129)	(17,212)	(2,490)	(650)	(89)	-	-	(20,570)
Balance at September 30, 2012	**398**	**23,027**	**9,602**	**3,492**	**1,043**			**37,562**
Book value								
At December 31, 2011	3,128	78,239	14,969	4,504	1,896	13,715	4,516	120,967
At September 30, 2012	**1,993**	**36,917**	**9,683**	**3,498**	**1,504**	**9,253**	**302**	**63,150**

(1) Amounts used for capital payment of subsidiary Polimetal Metalurgia e Plásticos Ltda.

Assets in progress

The balance of assets in progress of R$9,253, Company, and R$31,881, consolidated, in 2012 (R$13,715 and R$18,577 in 2011, respectively) refers to machinery and equipment still in the phase of being implemented and construction in progress. These assets are expected to become operational in 2012 and 2013.

16. Property, plant and equipment (Continued)

Guarantees

In order to reduce financial expenses on loans and financing, the Company normally uses its own assets as guarantees for the funds obtained from financial institutions. Although a significant part of the fixed assets guarantees financing and loan operations, historically the Company has liquidated its obligations within the contractual terms and the guarantees provided in the form of fixed assets have not been used. At September 30, 2012, the Company had guarantees provided in the amount of R$ 67,210 (R$62,651 at December 31, 2011).

17. Intangible assets

					Consolidated
	Goodwill	Trademarks and patents	Development costs	System implementation	Total
Cost					
Balance at December 31, 2011	32,499	3,457	9,045	837	45,838
Acquisitions	20,220	4	2,171	811	23,206
Disposals	-	(28)	-	-	(28)
Effect from exchange variation	73	-	36	-	109
Balance at September 30, 2012	**52,792**	**3,433**	**11,252**	**1,648**	**69,125**
Balance at December 31, 2011	-	-	3,949	148	4,097
Amortization for the period	-	-	832	296	1,128
Balance at September 30, 2012	**-**	**-**	**4,781**	**444**	**5,225**
Book value					
At December 31, 2011	32,499	3,457	5,096	689	41,741
At September 30, 2012	**52,792**	**3,433**	**6,471**	**1,204**	**63,900**

				Company
	Trademarks and patents	Development costs	System implementation	Total
Cost				
Balance at December 31, 2011	237	8,448	772	9,457
Acquisitions from business combinations	1	562	87	650
Transfers to investment	-	-	(175)	(175)
Balance at September 30, 2012	**238**	**9,010**	**684**	**9,932**
Balance at December 31, 2011	-	3,949	130	4,079
Amortization for the period	-	832	93	925
Transfers to investment	-	-	(11)	(11)
Balance at September 30, 2012		**4,781**	**212**	**4,993**
Book value				
At December 31, 2011	237	4,499	642	5,378
At September 30, 2012	**238**	**4,229**	**472**	**4,939**

17. Intangible assets (Continued)

Impairment testing of cash generating units that include goodwill

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

Cash generating unit	09-30-2012	12-31-2011
Forjas Taurus S.A.	**24,023**	21,194
Taurus Holdings, Inc.	**19,234**	2,893
Taurus Blindagens Ltda.	**7,734**	6,823
Taurus Helmets Indústria Plástica Ltda.	**1,184**	1,045
Famastil Taurus Ferramentas S.A.	**617**	544
Total	**52,792**	32,499

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 September 30, 2012 no such indication was identified.

On September 30, 2011, the machine operations segment, represented by the Company and CGU Taurus Máquinas-Ferramenta Ltda. was identified by management as available for sale. Management decided to implement various actions aimed at selling the investment in the subsidiary Taurus Máquinas, which was concluded in June 2012 with sale of the machine operations as mentioned in Note 8.

Main assumptions used in the forecast of discounted cash flows

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

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

17. Intangible assets (Continued)

Discount rate

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

Growth rate and perpetuity

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

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

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

Sensitivity analysis and assumptions

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

	Change required for the recoverable value to be equal to carrying value	
Cash generating unit	**Discount rate**	**Growth rate and perpetuity**
Forjas Taurus S.A.	78.7 p.p.	-142.3 p.p.
Taurus Holdings, Inc.	156.4 p.p.	-418.7 p.p.
Taurus Blindagens Ltda.	329.1 p.p.	-410.7 p.p.
Taurus Helmets Indústria Plástica Ltda.	329.1 p.p.	-410.7 p.p.
Famastil Taurus Ferramentas S.A.	379.9 p.p.	-455 p.p.

17. Intangible assets (Continued)

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

18. Loans and financing

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

	Consolidated		Company	
	09-30-2012 (restated)	12-31-2011	09-30-2012 (restated)	12-31-2011
Current liabilities				
Guaranteed bank loans				
Working capital	**104,289**	39,948	**98,598**	39,948
Accounts receivable discounted	**-**	14,107	**-**	14,107
FINAME	**6,830**	2,855	**4,189**	2,444
FINEP	**10,658**	8,625	**2,611**	8,068
BNDES-PEC	**-**	5,644	**-**	5,644
FNE	**1,115**	65	**-**	-
BNDES-Exim-Pre-shipment	**-**	-	**-**	-
BNDES Revitaliza	**435**	-	**-**	-
BNDES Progeren	**182**	-	**-**	-
Working capital -USD	**167,246**	22,274	**165,562**	9,747
Financing for acquisition of fixed assets	**328**	787	**328**	787
Investment in USD	**-**	371	**-**	-
FINIMP	**13,923**	4,367	**12,263**	4,367
	305,006	99,043	**283,551**	85,112
Non-current liabilities				
Guaranteed bank loans				
Working capital	**45,000**	45,000	**45,000**	45,000
FINAME	**6,855**	5,948	**4,069**	4,836
FINEP	**38,493**	9,096	**2,490**	5,787
BNDES-PEC	**-**	468	**-**	468
FNE	**8,756**	9,806	**-**	-
BNDES Revitaliza	**2,419**	-	**-**	-
BNDES Progeren	**31,977**	-	**-**	-
Working capital - USD	**106,709**	151,158	**30,458**	119,767
Financing for acquisition of fixed assets	**163**	464	**163**	464
Investment in USD	**-**	10,713	**-**	-
FINIMP	**435**	-	**-**	-
	240,807	232,653	**82,180**	176,322
	545,813	331,696	**365,731**	261,434

18. Loans and financing (Continued)

Terms and timetable for amortization of debts

The terms and conditions for loans outstanding were as follows:

				Consolidated			
				09-30-2012		12-31-2011	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carrying value
Guaranteed bank loans							
Working capital	R$	CDI + 1.80 to 4.10% p.a.	2011-2013	137,700	**149,289**	102,700	84.948
Discounted trade receivables	R$	16.80%p.a.	2012	-	**-**	14,107	14.107
FINAME	R$	TJLP + 1.00 to 7.00% p.a.	2011-2020	20,801	**3,966**	20,912	3.221
FINAME	R$	4.50 to 5.50% p.a.	2011-2020	11,814	**9,719**	8,252	5.582
FINEP	R$	TJLP + 0.16 to 2.00% p.a.	2012-2014	29,601	**11,314**	29,601	13.855
FINEP	R$	5.00 a 5.25% p.a.	2017	58,153	**37,837**	8,008	3.866
BNDES-PEC	R$	12.90% p.a.	2013	10,000	**-**	10,000	6.112
BNDES Revitaliza	R$	9% p.a.	2017	2,846	**2,854**	-	-
BNDES Progeren	R$	TJLP + 4.00% p.a.	2015	31,977	**32,159**	-	-
FNE	R$	9.50% p.a.	2019	9,806	**9,871**	9,806	9.871
Working capital	USD	*Libor* + 0.79 to 4.80% p.a.	2011-2017	43,000	**127,618**	28,000	45.033
Working capital	USD	3.32 to 5.20% p.a.	2016	66,869	**134,636**	68,078	128.399
Financing for acquisition of fixed assets	USD	*Libor* + 1.25 to 3.0% p.a.	2012-2014	824	**491**	824	787
Investments	USD	5.33% p.a.	2012-2017	6,035	**11,701**	6,035	11.084
FINIMP	USD	*Libor* + 1.10% p.a.	2012-2014	6,303	**14,358**	4,810	4.831
Total liabilities subject to interest					**545,813**		331,696

				Company			
				09-30-2012		12-31-2011	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carrying value
Guaranteed bank loans							
Working capital	R$	CDI + 1.80 to 3.91%	2011-2014	148,500	**143,598**	102,700	84.948
Discounted trade receivables	R$	16.80% p.a.	2012	-	**-**	14,107	14.107
FINAME	R$	TJLP + 2.25 to 7.00%	2011-2014	9,661	**1,626**	20,216	1.698
FINAME	R$	3.80 to 5.50% p.a.	2011-2021	10,029	**6,633**	6,633	5.582
FINEP	R$	TJLP + 0.16 to 2.0%	2012-2014	29,601	**5,102**	29,601	13.855
BNDES-PEC	R$	12.90% p.a.	2013	-	**-**	10,000	6.112
Working capital	USD	*Libor* + 0.79 to 4.80%	2011-2017	38,000	**65,215**	8,000	7.517
Working capital	USD	3.91% p.a.	2016	63,849	**130,803**	63,849	121.997
Financing for acquisition of fixed assets	USD	*Libor* + 1.25 to 3.0% p.a.	2011-2014	824	**491**	824	787
FINIMP	USD	*Libor* + 1.10 to 2.7% p.a.	2012-2014	6,822	**12,263**	4,810	4.831
Total liabilities subject to interest					**365,731**		261,434

18. Loans and financing (Continued)

Maturity dates of non-current liabilities:

	Consolidated		Company	
Year	09-30-2012 (restated)	12-31-2011	09-30-2012 (restated)	12-31-2011
2013	**43,451**	89,403	**32,586**	57,982
2014	**52,178**	64,963	**24,019**	61,738
2015	**30,769**	31,101	**6,072**	27,854
2016	**18,287**	30,629	**6,071**	27,791
2017 onwards	**96,122**	16,557	**13,432**	957
	240,807	**232,653**	**82,180**	**176,322**

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.

Certain loan and financing contracts agreed between the Company and its subsidiaries include covenants that limit certain corporate alterations, including change in direct and indirect control of the Company, capital reduction of the Company and/or its parent company, distribution of dividends, payment of interest on own capital or any other payments made by the Company to the shareholders and/or its parent company in case of default on any obligations. Besides these points, require that certain financial indices be maintained: debit ratios (net financial debt/EBITDA) less to 3.5 times; interest coverage ratio (EBITDA/ net financial expenses) less than 2.75 times. If the restrictions are not met the creditors can anticipate the due date. All the rates mentioned above are quarterly calculated on basis of the last twelve months. At September 30, 2012, those rates had not been complied, for that reason it was reclassified to current liabilities in the amount of R$130,558.

19. Debentures

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

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

19. **Debentures** (Continued)

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

						09-30-2012 (restated)
	Index	**Current**	**Noncurrent**	**Transaction costs incurred**	**Transaction costs appropriated**	**Transaction costs to appropriate**
Debentures:						
1st issue	DI rate + 4.1%	**61,995**	**-**	**1,065**	**890**	**175**
2nd issue	DI rate + 2.8%	**49,981**	**-**	**715**	**180**	**535**
		111,976	**-**	**1,780**	**1,070**	**710**

						12-31-2011
	Index	**Current**	**Non-current**	**Transaction costs incurred**	**Transaction costs appropriated**	**Transaction costs to appropriate**
Debentures:						
1st issue	DI rate + 4.1%	75,232	-	1,019	391	628
2nd issue	DI rate + 2.8%	559	49,539	684	45	639
		75,791	49,539	1,703	436	1,267

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

The instrument provides for accelerated maturity of all obligations subject matter of the deed 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, decrease in the Company's capital and/or that of Polimetal (1), made by the Company or by the guarantors of any type of sale or transfer of assets that has an impact 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 3.25 times (1st and 2nd issues) and EBITDA/net financial expenses equal to or higher than 2.75 times, (1st 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 (3).

19. Debentures (Continued)

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

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

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

Management from the Company and its subsidiaries monitor these indices on a systematic and constant basis, to ensure that the terms are met. At September 30th, 2012 the clauses 7.1(i), (b) and (c) from the 1st issue, and clauses 6.1 (i) (a) and 6.2 (i) (a) from 2nd issue, the non-submission of the consolidated financial statements and, consequently, the non-submission of financial ratios, have not been fulfilled. For that, Company obtained the consent of its creditors not to exercise their rights to require prepayment. However given the adverse factors related to the renegotiation of the sale of the Taurus Máquinas-Ferramenta Ltda. (note 8), the Company didn’t met the minimum financial ratios, transferring to current liabilities the amount of R$ 75,213 as a result of noncompliance with these indexes.

20. Contingencies

a) Consolidated

Taurus companies, based on the opinion of their legal advisors and the analysis of judicial proceedings pending judgment, set up in Consolidated a provision for contingencies in the amount of R$ 5,130 at September 30, 2012 (R$ 4,261 at December 31, 2011) considered sufficient to cover estimated losses on proceedings pending judgment involving probable unfavorable outcome:

	09-30-2012			12-31-2011
	Provision	**Judicial deposit (2)**	**Net**	**Net**
Labor	**2,334**	**2,432**	**(98)**	(600)
Tax				
Federal	**-**	**423**	**(423)**	(423)
State (1)	**2,796**	**902**	**1,894**	2,401
	5,130	**3,757**	**1,373**	1,378

Changes in provisions are as follows:

	Civil and labor	Tax(1)	Total
Balance at December 31, 2011	1,465	2,796	4,261
Provisions made in the period	877	-	877
Provisions used in the period	(8)	-	(8)
Balance at September 30, 2012	**2,334**	**2,796**	**5,130**

(1) Recorded in other liabilities in non-current liabilities.
(2) Recorded in other non-current assets.

The Taurus companies have other proceedings that have been evaluated by the legal advisors as representing possible or remote risks, for the consolidated amount of approximately R$ 24.287 at September 30, 2012 (R$ 23,537 at December 31, 2011) for which no provision has been registered, given that accounting practices adopted in Brazil do not require this.

b) Company

The Company is a party to legal and administrative proceedings with various courts and government bodies, arising from the normal course of its operations, involving labor, tax, civil and other issues.

20. Contingencies (Continued)

b) Company (Continued)

Management, based on information from its legal advisors and analysis of pending legal claims has registered a provision in other accounts payable, for the amount of R$ 2,316 at September 30, 2012 (R$ 2,203 at December 31, 2011) considered sufficient to cover estimated losses from proceedings pending judgment, evaluated as representing probable risks, as follows:

	09-30-2012			12-31-2011
	Provision	**Judicial deposit (2)**	**Net**	**Net**
Labor	**1,578**	**1,271**	**307**	281
Tax				
Federal	**-**	**423**	**(423)**	(423)
State (1)	**738**	**733**	**5**	367
	2,316	**2,427**	**(111)**	225

Changes in provisions are as follows:

	Civil and labor	Tax (1)	Total
Balance at December 31, 2011	1,465	738	2,203
Provisions made in the period	113	-	113
Provisions used in the period	-	-	-
Balance at September 30, 2012	**1,578**	**738**	**2,316**

(1) Recorded in other liabilities in non-current liabilities.
(2) Recorded in other non-current assets.

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

The Company has other proceedings evaluated by its legal advisors as representing possible or remote risks, estimated at approximately R$ 10.915 at September 30, 2012 (R$ 10,578 at December 31, 2011) for which no provision has been registered, given that accounting practices adopted in Brazil do not require this.

21. Financial instruments

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

21. Financial instruments (Continued)

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:

			Consolidated			
			09-30-2012		12-31-2011	
	Party to contract	Contract currency with respect to notional value	Notional – in thousands	Fair value	Notional - in thousands	Fair value
***Swap Libor* + E.V. USD x CDI + R$**						
	Forjas Taurus S.A.	US dollars - USD	8,000	**430**	12,000	217
***Swap Fixed* x CDI**						
	Forjas Taurus S.A.	Reais - BRL	37,356	**2,052**	37,356	1,801
	Taurus Blindagens Ltda.	Reais - BRL	9,652	**429**	9,652	334
	Taurus Helmets Ind. Plástica Ltda.	Reais - BRL	4,355	**193**	4,355	150
***Swap Interest* + E.V. USD x CDI + R$**						
	Forjas Taurus S.A.	Reais - BRL	100,000	**29,749**	100,000	15,597
	Forjas Taurus S.A.	Reais - BRL	-	**-**	80,000	(4,099)
	Forjas Taurus S.A.	US dollars - USD	-	**-**	868	163
	Taurus Máquinas-Ferramenta Ltda.	US dollars - USD	-	**-**	680	128
***Non-deliverable forward* (exports)**						
	Forjas Taurus S.A.	US dollars - USD	41,700	**(12,899)**	88,100	(15,259)
				19,954		(968)

	09-30-2012	12-31-2011
Company		
Derivative financial instruments assets	**32,231**	17,778
Derivative financial instruments liabilities	**(12,899)**	(19,358)
	19,332	(1,580)
Consolidated		
Derivative financial instruments assets	**32,853**	18,262
Derivative financial instruments liabilities	**(12,899)**	(19,358)
Assets held for sale	**-**	
	19,954	(968)

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 September 30, 2012 refer to operations on the over the counter market, registered with the CETIP, without any type of guarantee margin or accelerated liquidation clause forced by *Mark to Market (MtM) variations.*

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

21. **Financial instruments** (Continued)

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.

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.

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 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.

21. Financial instruments (Continued)

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	
	Carrying values	
	09-30-2012 (restated)	**12-31-2011**
Financial assets held to maturity	**-**	659
Trade accounts receivable	**186,772**	155,300
Other loans and receivables	**29,901**	19,948
Cash and cash equivalents	**187,271**	162,226
Foreign exchange forward and interest rate swap contracts used for asset hedging	**32,853**	18,262
Total	**436,797**	356,395

	Company	
	Carrying values	
	09-30-2012	**12-31-2011**
Financial assets held to maturity	**-**	659
Trade accounts receivable	**104,438**	147,548
Other loans and receivables	**15,124**	17,656
Cash and cash equivalents	**86,910**	71,320
Foreign exchange forward and interest rate swap contracts used for asset hedging	**32,231**	17,778
Total	**238,703**	254,961

21. Financial instruments (Continued)

a) *Credit risks* (Continued)

Exposure to credit risk

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

	Consolidated		Company	
	Carrying values		Carrying values	
	09-30-2012	12-31-2011	09-30-2012	12-31-2011
Domestic – Trade accounts receivable	**91,202**	101,082	**31,025**	69,254
United States – Trade accounts receivable	**79,708**	47,317	**59,154**	71,436
Other	**15,862**	6,901	**14,259**	6,858
Total	**186,772**	155,300	**104,438**	147,548

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

	Consolidated		Company	
	Carrying values		Carrying values	
	09-30-2012	12-31-2011	09-30-2012	12-31-2011
Clients – public bodies	**25,022**	60,069	**22,157**	57,257
Clients – distributors	**100,961**	8,792	**64,910**	79,775
End clients	**60,789**	86,439	**17,371**	10,516
Total	**186,772**	155,300	**104,438**	147,548

Impairment losses

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

				Consolidated
	Gross	Gross	*Impairment*	*Impairment*
	09-30-2012	12-31-2011	09-30-2012	12-31-2011
Falling due	**133,034**	129,172	**-**	-
Overdue between 0-30 days	**9,204**	12,144	**-**	-
Overdue between 31-360 days [1]	**25,415**	8,663	**-**	(1,098)
More than one year	**19,119**	5,321	**(15,013)**	(5,321)
Total	**186,772**	155,300	**(15,013)**	(6,419)

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

21. Financial instruments (Continued)

a) *Credit risk* (Continued)

Impairment losses (Continued)

				Company
	Gross	**Gross**	**Impairment**	**Impairment**
	09-30-2012	**12-31-2011**	**09-30-2012**	**12-31-2011**
Falling due	**80,039**	131,715	**-**	-
Overdue between 0-30 days	**4,870**	4,372	**-**	-
Overdue between 31-360 days [1]	**15,889**	7,403	**-**	(410)
More than one year	**3,640**	4,058	**(2,712)**	(2,259)
Total	**104,438**	147,548	**(2,712)**	(2,669)

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

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.

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:

21. Financial instruments (Continued)

b) *Liquidity risk* (Continued)

	Consolidated 09-30-2012 (restated)					
	Carrying Value	**Contractual cash flow**	**Up to 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Guaranteed bank loans	**545,813**	**608,864**	**313,686**	**98,111**	**149,414**	**47,654**
Debt securities issued	**111,976**	**117,906**	**117,906**	**-**	**-**	**-**
Certificates of real estate receivables	**30,768**	**32,081**	**32,081**	**-**	**-**	**-**
Foreign exchange payable	**49,983**	**50,561**	**50,561**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(32,853)**	**(32,853)**	**(32,853)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**12,899**	**12,899**	**12,899**	**-**	**-**	**-**
	718,586	**789,458**	**494,280**	**98,111**	**149,414**	**47,654**

	Consolidated 12-31-2011					
	Carrying value	**Contractual cash flow**	**Up to 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Guaranteed bank loans	331,696	367,899	101,855	176,293	73,079	16,672
Debt securities issued	125,330	155,713	81,825	30,164	43,724	-
Certificates of real estate receivables	36,127	44,001	7,768	24,287	11,946	-
Foreign exchange payable	39,626	40,510	40,510	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(18,262)	(18,262)	(18,262)	-	-	-
Derivative instruments (liabilities)	19,358	19,358	19,358	-	-	-
	533,875	609,219	233,054	230,744	128,749	16,672

	Company (restated) 09-30-2012					
	Carrying value	**Contractual cash flow**	**Up to 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Guaranteed bank loans	**365,731**	**396,563**	**291,380**	**53,169**	**33,550**	**18,464**
Debt securities issued	**111,976**	**117,906**	**117,906**	**-**	**-**	**-**
Foreign exchange payable	**49,983**	**50,561**	**50,561**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(32,231)**	**(32,231)**	**(32,231)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**12,899**	**12,899**	**12,899**	**-**	**-**	**-**
	508,358	**545,698**	**440,515**	**53,169**	**33,550**	**18,464**

21. Financial instruments (Continued)

b) *Liquidity risk* (Continued)

	Carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
						Company 12-31-2011
Non-derivative financial liabilities						
Guaranteed bank loans	261,434	291,979	87,554	138,271	64,914	1,240
Debt securities issued	125,330	155,713	81,825	30,164	43,724	-
Foreign exchange payable	39,626	40,510	40,510	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(17,778)	(17,778)	(17,778)	-	-	-
Derivative instruments (liabilities)	19,358	19,358	19,358	-	-	-
	427,970	489,782	211,469	168,435	108,638	1,240

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

21. Financial instruments (Continued)

c) *Foreign exchange risk*

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

	Consolidated	
	USD 000	
	09-30-2012	**12-31-2011**
Accounts receivable	**47,065**	28,904
Foreign exchange payable	**(24,615)**	(21,018)
Guaranteed bank loans	**(268,794)**	(101,362)
Foreign suppliers	**(2,599)**	(4,716)
Net balance sheet exposure	**(248,943)**	(98,192)

The exposure to consolidated foreign exchange risk includes the guaranteed bank loans from Taurus Holdings, Inc. for the amount of USD 38,380 at September 30, 2012 (USD 29,322 at December 31, 2011).

	Company	
	USD 000	
	09-30-2012	**12-31-2011**
Accounts receivable	**23,565**	3,656
Accounts receivable – overseas related parties	**12,588**	38,083
Foreign exchange payable	**(24,615)**	(21,018)
Guaranteed bank loans	**(180,110)**	(72,040)
Foreign suppliers	**(610)**	(524)
Net balance sheet exposure	**(169,182)**	(51,843)

The following exchange rates were used during the period ended September 30, 2012 and the year ended December 31, 2011:

	Average rate		Spot rate	
	09-30-2012	**12-31-2011**	**09-30-2012**	**12-31-2011**
R$/USD	**2.0281**	1.6746	**2.0306**	1.8758

21. Financial instruments (Continued)

c) *Foreign exchange risk* (Continued)

Sensitivity analysis

The devaluation of the Real to the US dollar, at September 30, 2012 decreased equity and net income as reported below. This analysis is based on the change in the foreign exchange rate that the Company considered reasonably possible at the reporting period end. The analysis considered that all the other variables, particularly interest rates, would remain constant.

	Consolidated		Company	
	Equity	**Net income for the year**	**Equity**	**Net income for the year**
September 30, 2012				
R$/USD (25% - forecast rate 2.53825)	**(126,376)**	**(126,376)**	**(85,885)**	**(85,885)**
R$/USD (50% - forecast rate 3.04590)	**(252,752)**	**(252,752)**	**(171,770)**	**(171,770)**

d) *Interest rate risk*

Sensitivity analysis of the fair value for fixed rate instruments

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

21. Financial instruments (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	
	Carrying value	
	09-30-2012	12-31-2011
Fixed rate instruments		
Financial liabilities	**90,254**	98,884
Variable rate instruments		
Financial assets	**182,429**	105,730
Financial liabilities	**622,321**	453,053

	Company	
	Carrying value	
	09-30-2012	12-31-2011
Fixed rate instruments		
Financial liabilities	**7,561**	29,932
Variable rate instruments		
Financial assets	**109,674**	76,701
Financial liabilities	**491,114**	415,615

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 September 30, 2012 and December 31, 2011.

21. Financial instruments (Continued)

d) *Interest rate risk* (Continued)

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

	Consolidated	
	Equity and net income for the year	
	09-30-2012	12-31-2011
Change in interest rate on financing	**(1,992)**	(1,865)
Change in interest rate on short-term investments	**549**	448

	Company	
	Equity and net income for the year	
	09-30-2012	12-31-2011
Change in interest rate on financing	**(1,380)**	(1,821)
Change in interest rate on short-term investments	**284**	302

Fair value versus carrying values

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

	Consolidated			
	09-30-2012		12-31-2011	
	Carrying values	Fair values	Carrying values	Fair values
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	**32,852**	**32,852**	18,262	18,262
Assets stated at amortized cost				
Cash and cash equivalents	**187,271**	**187,271**	162,226	162,226
Trade accounts receivable and other receivables	**175,330**	**175,330**	148,881	148,881
	362,601	**362,601**	311,107	311,107
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	**12,899**	**12,899**	19,358	19,358
Liabilities stated at amortized cost				
Guaranteed bank loans	**545,813**	**545,813**	331,696	331,696
Issue of debt securities	**111,976**	**111,976**	126,597	126,597
Foreign exchange payable	**49,983**	**49,983**	39,626	39,626
Suppliers and other accounts payable	**22,559**	**22,559**	43,821	43,821
Advance on real estate credits	**30,768**	**30,768**	36,127	36,127
	761,099	**761,099**	577,867	577,867

21. Financial instruments (Continued)

d) *Interest rate risk* (Continued)

Fair value versus carrying values (Continued)

				Company
		09-30-2012		12-31-2011
	Carrying values	**Fair values**	**Carrying values**	**Fair values**
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	**32,230**	**32,230**	17,778	17,778
Assets stated at amortized cost				
Cash and cash equivalents	**86,910**	**86,910**	71,320	71,320
Trade accounts receivable and other receivables	**101,726**	**101,726**	144,879	144,879
	188,636	**188,636**	216,199	216,199
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	**12,899**	**12,899**	19,358	19,358
Liabilities stated at amortized cost				
Guaranteed bank loans	**365,731**	**365,731**	261,434	261,434
Issue of debt securities	**111,976**	**111,976**	126,597	126,597
Foreign exchange payable	**49,983**	**49,983**	39,626	39,626
Suppliers and other accounts payable	**35,722**	**35,722**	15,823	15,823
	563,412	**563,412**	443,480	443,480

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

21. Financial instruments (Continued)

d) *Interest rate risk* (Continued)

Fair value versus carrying values (Continued)

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.

e) *Hedge Accounting*

Non-deliverable forward (NDF), options (*Zero Cost Collar*) and prepayment operations are fixed in order to provide hedge against exposure of future sales in dollars. There are also Finimp operations in order to provide hedge against exposure of future sales in dollars. The operations carried out by the Company started to be documented for recording purposes through the hedge accounting method, in accordance with CPC 38, prospectively as from April 1, 2012. The Company records in a specific equity account the unrealized effects of these instruments taken out for own operations or taken out on a consolidated basis to provide hedge for future sales.

Other operations with derivatives, although also representing hedge instruments, are not recorded under the hedge accounting method and, therefore, their effects are recorded in P&L for the year, in financial income/ expense accounts.

21. Financial instruments (Continued)

e) *Hedge Accounting* (Continued)

We set out below detailed maturities of derivative operations and deferred exchange variation, under the hedge accounting method:

Maturity	Currency	NDF contracts (NDF)	Options *Zero Cost Collar*)	Export prepayment (PPE)	FINIMP	Total
12/31/2012	USD	**17,500**	**3,000**	**-**	**1,611**	**22,111**
03/31/2013	USD	**3,900**	**-**	**-**	**1,387**	**5,287**
06/30/2014	USD	**800**	**-**	**-**	**3,000**	**3,800**
12/31/2014	USD	**-**	**-**	**-**	**-**	**-**
12/31/2015	USD	**-**	**-**	**833**	**-**	**833**
03/31/2016	USD	**-**	**-**	**833**	**-**	**833**
03/31/2017	USD	**-**	**-**	**834**	**-**	**834**
TOTAL	**USD**	**22,200**	**3,000**	**2,500**	**5,998**	**33,698**

Fair value of consolidated gains and losses for the period is set out below, grouped by the main risk categories:

		Gains and losses posted to P&L				Gains and losses recorded in equity	
		Allocated to gross revenue		Allocated to financial income			
Description	Currency	09-30-12	09-30-11	09-30-12	09-30-11	09-30-12	12-31-11
Foreign exchange hedge operations							
Non-delivery forward (NDF) contracts	**R$**	**693**	-	**3,590**	-	**3,023**	-
Options (*Zero Cost Collar*)	**R$**	**223**	-	**-**	-	**194**	-
Export prepayment (PPE)	**R$**	**-**	-	**128**	-	**521**	-
Finimp	**R$**	**-**	**-**	**360**	**-**	**270**	**-**
TOTAL	**R$**	**916**	**-**	**4,078**	**-**	**4,008**	**-**

Gain from cash flow hedge of R$ 4,008 was posted to equity, deducting income and social contribution taxes of R$ 1,362.

22. Related parties

	Outstanding balances of subsidiaries with the Company					Effect of result of operations of subsidiaries with the Company	
	Current assets	Noncurrent assets (receivables from related parties)	Total assets	Current liabilities (*)	Total liabilities	Revenue	Expense
December 31, 2011							
Taurus Blindagens Ltda.	-	-	-	286	286	-	246
Taurus Holdings,Inc. (Note 10)	71,436	-	71,436	34	34	205,924	3,413
Taurus Security Ltda.	-	547	547	-	-	-	-
Taurus Investimentos Imobiliários Ltda.(**)	-	-	-	-	-	-	7,327
Taurus Máquinas-Ferramenta Ltda.	83	58,540	58,623	-	-	201	241
	71,519	59,087	130,606	320	320	206,125	11,227
September 30, 2012							
Taurus Blindagens Ltda.	-	-	-	-	-	-	1,842
Taurus Holdings,Inc. (Note 10)	25,561	-	25,561	-	-	187,631	2,820
Taurus Security Ltda.	-	547	547	-	-	-	-
Taurus Investimentos Imobiliários Ltda.(**)	-	-	-	-	-	-	3,485
Taurus Máquinas-Ferramenta Ltda.	-	99,255	99,255	-	-	151	275
Polimetal Metalurgia e Plásticos Ltda. (Note 10)	988	-	988	6,694	6,694	6,808	82,032
	26,549	**99,802**	**126,351**	**6,694**	**6,694**	**194,590**	**90,454**

(*) Recorded as accounts payable
(**) Sale of fixed assets by the Company to subsidiary.

Operations involving the Company and the subsidiary Taurus Holdings, Inc. refer to sale of weapons to be sold by the latter in the North-American Market, for which the days payable outstanding is 180 days.

Operations carried out between the Company and the subsidiary Polimetal Metalurgia e Plásticos Ltda. refer to purchase of products in process, as the subsidiary carries out a large portion of the production process of the weapon segment, for which the days payable outstanding is 90 days.

Transactions with related parties are carried out under prices and terms agreed between the parties, with observance of usual market conditions, according to management.

The subsidiary Taurus Máquinas-Ferramenta Ltda. has an intercompany loan payable with Forjas Taurus S.A. of R$99,255 as of September 30, 2012 (R$58,540 as of December 31, 2011). The subsidiary Taurus Security Ltda. has an intercompany loan taken out with Forjas Taurus S.A. of R$547 as of June 30, 2012 and December 31, 2011. Such intercompany loans are subject specific rules agreed between the parties.

23. Related parties (Continued)

Remuneration of key management personnel

At September 30, 2012, remuneration paid to key management personnel amounted to R$ 15,770 (R$ 22,910 at September 30, 2011), and includes salaries, fees and benefits.

Remuneration of key management personnel includes:

	Consolidated		Company	
	09-30-2012	09-30-2011	09-30-2012	09-30-2011
Remuneration and benefits of statutory directors and board members	**8,290**	12,743	**8,290**	12,743
Remuneration of key personnel	**7,480**	10,167	**3,729**	5,477
Total	**15,770**	22,910	**12,019**	18,220

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.

Company charter provides for the allocation of up to 10% of the profits for the year as management profit sharing.

Operations of directors and key management personnel

The directors and key management personnel directly control 44.18% 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.

Sureties between related parties

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

	09-30-2012	12-31-2011
Taurus Máquinas-Ferramenta Ltda.	**5,689**	17,391
Taurus Holdings, Inc.	**77,935**	55,002
	83,624	72,393

22. Equity (Company)

<u>Capital and reserves</u>

Authorized shares (in thousands of shares)

	09-30-2012	12-31-2011
Common shares	**51,851**	51,851
Preferred shares	**103,702**	103,702
	155,553	155,553

Shares issued and fully paid up

	Common		Preferred	
	Number in thousands	R$ 000	Number in thousands	R$ 000
At December 31, 2011				
ON - R$ 1.53 - PN - R$ 1.46*	47,138	72,121	94,275	137,642
At September 30, 2012				
ON - R$ 2.61 - PN - R$ 2.70*	47,138	123,030	94,275	254,543

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

<u>Legal reserve</u>

This is registered at the rate of 5% of net income for each year, determined in accordance with the terms of article 193 of Law No. 6404/76, until its balance reaches the limit of 20% of the amount of capital.

<u>Statutory reserve and profit retention</u>

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

<u>Equity valuation adjustments</u>

The reserve for equity valuation adjustments includes adjustments from adopting deemed cost for fixed assets at the transition date. 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.

<u>Cumulative translation adjustments</u>

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

23. Equity (Company) (Continued)

Earnings per share

Basic earnings per share were calculated based on profit for the period attributable to controlling and non-controlling shareholders of the Company up to September 30, 2012, and the respective average number of common outstanding shares in this period, compared to the period ended September 30, 2011, as presented below:

	09-30-2012 (restated)	09-30-2011
Net income for the period from continuing operations	**40,773**	56,361
Loss for the period from discontinued operations	**(134,991)**	(32,961)
Net income attributable to shareholders	**(94,218)**	23,400
Balance at the beginning of the year	**141,412,617**	141,057,576
Effect from purchase of own shares – weighted average	**-**	(2,484,600)
Effect from share split – weighted average	**-**	88,517
Weighted average number of shares	**141,412,617**	138,661,493
Basic and diluted earnings per share - in R$	**(0.6663)**	0.1688
Basic and diluted earnings per share from continuing operations – in R$	**0.2883**	0.4065

Date	History	Number of shares	Weighted average
12-31-2010	Beginning number of shares	141,057,576	141,057,576
07-01-2011	Purchase of own shares (Note 2.b)	(9,965,702)	(2,484,600)
07-04-2011	Effect from share split (Note 2.b)	355,041	88,517
09-30-2011	Ending number of shares	131,446,915	138,661,493

Basic earnings per share are calculated based on the results for the period attributable to the Company's shareholders and the weighted average number of outstanding shares in the respective period. At September 30, 2012, the Company reported diluted earnings per share equal to basic earnings per share, given that there were no financial instruments with share conversion rights and its common shares do not have preference in profit sharing.

The Company's by-laws provide for the distribution of minimum compulsory dividends of 35% of net income for the period, adjusted in accordance with legislation. Dividends payable were separately disclosed in equity at December 31, 2011 and registered as a liability and paid in 2012.

The Company's Board of Directors' meeting of August 16, 2012 approved distribution of interim dividends, subject to the approval by the Common Shareholders' Meeting approved the Company's accounts, based on the balance sheet at June 30, 2012, in the total amount of R$ 9,028, or R$ 0.07 per common and preferred share, to be included in the minimum mandatory dividend related to the 2012. In view of the changes in the Company's P&L, as commented in Note 3.e, such dividends will be attributed to income reserves.

24. Operating revenue

	Consolidated		Company	
	09-30-2012	**09-30-2011**	**09-30-2012**	**09-30-2011**
Revenue from products sold	**592,033**	525,992	**322,843**	322,579
Revenue from services rendered	**394**	2,619	**97**	91
Total revenue	**592,427**	528,611	**322,940**	322,670

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

	Consolidated		Company	
	09-30-2012	**09-30-2011**	**09-302012**	**09-30-2011**
Gross revenue	**592,427**	528,611	**322,940**	322,670
Sales taxes	**(81,381)**	(81,775)	**(27,705)**	(41,159)
Sales returns and rebates	**(6,236)**	(3,146)	**(2,905)**	(3,052)
Total net operating revenue	**504,810**	443,690	**292,330**	278,459

25. Other operating expenses, net

	Consolidated		Company	
	09-30-2012	**09-30-2011**	**09-30-2012**	**09-30-2011**
Other operating expenses				
Research and development	**(2,070)**	(2,305)	**(2,069)**	(2,305)
Cost of fixed assets sold	**(1,222)**	(1,319)	**(930)**	(1,291)
Amortization of intangible assets	**(523)**	(666)	**(487)**	(657)
Employee profit sharing	**(1,026)**	(874)	**(154)**	-
Idle capacity	**(725)**	-	**-**	-
Other	**(1,941)**	(2,949)	**(471)**	(324)
	(7,507)	(8,113)	**(4,111)**	(4,577)
Other operating income				
Tax incentives	**2,178**	-	**-**	-
Other operating income	**1,647**	4,811	**736**	1,655
	3,825	4,811	**736**	1,655
Other operating expenses, net	**(3,682)**	(3,302)	**(3,375)**	(2,922)

26. Financial income and expenses

	Consolidated		Company	
	09-30-2012	**09-30-2011**	**09-30-2012**	**09-30-2011**
Financial expenses				
Interest	**(39,344)**	(25,592)	**(31,343)**	(23,267)
Capitalized interest on fixed assets	**487**	1,348	**380**	1,294
Exchange variation	**(46,058)**	(44,648)	**(45,657)**	(44,519)
IOF	**(71)**	(14)	**(16)**	(7)
Swap on financial operations	**(16,612)**	(5,447)	**(16,539)**	(5,447)
Other expenses	**(3,354)**	(1,988)	**(2,363)**	(1,078)
	(104,952)	(76,341)	**(95,538)**	(73,024)
Financial income				
Interest	**10,509**	11,245	**4,665**	9,594
Exchange variation	**33,258**	8,009	**32,523**	7,926
Swap on financial operations	**29,634**	16,026	**29,229**	16,026
Other income	**825**	2,010	**347**	1,322
	74,226	37,290	**66,764**	34,868
Net financial expenses	**(30,726)**	(39,051)	**(28,774)**	(38,156)

27. 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	
	09-30-2012 (restated)	**09-30-2011**	**09-30-2012 (restated)**	**09-30-2011**
Income/loss before income and social contribution taxes	**(67,202)**	428	**(89,389)**	22,793
Combined tax rate	**34%**	34%	**34%**	34%
Income and social contribution taxes:				
At combined tax rate	**22,849**	(146)	**30,392**	(7,750)
Permanent additions:				
Nondeductible expenses	**(365)**	(98)	**(359)**	(91)
Permanent exclusions:				
Tax exempt income – equity pickup	**310**	-	**(26,998)**	13,776
Other – Law No. 11196/05	**781**	41	**-**	-
Tax loss not recognized in assets	**(36,673)**	(11,209)	**(10,494)**	(5,736)
Tax loss recognized in assets		37,448		-
Nondeductible provisions	**(19,595)**	-	**-**	-
Other items	**5,677**	(3,045)	**2,630**	408
Income and social contribution taxes posted to P&L for the year	**(27,016)**	22,991	**(4,829)**	607
Breakdown of income and social contribution taxes posted to P&L for the year:				
Current	**(18,677)**	(11,602)	**-**	-
Deferred	**(8,339)**	34,593	**(4,829)**	607
	(27,016)	22,991	**(4,829)**	607
Effective rate	**-40.20%**	-	**-5.40%**	-2.66%

28. 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.

At September 30, 2012, the Company's insurance coverage was as follows:

		09-30-2012
	Consolidated	Company
Material damage	188,935	122,165
Civil liability	25,951	7,200
Loss of profits	3,100	-

29. 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
	09-30-2012	09-30-2011	09-30-2012	09-30-2011
Expenses by function				
Cost of products sold	**(295,036)**	(256,129)	**(221,738)**	(194,900)
Selling expenses	**(63,794)**	(60,801)	**(23,090)**	(26,602)
General and administrative expenses	**(44,694)**	(52,509)	**(25,335)**	(33,602)
Other operating income (expenses)	**(7,507)**	(8,113)	**(4,111)**	(4.577)
	(411,031)	(377,552)	**(274,274)**	(259,681)
Expenses by nature				
Depreciation and amortization	**(23,242)**	(20,145)	**(8,842)**	(12,994)
Personnel expenses	**(111,811)**	(82,707)	**(99,438)**	(89,531)
Raw material and use and consumption materials	**(190,025)**	(193,717)	**(118,055)**	(116,641)
Freight	**(13,471)**	(14,295)	**(6,556)**	(7,084)
Commissions	**(21,334)**	(23,607)	**(7,589)**	(10,267)
Third-party services	**(11,242)**	(24,993)	**(7,231)**	(16,631)
Advertising and promotion	**(13,151)**	(12,576)	**(2,135)**	(2,364)
Allowance for doubtful accounts	**(8,594)**	(154)	**(43)**	(141)
Other expenses	**(18,161)**	(5,358)	**(24,385)**	(4,028)
	(411,031)	(377,552)	**(274,274)**	(259,681)

RELEASE

3Q12

Release republished on 03/28/2014 due to the restatement of the Quarterly Information for the 3rd quarter of 2012

Porto Alegre, March 28, 2014 - Forjas Taurus S.A. (**BM&FBOVESPA:** FJTA3, FJTA4), a company in the segments of (i) ***Defense and Security*** – as the largest weapon manufacturer in Latin America and one of the largest in the world; and of (ii) ***Metallurgy and Plastics*** – as market leader in the production of helmets for motorcyclists, and in the production of bulletproof vests, antiriot shields, plastic containers and forged and molded parts (M.I.M – Metal Injection Molding), informs hereby the voluntary restatement of result for the 3rd quarter of 2012 (3Q12), and of the first nine months of 2012 (9M12) as established by **CPC 23 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors** (equivalent to IAS 8).

Due to the amendment of the Purchase and Sale Contract ("Contract") in connection with disposal of operations of Taurus Máquinas-Ferramenta Ltda. ("TMFL"), occurred on September 12, 2013, the asset sale amount was decreased from R$ 115 million to R$ 57.52 million, resulting in a loss of R$57.83 million. Company management, in a review of all contracts and correspondence related to this operation, concluded that the events that lead to decrease in value was already present on the sale of the asset, whose original contract was signed on June 21, 2012.

As a result, decided to restate the quarterly results related to 3Q12, thus eliminating the following: (i) the independent auditor's qualified conclusion on the financial position; and (ii) the independent auditor's adverse conclusion on the result and cash flows for the restated periods.

Considering the changes made for purposes of voluntary restatement of the financial information, a new process for approval of the Company's Quartely Information ("ITRs") at September 30, 2012 was conducted by management and, in accordance with **CPC 24 – Subsequent Events**, the impacts from subsequent events were also considered, occurred between the period of the ITR and approval for the restatement thereof.

A consolidated net loss of R$ 94.2 million in the 9M12 was performed after ITR's restatement, as shown in Section 1.9 of this report.

In view of the above, beyond this ITR, were restated the Quartely Information ("ITR") closed in 06-30-12, 03-31-13, 06-30-13, 09-30-13, in addition to the financial statements standardized ("DFP") to the year ended at 12-31-12, all restated at this date, for the comments on performance in management's discussion and analysis of results (MD&A) to reflect the new financial situation and the financial and economic result after restatement of the financial statements, as detailed in Note 3 of each restated period.

The impact from restatement of financial statements is basically: (i) nonrecurring; and (ii) minimized by not representing significant outflows in the Company's cash flow, being reversible in relation to the additional provisions, as the installments from the sale of TMFL operations are paid or as the contingenciesdon't occur in fact.

The Company's operating and financial information was consolidated in accordance with International Financial Reporting Standards – IFRS and the amounts are expressed in millions of Brazilian reais, except where otherwise stated.

HIGHLIGHTS FOR THE 9 MONTHS OF 2012 (9M12)

- ***Jan/Sept/12:*** Compliance with the strategic triad defined for the year.

    - **Growth through acquisitions:** purchase of Steelinject (M.I.M – Metal Injection Molding technology in Brazil - molding of parts and components for several industries) for R$ 14 million, with management of operations as from January/12; and acquisition of Heritage Manufacturing Inc – USA (Opa Locka, Florida) in Jun/12, in the segment of revolvers and transfer of the plant to TIMI – Taurus International Manufacturing Inc. in Hialeah, Florida, as from Sept/12;

    - **Extension of debt payment term and reduction of financial costs:** Raising of international revolving credit line facility of US$ 75 million by Taurus Holdings - USA, with payment term of 5 years and at very competitive cost; credit lines get from BNDES in the value of R$32 million that are under analysis for Research and Development projects; and

- **Decision about relocation and concentration of the industrial premises within up to 2 years:** The Board of Directors approved transfer of the plant of Steelinject in Caxias do Sul and of production of long Rossi guns to Taurus plant in São Leopoldo in own premises with area of more than 200 thousand sq.m, in order to increase synergy, quality and productivity and to reduce costs;

- ***Jun/12*: Conclusion of disposal of the machine tools division, with sale of** operations of Taurus Máquinas-Ferramenta Ltda. to Renill Participações Ltda. for R$ 115 million, renegotiated to R$ 57.52 million on September 12, 2013, with retroactive write down of asset value (see Section 1.9 from this release);

- ***Jul/12:* Launching of new products in the biggest Public Security Fair in Latin America and the market held in Brazil (INTERSEG) -** Carbine model CT 556, Submachine gun SMT 40 and new pistol models, in addition to a grenade launcher;

- ***Aug/12:* Hiring of new Marketing Executive Officer of TIMI – Taurus International Manufacturing Inc.,** JULI BRAYTON (former-Smith&Wesson) and launching of a new Marketing Campaign in the EUA denominated "CARRY ON", involving the captain of the TAURUS'shooting team Jessie Harrison-Duff (http://www.taurususa.com), besides other marketing initiatives in the US market;

- ***Sept/12:* Hiring of new Commercial Director of TIMI,** SCOTT ROTHENBERG (former-Freedom Group), with experience of more than 14 years in the market of defense and security products distribution and resale in the USA;

- ***Oct/12:* Taurus ranks as follows in the mechanical industry and metallurgy segments according to Época Negócios magazine:**

  ✓ 1st place in Corporate Governance;

  ✓ 3rd place in Future Vision; and

  ✓ 5th place in Social and Environmental responsibility;

- ***Jan/Oct/12:* Taurus was the share that appreciated the most on BM&FBOVESPA, namely by 133%** in relation to Dec/11, with increase in liquidity and performance of FJTA4 shares (preferred shares), with increase in financial volume of 130% on average terms, and increase in the number of trades of 13% compared to Dec/11, reaching market value of R$ 462 million at Oct/31/12;
- ***Oct/11/12:*** Disclosure of the report on the annual review of assessment of risk related to issue of debentures in 2010 and 2011 of Taurus, prepared by Fitch Ratings, maintaining the same prior rating, as under:

  National
  Long term rating: A-(bra)
  1st Debenture issue: A-(bra)
  2nd Debenture issue: A-(bra)
  Prospect
  National Long Term Rating: Stable

- ***Nov/12:* Taurus ranks among the 6 finalists for the IBGC Award for Biggest Corporate Governance Evolution of Listed Companies** (analysis for the period 2010-2012)**,** among 372 companies listed with BM&FBovespa;

- ***Nov/21/12:* payment of interim dividends** in the total amount of **R$ 9 million,** on the basis of **R$ 0.07 per common and preferred share**, to be paid to Company shareholders of record on **Aug/16/12**. Due to the restatement of the financial statements for 2012, the payment of dividends started to be calculated against reserves, since no consolidated profit was posted in the year for this, to be approved in the next Ordinary Shareholders' Meeting to be held by the end of April/14.

- ## Evolution of the Company's fundamentals in 9M12:

✓ **Consolidated net revenue of R$ 504.8 million represents increase of 13.8%,** due to increase in exports, with average foreign exchange variation 17.6% higher than that for 9M12;

- ✓ **27.8% increase in exports in 9M12 with operations in more than 70 countries** with sales efforts for new markets such as: Ukraine, Greece, Saint Kitts and Grenadines, Poland and Serbia;
- ✓ **Helmet sales were up 12.3% and net revenue of R$ 94.9 million was up 9.3% in 9M12,** while motorcycle sales were down 13.3% compared to 9M11;
- ✓ **Gross profit of R$ 209.8 million was up 11.8%** with gross margin of 41.6% of net revenue;
- ✓ **EBIT of R$ 98.5 million was up 36%** with margin of 19.5% of net revenue;
- ✓ **Adjusted EBITDA of R$ 118.7 million was up 15.7%** with margin of 23.5% of revenue of 9M12, (23.1% in 9M11);
- ✓ **Net positive result from continuing operations of R$ 40.8 million** in 9M12 and margin of 8.1%, 27.7% down compared to net income of R$ 56.4 million and margin of 12.7% in 9M11;
- ✓ **Net negative result from discontinued operations (operations of TMFL) of R$ 135 million** in 9M12, in excess of loss of R$ 33 million in 9M11;
- ✓ Consolidated loss in 9M12 (after restatement) of R$ 94.2 million and negative margin of 18.7% compared to net income of R$ 23.4 million and margin of 5.3% in 9M11; due to the negative result of discontinued operation of R$ 127.1 million in 2Q12, by recognizing losses, when there was recording of write down for the difference of sales value of the asset TMFL after the renegotiation in September 2013, in addition to setting up of additional provisions by understanding that there has been (i) deterioration of credit conditions, ii) failure on completing the full formalization of the guarantees of operation, iii) due to the fact the buyer being a ltd company, with no information available for better evaluation of its current financial economic situation; and iv) awaiting response on the bankruptcy filing of the holding oh the group that bought the asset;
- ✓ **Equity at 09/30/12** of R$ 229.7 million was down 28.9% compared to 09/30/11, due to incorporation of generated loss, against retained earnings, thus reducing the balance of reserves; and
- ✓ **CAPEX investments totaled R$63 million in 9M12** compared to R$38.9 million in 9M11, with realization of 70% of budget for 2012, including R$33 million in acquisitions.

HIGHLIGHTS FOR THE 3RD QUARTER OF 2012 (3Q12)

- ✓ **Consolidated net revenue** of R$ 151.1 million was up 7.9% due to the significant increase of 46.4% in exports, which more than offset the decrease in the domestic market;
- ✓ **Average exchange rate appreciation 24%** higher due to Brazilian real appreciation in 3Q12 compared to 3Q11;
- ✓ **The market share in the helmets segment was up** from 54% in June/12 to 55% in September/12, following internal estimates**;**
- ✓ **Gross profit of R$ 69.8 million was up 5.3%** with gross margin of 46.2% of net revenue, a quite positive evolution since 1Q12 (37.1%) and prior quarter (42.1% in 2Q12);
- ✓ **Operating expenses were stable,** with lower percentage of net revenue for 3Q12, of approximately 25.9% compared to 27.9% in 3Q11;
- ✓ **EBIT of R$ 30.6 million was up 12,9%** with margin of 20.3% of net revenue;
- ✓ **Adjusted EBITDA of R$ 37.9 million was down 14.7%**, with margin of 25.1% of revenue for 3Q12, lower than the 28.1% margin of 3Q11 and 25.4% of 2Q12, but well above the 20.3% of 1Q12;
- ✓ **Net positive result from continuing operations of R$ 11.4 million** in 3Q12 and margin of 7.5%, 69.7% down compared to net income of R$ 37.5 million and margin of 26.8% in 3Q11; and
- ✓ **Consolidated net income (after restatement) of R$ 8.6 million** and margin of 5.7% in 3Q12, down 47.9% compared to net income of R$ 16.5 million and margin of 11.8% in 3Q11, but with significant

improvement compared to loss of R$ 114.9 million in 2Q12, when the impact from losses from the sale of TMFL and additional provisions operations was fully reflected.

FORJAS TAURUS ANNOUNCES THE RESULTS FOR THE 3rd QUARTER OF 2012 (3Q12)

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	**3Q12**	**2Q12**	**3Q11**	**9M12**	**9M11**	**9M12/9M11**	**3Q12/3Q11**	**3Q12/2Q12**
Net revenue	**151,1**	**175,4**	**140,0**	**504,8**	**443,7**	**13,8%**	**7,9%**	**-13,9%**
Domestic market	54,6	74,8	74,1	199,1	204,6	-2,7%	-26,3%	-27,0%
Foreign market	96,5	100,6	65,9	305,7	239,1	27,8%	46,4%	-4,1%
COGS	81,3	101,5	73,7	295,0	256,1	15,2%	10,2%	-19,9%
Gross Profit	69,8	73,9	66,2	209,8	187,6	11,8%	5,3%	-5,6%
Gross Margin - %	**46,2%**	**42,1%**	**47,3%**	**41,6%**	**42,3%**	**-0,7 p.p.**	**-1,1 p.p.**	**4,1 p.p.**
Operating Expenses	-39,1	-36,4	-39,1	-111,3	-115,1	-3,4%	0,0%	7,6%
Operating Profit (EBIT) (1)	30,6	37,5	27,1	98,5	72,4	36,0%	12,9%	-18,3%
Net Financial Income	-10,8	-18,0	-27,9	-30,7	-39,1	-21,3%	-61,2%	-39,7%
Depreciation and amortization (2)	0,3	7,9	5,1	15,8	20,1	-21,7%	-93,3%	-95,6%
Net Income - Continuing Operations	11,4	12,1	37,5	40,8	56,4	-27,7%	-69,7%	-6,2%
Net Income Margin - Cont. Operations	**7,5%**	**6,9%**	**26,8%**	**8,1%**	**12,7%**	**-4,6 p.p.**	**-19,3 p.p.**	**0,6 p.p.**
Net Income - Descontinuing Operations	-2,8	-127,1	-21,0	-135,0	-33,0	309,5%	-86,8%	-97,8%
Net Income - Consolidated	8,6	-114,9	16,5	-94,2	23,4	-502,3%	-47,9%	-107,5%
Net Income Margin - Consolidated	**5,7%**	**-65,5%**	**11,8%**	**-18,7%**	**5,3%**	**-23,9 p.p.**	**-6,1 p.p.**	**71,2 p.p.**
Adjusted EBITDA (3)	37,9	44,5	39,3	118,7	102,6	15,7%	-3,4%	-14,7%
Adjusted EBITDA Margin - %	**25,1%**	**25,4%**	**28,1%**	**23,5%**	**23,1%**	**0,4 p.p.**	**-2,9 p.p.**	**-0,2 p.p.**
Total Assets	1.147,7	1.059,8	1.108,0	1.147,7	1.108,0	3,6%	3,6%	8,3%
Equity	229,7	228,9	323,0	229,7	323,0	-28,9%	-28,9%	0,3%
Investiments (CAPEX)	10,5	31,3	11,8	63,0	38,9	61,8%	-11,4%	-66,6%

(1) For EBIT calculation purposes, equity pickup result was not considered, contained in operating expenses of the ITR form.
(2) Depreciation and amortization: these amounts include total depreciation and amortization based on cash flow for ITR
(3) 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 – Consolidated Net Revenue

3Q12

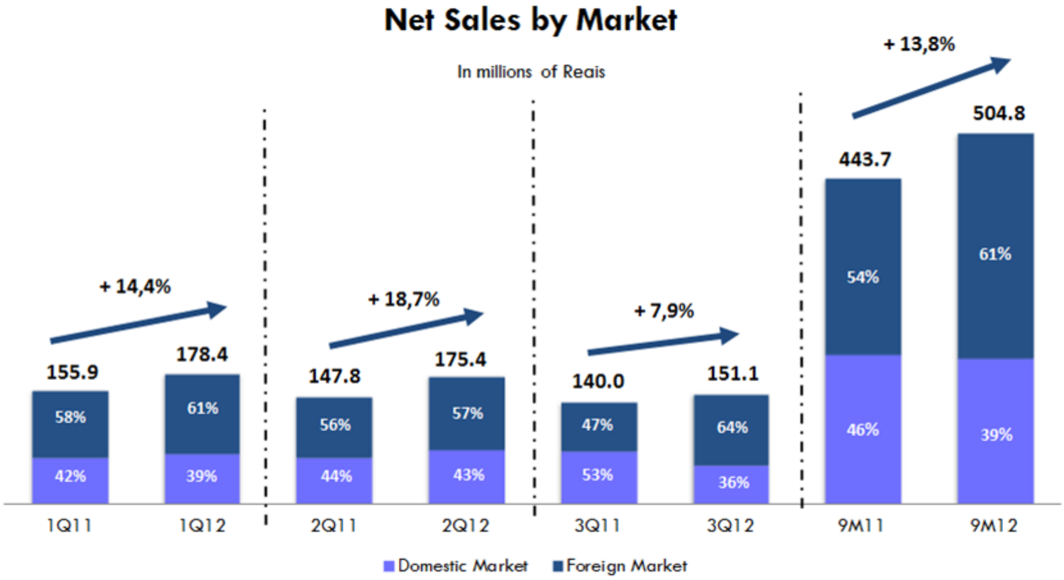
Total consolidated net revenue for 3Q12 amounted to R$151.1 million, up 7.9% in relation to R$140 million in 3Q11. This increase is mainly due to the 46.4% increase in sales in the foreign market totaling R$ 96.5 million, corresponding to 64% of consolidated net revenue, as compared to 47% in 3Q11. The North American market alone (United States, Canada and Mexico) represented 52.7% of total net revenue and 83.5% of exports, due to the increase in consumption in the USA and the effect from acquisition of the new Heritage products mark, which has been quite positive.

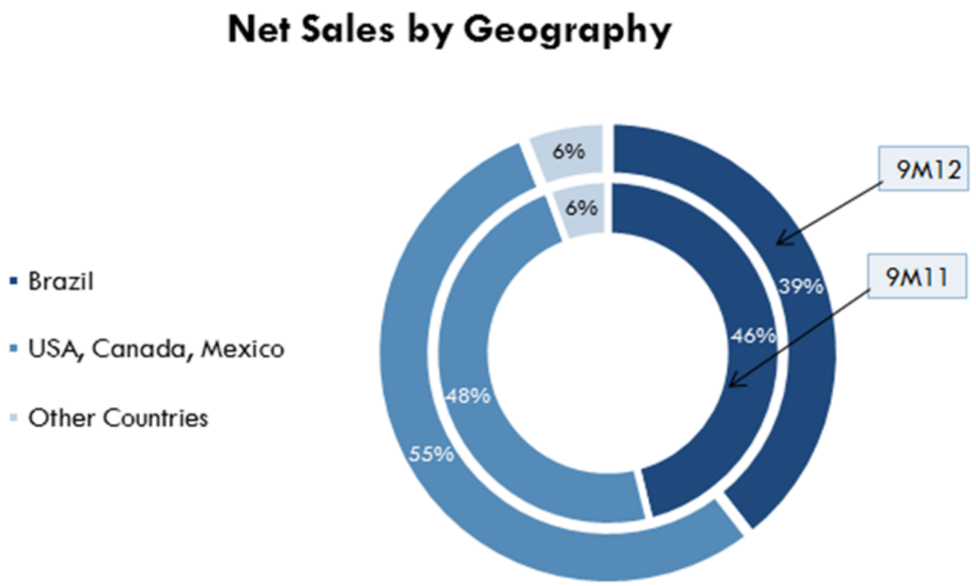
9M12

Consolidated net revenue for 9M12 reached R$ 504.8 million, up 13.8% compared to 9M11, due to the 27.8% increase in exports, which corresponded to 61% of total revenue, while sales to the North American market alone represented 55% of revenue and those of the other countries (more than 70) represented 6%.

The effort for expansion of sales to other countries not belonging to the North American market has been successful, with the expansion of the customer base and increased participation in international bidding processes mainly related to public security.

The trend of increase in revenue every quarter in relation to the same prior year period was maintained, with 13.8% increase in 9M12 and 7.9% increase in 3Q12. We illustrate below the Company's sales in the quarters under analysis, by market and geographic region, in millions of reais:





1.3 - Segment Information

The table below sets out consolidated highlights by business segment in the 9 first months of 2012, compared with the same 2011 period, however, we point out that discontinued operations were eliminated (TMFL – Taurus Máquinas-Ferramenta Ltda.) as well as intersegment revenues, according to the table in Note 7 of the quarterly information - ITR for 3Q12:

RESULTS BY BUSINESS SEGMENT
Consolidated amount in millions of reais

Comparative Nine months - Year over Year

	Net Revenue					Gross Income			Gross Margin			Income before taxes		
	9M12	Part. %	9M11	Part. %	Var.	9M12	9M11	Var.	9M12	9M11	Var.p.p	9M12	9M11	Var.
Firearms	365,5	72,4%	320,4	72,2%	14,1%	147,7	143,9	2,6%	40,4%	44,9%	-4,5	25,8	6,2	NS
Helmets	94,9	18,8%	86,8	19,6%	9,3%	40,1	37,9	5,6%	42,2%	43,7%	-1,5	28,2	28,7	-2%
Others	44,4	8,8%	36,5	8,2%	21,7%	22,0	5,7	NS	49,6%	15,7%	33,8	13,9	(1,5)	NS
Total	**504,8**	100,0%	**443,7**	100,0%	13,8%	**209,8**	**187,6**	11,8%	**41,6%**	**42,3%**	**-0,7**	**67,8**	**33,4**	103%

Comparative Quarter - Year over Year

	Net Revenue					Gross Income			Gross Margin			Income before taxes		
	3Q12	Part. %	3Q11	Part. %	Var.	3Q12	3Q11	Var.	3Q12	3Q11	Var.p.p	3Q12	3Q11	Var.
Firearms	117,7	77,9%	96,6	69,0%	21,7%	58,2	49,5	17,6%	49,4%	51,2%	-1,7	15,9	(12,4)	NS
Helmets	29,6	19,6%	30,4	21,7%	-2,9%	12,6	14,6	-13,6%	42,7%	48,0%	-5,3	8,6	11,9	-28%
Others	3,8	2,5%	12,9	9,2%	-70,2%	(1,0)	2,2	NS	-26,4%	17,0%	-43,4	(4,6)	(0,3)	NS
Total	**151,1**	100,0%	**140,0**	100,0%	7,9%	**69,8**	**66,2**	5,3%	**46,2%**	**47,3%**	**-1,1**	**19,8**	**(0,8)**	NS

Comparative Quarter - Current Quarter x Previous Quarter

	Net Revenue					Gross Income			Gross Margin			Income before taxes		
	3Q12	Part. %	2Q12	Part. %	Var.	3Q12	2Q12	Var.	3Q12	2Q12	Var.p.p	3Q12	2Q12	Var.
Firearms	117,7	77,9%	116,7	66,6%	0,8%	58,2	45,7	27,2%	49,4%	39,2%	10,3	15,9	(2,9)	NS
Helmets	29,6	19,6%	33,4	19,0%	-11,4%	12,6	13,7	-8,2%	42,7%	41,2%	1,5	8,6	10,1	-16%
Others	3,8	2,5%	25,3	14,4%	-84,8%	(1,0)	14,4	-107,0%	-26,4%	57,0%	-83,4	(4,6)	12,3	NS
Total	**151,1**	100,0%	**175,4**	100,0%	-13,9%	**69,8**	**73,9**	-5,6%	**46,2%**	**42,1%**	**4,1**	**19,8**	**19,6**	1%

(i) Weapons – operations conducted by Forjas Taurus S.A. (Porto Alegre – RS) and Taurus Holdings, Inc. (Hialeah – Florida, USA);

(ii) Helmets for motorcyclists – operations conducted by Taurus Blindagens Ltda., Taurus Helmets Indústria Plástica Ltda. and Taurus Blindagens Nordeste Ltda. in Mandirituba (PR) and Simões Filho (BA);

(iii) Other –forging and M.I.M. segments (São Leopoldo- RS);and bulletproof vests and plastic products (Mandirituba-PR).

I. Defense and Security Segment

Weapons

The Defense and Security segment in 9M12 represented 72,4% of total consolidated net revenue, reaching R$ 365.5 million, up 14,1% as compared to 9M11 (R$ 320.4 million, equivalent to 72,2% of total consolidated net revenue). Gross profit amount for the 9M12 was up 2.6% and gross margin of 40.4% was lower than that for the same prior year period of 44.9%. The decrease is due to the technical halt of 20 days in February, which did not take place in 1H11, thus resulting in lower production volume and increased average products cost. When compared to the first quarters of 2012, there was margin increase; namely by 33.4% in 1Q12, 39.2% in 2Q12 and 49.4% in 3Q12.

II. Metallurgy and Plastics Segment

(1) Helmets for motorcyclists

Sales of helmets for motorcyclists represented 18.8% (R$ 94.9 million) of total consolidated net revenue of 9M12, up 9.3% compared to 9M11 (R$ 86.8 million and representing 19.6% of total consolidated net revenue).

Despite the 13.3% decrease in motorcycle sales in the market in 9M12, mainly due to the increase in consumers' default, thus leading to increased restrictions to consumer credit, Taurus succeeded in growing in volume and in terms of revenue, however with a slight decrease in gross margin from 43.7% in 9M11 to 42.2% in 9M12.

However, with the increase in revenue there was market share gain, in relation to competitors, from 54% at the end of June to 55% at the end of September 2012.

There was sale of 1,976 thousand helmets in 9M12, up 12.3% compared to 9M11. Taurus helmets have differentiated modern design, are made of quality materials, are specific for each type of use and are acquired from first tier suppliers, thus ensuring the necessary technical attributes. Our products are fully compliant with Brazilian standards (NBR 7471/2001) and jugular belts and visors meet European standards.

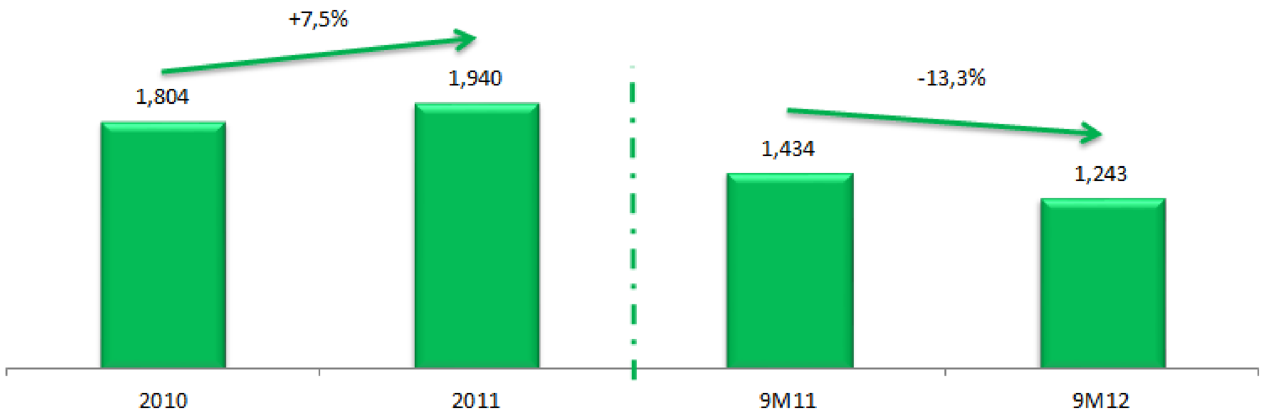
Finishing of our products represents another differential, which thus stand out on the shelves of our customers, with modern design following market trends.

In analyzing the result for 3Q12, it is already possible to feel the effect from the slowdown in the motorcycle market, compared to 3Q11, with 2.9% decrease in net revenue and decrease in gross margin and the result.

We illustrate below evolution of motorcycle sales and helmet for motorcyclists sales in Brazil by Taurus on an annual basis in 2010 and 2011 and for 9M11 and 9M12.

Changes in motorcycle sale in Brazil

In thousands

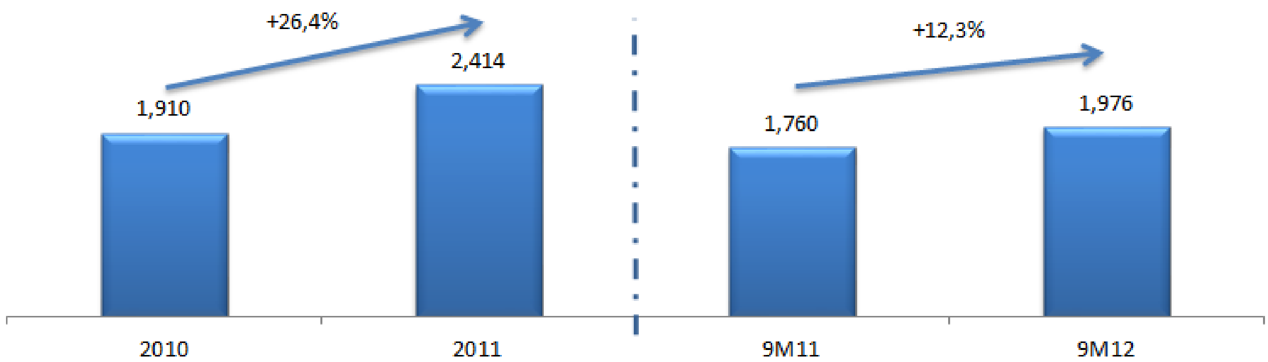


Source: *Fenabrave*

OBS: *data referring to motorcycle sales in Brazil was presented based on ABRACICLO (Brazilian Association of Manufacturers of Motorcycles, Mopeds, Scooters, Bicycles and similar products) data that represented motorcycle sales to dealers. In order to more representatively illustrate motorcycle sales in Brazil, we decided to use Fenabrave (National Federation of Motor Vehicle Distribution) data that contains data on motorcycle number plate licensing in Brazil.*

Changes in sales of motorcycle helmets - Taurus

In thousands



Source: *Company Data*

(2) Other products

Consolidated net revenue from other products totaled R$44.4 million in 9M12, a percentage of 8.8% of total consolidated net revenue, up 21.7% compared to 9M11 (R$ 36.5 million). This increase is due to the significant increase in sales of bullet proof vests, plastic containers and motorcycle traveling boxes, mainly in the 2nd quarter, which offset the decrease in forged products for third parties. Other products include M.I.M. molded products (used as components of weapons and by third parties), particularly for the automotive, oil and gas and agricultural sectors. We have worked with an integrated engineering concept to analyze customers' needs in order to be able to develop differentiated parts, thus reducing concentration in the production of parts that are commodities in the market.

1.4 – Consolidated gross profit and gross margin

3Q12

Consolidated gross profit increased 5.3%, reaching R$ 69.8 million in 3Q12 with gross margin of 46.2% (R$ 66.2 million in 3Q11 and gross margin of 47.3%). Consolidated gross profit was mainly affected by: (1) 17.6% increase in gross profit of the weapons segment, due to the change in products mix; (2) reversal of R$ 400 thousand in the provision for profit sharing of executives linked to production since the Company did not post profit; (3) these offset the 13.6% decrease in the helmets segment, due to the decrease in motorcycle sales in the period mainly due to increased restrictions to consumer credit.

9M12

Consolidated gross profit increased 11.8%, reaching R$ 209.8 million in 9M12 despite the slight decrease of 0.7 percentage points in gross margin of 41.6% (R$ 187.6 million in 9M11 and gross margin of 42.3%). The performance is due to the following: (1) 2.6% increase in gross profit for the weapons segment; (2) reversal of R$ 1,100 thousand in the provision for profit sharing of executives linked to production, since the Company did not post profit; (3) 5.6% increase in gross profit in the helmets segment; and (4) significant increase in gross profit of other products, highlighting the increase in sales of bullet proof vests, glasses for motorcyclists and plastic containers, with quite satisfactory margins.

1.5 – Earnings before interest and taxes - EBIT

3Q12

Consolidated EBIT was up 12.9% in the 3Q12, totaling R$ 30.6 million, with operating margin of 20.3% (R$ 27.1 million and operating margin of 19.4% in 3Q11). EBIT was affected mainly by the 5.3% increase in gross profit and stable operating expenses in 3Q12 and 3Q11.

9M12

EBIT was up 36% in 9M12, totaling R$ 98.5 million, with operating margin of 19,5% (R$ 72.4 million and operating margin of 16.3% in 9M11). EBIT resulted from the 11.8% increase in gross profit and the 3.4% decrease in total operating expenses in 9M12 as compared to 9M11.

1.6 – Adjusted EBITDA and adjusted EBITDA margin

CONSOLIDATED EBITDA
In thousands of BRL

PERIOD	9M11	9M12
= NET PROFIT	23.400	(94.218)
(+) IR/CSLL	(22.991)	27.016
(+) Net Financial Expenses	76.341	104.952
(-) Net Interest Income	(37.290)	(74.226)
(+) Depreciation/Amortization	20.145	23.242
= EBITDA CVM Reg. 527/12	59.605	(13.234)
(+) Income from Discontinued Operations [(1)]	32.961	131.903
(+) Non-recurring Expenses	9.999	-
= ADJUSTED EBITDA	102.565	118.669

[(1)] *Net rresult of discontinued operations, properly discounted the depreciation and amortization, taxes and net financial result effects, as a criterion for calculating EBITDA.*

3Q12

Adjusted consolidated cash generation (adjusted EBITDA) in 3Q12 amounted to R$37.9 million, with adjusted EBITDA margin of 25.1% (R$39.3 million and adjusted EBITDA margin of 28.1% in 3Q11).

9M12

Adjusted consolidated cash generation in 9M12 was up 15.7% as compared to that of 9M11, totaling R$ 118.7 million with adjusted EBITDA margin of 23.5% higher than that for the same prior year period (R$ 102.6 million and adjusted EBITDA margin of 23.1% in 9M11). Depreciation and amortization composing adjusted EBITDA calculation were used without considering discontinued operations and non-recurrent revenues (expenses), reason why they differ from depreciation and amortization presented in the consolidated cash flow, however, they already include the acquisitions of Steelinject and Heritage, of which the fixed assets started to compose our assets and shareholdings, in addition to the investments in operating improvements, with the acquisition of new machinery and equipment.

1.7 – Financial income (expenses)

Consolidated net financial expense at 09/30/12 amounted to R$ 30.7 million, down 21.3% compared to net financial expense of R$ 39.1 million at 09/30/11. There was a relative increase in financial income of 99% (totaling R$ 74.2 million) higher than the increase in financial expense of 37% (amounting to R$ 104.9 million) in 9M12, mainly due to swap operations (swap of debt denominated in USD to debt in Brazilian reais) of which the net result was of R$ 13 million, which offset the net negative foreign exchange variation of R$ 12.8 million.

There also was an increase proportionally higher in net interest expenses due to the increase in interest rate in the period.

1.8 – Net income (loss)

3Q12

Consolidated net result from continuing operations in 3Q12 after restatement of the ITR amounted to R$11.4 million positive with net margin of 7.5%, compared to net positive result of 37.5 million and margin of 26.8% in 3Q11. Net positive result for 2Q12 of R$12.1 million with margin of 6.9% was quite close.

Comparison with 3Q11 is impaired due to recognition of tax loss of Polimetal upon corporate reorganization occurred in July 2011, which generated positive deferred income tax of R$ 40.3 million, which was fully recorded once, which did not take place in 3Q12. The amounts were recognized in deferred tax assets and liabilities in Note 13 (b), also tax credits will be absorbed until 2021.

The consolidated net income (after discontinued operations) of R$ 8.6 million in 3Q12 and margin of 5.7%, compared to net income of R$ 16.5 million in 3Q11 and margin of 11.8%, benefitted by non-recurrent deferred income tax, which impairs comparison.

9M12

Consolidated net income from continuing operations in 9M12 reached R$ 40.8 million with net margin of 8.1%, compared to R$ 56.4 million and net margin of 12.7% in 9M11. Net income was down 27.7% compared to the same prior year period, mainly due to the following: (a) 13.8% increase in net revenue; (b) 11.8% increase in gross profit; (c) 3.4% decrease in net operating expenses; (d) 15.7% increase EBITDA.

Considering the results of discontinued operations, with the restatement, there was loss of R$ 135 million in 9M12 and R$ 33 million in 9M11, considering all impacts from restatements.

Therefore, final consolidated result (after discontinued operations) was loss of R$ 94.2 million with negative margin of 18.7% in 9M12, compared to net income of R$ 23.4 million with margin of 5.3% in 9M11. For purposes of comparison, we should take into consideration the following aspects: (i) positive deferred income tax from corporate reorganization in July/11 of R$ 34.6 million that did not occur in 9M12; and (ii) negative impact from discontinued operations of R$ 135 million in 9M12, compared to negative impact of R$33 million in 9M11.

We set out below all the accounting entries of TMFL that were restated in the financial statements in 9M12.

1.9 – Restatement of Consolidated Quartely Reviews

On June 21, 2012, Forjas Taurus S.A. concluded the sale of the operating activities of Taurus Máquinas-Ferramenta Ltda. ("TMFL") to Renill Participações Ltda. ("RPL"), in the amount of R$115.35 million, according to the Contract for Purchase and Sale of Units of Interest and Other Covenants ("Contract") entered into by the parties.

As mentioned in ITR's Note 8, the Parties renegotiated the sales price and payment conditions, adjusting the overall value of the Contract related to disposal of subsidiary TMFL to R$ 57.52 million.

The accounting effect from the renegotiation entailed reduction of the sale value, resulting in loss of R$57.83 million.

The Company revisited all contracts and correspondence related to the sale of TMFL operations, reaching the same conclusion as that of its independent auditor, i.e. that the events that led to the reduction of the original sales value were already present at June 30, 2012, reason why the loss should have been recognized as of that date.

In view of this, the Company decided to voluntarily correct all the effects determined on a retroactive basis in the financial statements as established by CPC 23 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors (equivalent to IAS 8), as under:

						Consolidated
						At September 30, 2012
	Assets		Liabilities and equity			
	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	Income (loss) for
Balance originally disclosed	**759,805**	**516,319**	**435,396**	**485,671**	**355,057**	**31,187**
Write-off of accounts receivable (a)	-	(57,830)	-	-	(57,830)	(57,830)
Supplementary provision for losses (b)	(2,601)	(56,824)	-	-	(59,425)	(59,425)
Provision for inventory losses (c)	(4,385)	-	-	-	(4,385)	(4,385)
Allowance for doubtful accounts (c)	(6,746)	-	-	-	(6,746)	(6,746)
Transfer to current liabilities (d)	-	-	227,854	(227,854)	-	-
Statutory profit sharing (e)	-	-	(2,981)	-	2,981	2,981
Restated balance	**746,073**	**401,665**	**660,269**	**257,817**	**229,652**	**(94,218)**

The accounting entries in the restatement refers substancially to subsidiary TMFL and went through the Consolidated Income Statement as "Result from Discontinued Operations":

a) Write down of accounts receivable for sale of the machinery activity, as a result of the renegotiation that led to the reduction of sales price, as mentioned in Note 8.

b) In addition to recording of write down of accounts receivable for the sale of the machinery activities, as mentioned in (a) above, management recorded a provision for losses for the balance still receivable from Renill Participações, due to impairment of the credit conditions, difficulties in fully implementing the guarantees and lack of updated information on the debtor's financial conditions. in accordance with CPC24 that provides for subsequent events occurred between the period of the financial statements and the approval for their restatement. Such allowance was also recognized as of June 30, 2012.

c) Due to the changes made for restatement purposes, management performed a new process for approval of its financial statements. As part of this process, and in accordance with CPC 24, the impacts from subsequent events occurred between the period of the financial statements and approval for their restatement were also considered. Those events that evidenced conditions that already existed on the date of the related financial statements were adjusted for restatements purposes; and

d) Due to the recording of losses, as mentioned above, certain financial ratios (covenants) of loan agreements and debentures were not met, and the long-term portions were reclassified to current liabilities.

e) Reversal of statutory provision due to the change of profit to loss for the period.

The above provisions and losses were substantially determined by the subsidiary Taurus Máquinas-Ferramenta Ltda., which has no capacity to recover tax credits from income and social contribution tax taxes on that date. As such, deferred income and social contribution tax losses were not recorded for these provisions and losses.

Deferred income and social contribution tax losses were not recorded for these provisions and losses.

The cash flow statements and statements of value added were adjusted to reflect the effects indicated.

1.10 Consolidated Investments

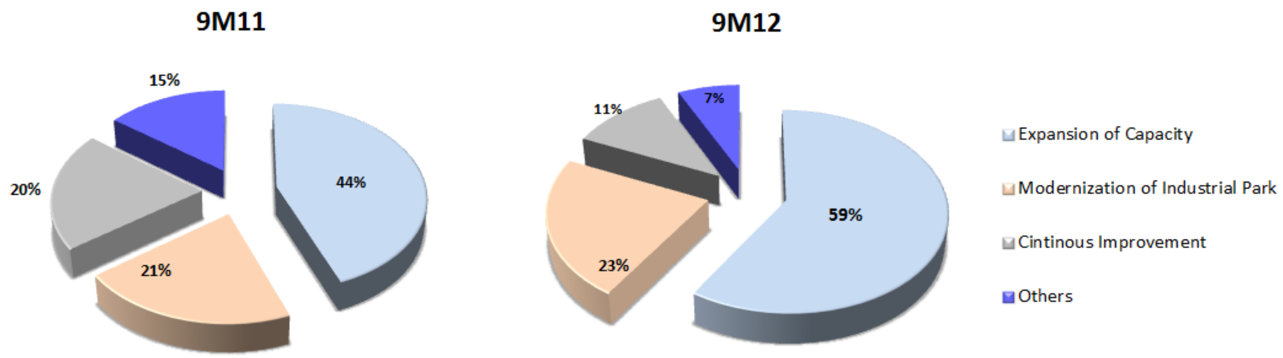
Consolidated investments (property, plant and equipment plus acquisitions) in 3Q12 totaled R$ 10.5 million (R$ 11.8 million in 3Q11). Depreciation and amortization totaled R$ 7.8 million in the quarter, compared to R$ 5.1 million in 3Q11, considering the amounts in the Company's cash flow.

In 9M12 there was investment of R$ 63 million, up 61.8% compared to R$38.9 million in 9M11, considering in this amount the acquisitions made in 9M12, previously announced, namely Steelinject in Brazil, in the amount of R$ 14 million and Heritage Manufacturing, Inc. in the USA for R$ 19 million. Depreciation and amortization totaled R$23.2 million in the quarter, compared to R$ 20.1 million in 3Q11, considering the amounts in the Company's cash flow.

Up to 09/30/12 investments made totaled R$ 63 million (including acquisitions), which represented 80.1% of the Company's Capital Budget, approved by the Board of Directors and the Ordinary Shareholders' Meeting (AGO) of April 27, 2012, with the following distribution of application of funds:

Investments in 2012	R$ million	USD million	%
R&D	11,1	6,3	14,1%
Industrial modernization	17,1	9,8	21,8%
IT	1,4	0,8	1,8%
Subtotal	29,6	16,9	37,7%
Acquisitions	49,0	28,0	62,3%
Grand Total	**78,6**	**44,9**	**100,0**

The graphs below illustrate investments in property, plant and equipment in 9M12 and 9M11, without considering acquisitions, with the following distribution:



1.11 – Financial position

The balance of cash and short-term investments totaled R$ 187.3 million at September 30, 2012, up 39% compared to R$ 134.3 million at June 30, 2012. The increase is mainly due to the Company's strategy of working with higher liquidity (short-term debt cover).

Consolidated gross indebtedness of the Taurus companies (including Taurus Máquinas-Ferramenta Ltda.) totaled at September 30, 2012, the amount of R$ 740.7 million, up 11% compared to R$ 668.9 at June 30, 2012. The funds were mainly allocated to financing: (i) working capital; and (ii) investments in industrial modernization and acquisitions.

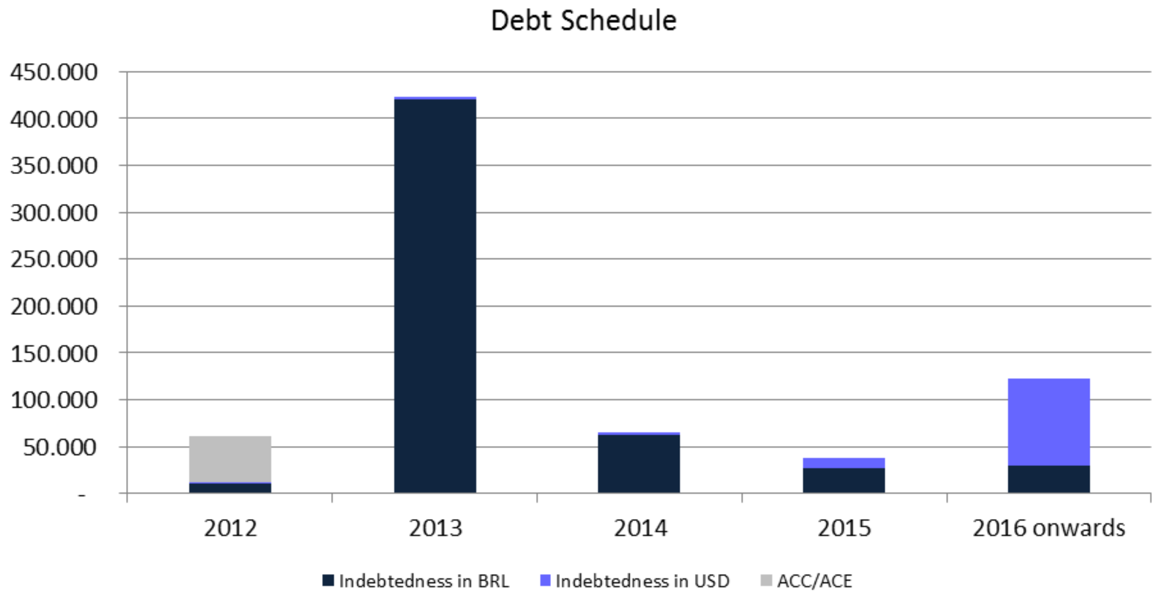
Net indebtedness amounted to R$ 553.5 million at September 30, 2012, up 4% compared to R$534.6 million at June 30, 2012, already reflecting funding in April/12 by Taurus International, Inc. – USA, of US$ 75 million, with payment term of 5 years, taken out from Wells Fargo Bank, at competitive cost, with use up to 09/30/12 of USD 30.4 million of the credit limit (Note 6(iv)).

The financial position of Taurus Máquinas-Ferramenta Ltda. was also considered, even after sale of the operations, since the financial liabilities remained with the Company. Furthermore, we consider the prepayment of receivables as debt, even without recourse, in response to the request of the debenture holders at the General Meeting of Debenture Holders held in November 12, 2013 to voting on the no early settlement of the 1st and 2nd issues.

Loans and financing maturing within short term were increased, totaling R$305 million, both in local currency and in US dollars, owing to the existence of contracts providing for covenants to be met. With the restatement for the 3Q12, calculation of financial ratios (Net Debt/EBITDA and EBITDA/Net Financial Expenses) changed, and there was noncompliance with covenants, also in October 2012 there was enactment of CVM Rule No. 527/12, defining the EBITDA calculation methodology, reason why loans and financing related to these contracts were automatically transferred to the short term portion, since EBITDA calculation per the contracts did not provide for the new methodology, which was defined later on.

The balance of debentures at 09/30/12 including 1st and 2nd issue amounted to R$ 112 million in current liabilities compared to R$ 110.1 million at 06/30/12. Since restatement resulted in noncompliance with covenants, all contracts with covenants about financial ratios to be complied with were reclassified to short term portion, reason why the following maturity schedule encumbered 2013. The final maturity for 1st issue debentures is April/14 and the 2nd issue debentures mature in 2016.

With this new framework after restatements, the maturity schedule was temporarily concentrated in the short term:



We set out below the Company's financial position, including advance on mortgage credits –CRI and the sureties and guarantees, as well as the financial position of Taurus Máquinas-Ferramenta Ltda., which was restated and consolidated, as well as the main related financial ratios:

In millions BRL

	09/30/2012	06/30/2012	12/31/2011	Var. Sep/12 x Jun/12	Var. Sep/12 x Dec/11
Short term indebtedness	305,0	287,8	99,0	6%	208%
Long term indebtedness	240,8	186,0	232,7	29%	3%
Exchange Serves	50,0	49,8	39,6	0%	26%
Debentures	112,0	110,1	125,3	2%	-11%
Antecipation Mortages	30,8	32,6	36,1	-6%	-15%
Advance on Receivables	22,2	17,9	17,5	24%	26%
Derivatives	-20,0	-15,2	1,0	31%	-
Gross Indetbetedness	740,7	668,9	550,2	11%	35%
(-) Cash available and financial investments	187,3	134,3	162,2	39%	15%
Net Indebtedness	553,5	534,6	388,0	4%	43%
Adjusted EBITDA	155,5	155,2	130,8	0%	19%
Net Indebtedness/Adjusted EBITDA	3,56x	3,45x	2,97x		
Adjusted EBITDA/Financial Expenses Net	3,95x	2,76x	2,75x		

2 – Capital market

Performance of shares of Forjas Taurus S.A. - Bovespa

The Company's shares have been listed on Bovespa since March 1982. On July 7, 2011, the Company adhered to Level 2 of BM&FBovespa with its Articles of Incorporation fully amended and consolidated including adoption of differentiated corporate governance practices provided for Level 2.

Due to the corporate reorganization occurred in July 2011, that resulted in capital increase followed by share split and reverse split, the number of the Company's shares at December 31, 2011 became 141,412,617, comprising 47,137,539 common shares, representing 33.3% of capital and 94,275,078 preferred shares, representing the remaining 66.7%, not changing capital composition at September 30, 2012.

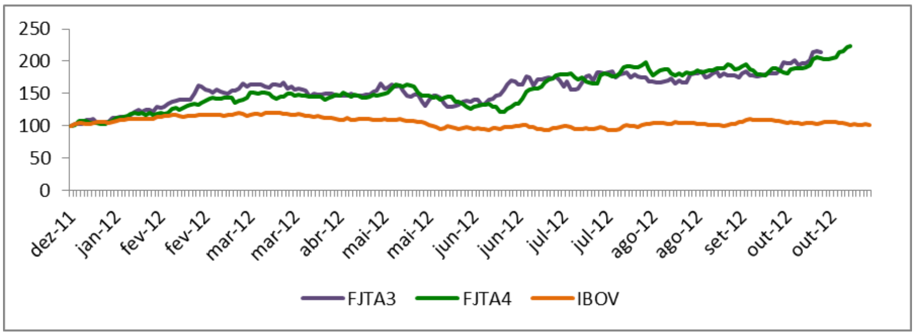
The recent evolution of the main aspects related to liquidity, such as number of trades, financial volume and quantity of traded shares, as well as the market value, based on certain information about shares on BM&FBovespa, clearly evidences the increase in liquidity and appreciation of Taurus shares along 2012. Taurus shares ranked above IBOVESPA index as shown in the table below:

	Oct/12	Dec/11	Var.
Share FJTA3 - 47,137,539 shares			
Stock Price - BRL share	3.19	1.49	114%
Trades - Amount*	4,923	30,943	-84%
Trades - Volum BRL*	14,361	45,711	-69%
Share FJTA4 - 94,275,078 shares			
Stock Price - BRL share	3.31	1.42	133%
Trades - Amount*	197,650	175,186	13%
Trades - Volum BRL*	585,905	254,924	130%
Market Value FTSA - BRL thousands			
141,412,617 shares	462,419	204,106	127%
Ibovespa			
	57,068	56,754	1%

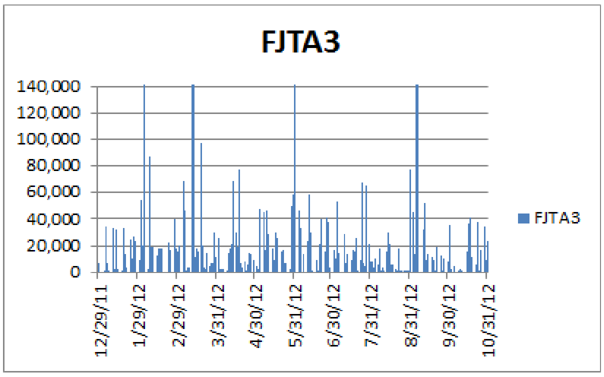
*average daily volum of the respective periods.

Source: BM&FBovespa

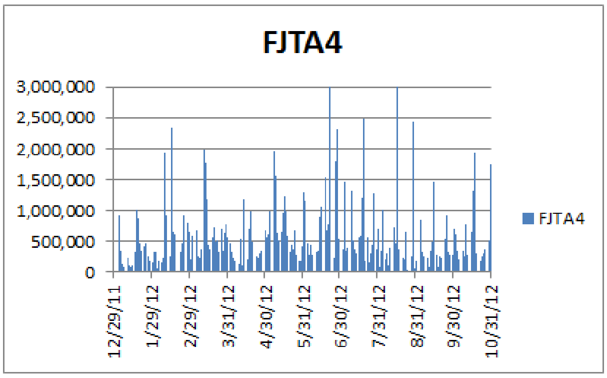
Performance of FJTA Share x IBOV



Financial Volume FJTA3



Financial Volume FJTA4



3- Subsequent Events

Dividends paid until 9M13 and subsequents referring to 2012

Due to the restatement of the financial statements for 2012, management have to propose approval in the next Ordinary Shareholders' Meeting to be held on April 30, 2014 of dividends already paid related to 2012, in the value of R$16.1 million:

Distributed dividends to be re-ratified in the Assembly of April 30, 2014

Date of Board Meeting	Dividends/Interests on net equity	Dividend per share	Date of Payment
Aug 16, 2012	BRL 9.028 millions	BRL 0.07	Nov 21, 2012
Nov 19, 2012	BRL 4.16 millions	BRL 0.03	May 26, 2013
Mar 25, 2013	BRL 3.49 millions	BRL 0.03	May 26, 2013
The year of 2012	BRL 16.7 millions	BRL 0.12	Approved on Annual Shareholders Meeting of Apr 26, 2013

Thus, total gross remuneration of shareholders related to 2012 amounted to R$ 16.7 million, which net of taxes totals R$ 16.1 million between dividends and interest on shareholders equity.

4 – *Guidance* (Estimates) 2012 Vs Actual (Restatement)

Company had provided growth projections for 2012 based on perspectives to the two main business segments of Defense & Security and Metallurgy & Plastics as by the original presentation of 2Q12.

According on the 2Q12, 3Q12 and 4Q12 restatements, we are comparing the original projected and original performed and the restated and performed to market knowledge:

In BRL Millions	Guidance 2012	Realized 2012 (Original)	Realized 2012 (Reviewed)	Variation Guidance/Realized
Net Revenue	> R$ 700.0	R$ 701,0	R$ 701,0	Nulo
Adjusted EBITDA	> R$ 150.0	R$ 152,2	R$ 130,3	-13%
CAPEX	R$ 78.6	R$ 90,2	R$ 90,2	14%

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 Quarterly Information

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

Introduction

We have reviewed the individual and consolidated interim financial information of Forjas Taurus S.A. (Company), contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2012, which comprises the balance sheet as at September 30, 2012 and the related income statement and statement of comprehensive income for the three and nine-month periods then ended, the statement of changes in equity and cash flow statement for the nine-month period then ended, including other explanatory information.

Management is responsible for the preparation of the individual interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) - Interim Financial Reporting, and consolidated interim financial information in accordance with CPC 21 (R1) 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 the 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 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Information (ITR), and presented 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 consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Emphasis of matter

On October 15, 2013, we issued a qualified review report on the financial position and an adverse conclusion on operating performance and cash flows for the three and nine-month periods ended September 30, 2012, on account of: (i) unrecognized loss on accounts receivable in the amount of R$57,830 thousand; (ii) non-preparation of an analysis on the capacity of realization of receivables in the amount of R$59,424 thousand, or verification whether receivables were recorded at present value; and (iii) non-reclassification to current liabilities of loans and debentures whose financial ratios were not met, in the amount of R$227,854 thousand. As described in Note 3(e), the Quarterly Information (ITR) for the quarter ended September 30, 2012 was changed and is being restated to reflect the corrections of the abovementioned accounting distortions. Consequently, the qualifications contained in our report previously issued are no longer necessary and, therefore, we are reissuing on this date our new conclusion herein, which does not include any qualification or any other kind of modification.

Other matters

Statements of value added

We also reviewed the individual and consolidated statements of value added (SVA), for the nine-month period ended September 30, 2012, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information (ITR) and considered supplementary information under IFRS, which do not require SVA presentation. These restated statements were submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would make us believe that they were not prepared, in all material respects, in accordance with the overall individual and consolidated interim financial information.

Corresponding figures

The figures corresponding to the balance sheet as at December 31, 2011, the income statement and statement of comprehensive income for the three and nine-month periods ended September 30, 2011, the statement of changes in equity, cash flow statement and the statement of value added, presented for comparative purposes, for the nine-month period ended September 30, 2011, were previously audited and reviewed, respectively, by other independent auditors, who issued unmodified opinions thereon dated March 22, 2012 and August 9, 2011.

Porto Alegre, March 25, 2014.

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

Luis Carlos de Souza
Accountant CRC-1SC021585/O-4

Representation of Supervisory Board

The Supervisory Board of Forjas Taurus S.A., in compliance with legal and statutory requirements, reviewed the information for the third quarter of 2012, redone by management, the sight of justified reasons, properly presented in its report and in the notes that accompany and these are integral. Based on this review and further considering the Report on Review of Interim Financial Information, unqualified by the independent auditors, Ernst & Young Auditores Independentes S.S., dated March 25, 2014, and on information and explanations received from the directors of the Company, the Supervisory Board opines that these documents are able to be released.

Porto Alegre, March 28, 2014

Mauro César Medeiros de Mello

Amoreti Franco Gibbon

Juliano Puchalski Teixeira

Marcelo de Deus Saweryn

Reinaldo Fujimoto

Reports and Representations / Representation of Executive Board on the Financial Statements

REPRESENTATION LETTER OF FORJAS TAURUS S.A. OFFICERS ON THE FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2012

Mr. André Balbi Cerviño, Mr. Eduardo Ermida Moretti, Mr. 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 July 1, 2012 to September 30, 2012.

Porto Alegre, March 24, 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

Reports and Representations / Representation of Executive Board on Independent Auditor's Report

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

Mr. André Balbi Cerviño, Mr. Eduardo Ermida Moretti, Mr. 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 Terco Auditores Independentes S.S., issued on March 25, 2014, in the Independent Auditor's Special Review Report on the Financial Statements for the period from July 1, 2012 to September 30, 2012.

Porto Alegre, March 25, 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