Contents

Company information / Composition of capital

Number of shares (Units)	Current quarter 06/30/2012
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

Company information / Cash dividends

Event	Approval	Earning	First payment	Type of share	Class of share	Earnings per share (Reais / share)
Board of Directors' Meeting	10/17/2011	Interest on equity	04/02/2012	Common		0.10000
Board of Directors' Meeting	10/17/2011	Interest on equity	04/02/2012	Preferred	Preferred Class A	0.10000

Individual financial statements / Balance sheet – Assets

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2012	Prior year 12/31/2011
1	Total assets	812,886	863,369
1.01	Current assets	316,233	350,759
1.01.01	Cash and cash equivalents	64,204	71,320
1.01.01.01	Cash and banks	5,764	12,397
1.01.01.02	Short-term investments	58,440	58,923
1.01.03	Accounts receivable	94,063	144,879
1.01.03.01	Trade accounts receivable	94,063	144,879
1.01.04	Inventories	77,914	86,216
1.01.06	Taxes recoverable	37,021	9,950
1.01.06.01	Taxes recoverable-current	37,021	9,950
1.01.07	Prepaid expenses	995	2,301
1.01.08	Other current assets	42,036	36,093
1.01.08.03	Other	42,036	36,093
1.01.08.03.01	Financial instruments	28,960	17,778
1.01.08.03.02	Advance on interest on equity	0	3,625
1.01.08.03.03	Other receivables	13,076	14,690
1.02	Non-current assets	496,653	512,610
1.02.01	Long-term receivables	87,554	64,283
1.02.01.08	Receivables from related parties	77,333	59,087
1.02.01.08.04	Receivables from other related parties	77,333	59,087
1.02.01.09	Other non-current assets	10,221	5,196
1.02.01.09.03	Taxes recoverable	1,307	3,210
1.02.01.09.04	Other	8,914	1,986
1.02.02	Investments	336,792	321,982
1.02.02.01	Investments	336,792	321,982
1.02.02.01.02	Investments in subsidiaries	336,602	321,852
1.02.02.01.04	Other investments	190	130
1.02.03	Property, plant and equipment	67,387	120,967
1.02.03.01	Property, plant and equipment in use	55,962	102,736
1.02.03.03	Construction in progress	11,425	18,231
1.02.04	Intangible assets	4,920	5,378
1.02.04.01	Intangible assets	4,920	5,378

Individual financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2012	Prior year 12/31/2011
2	Total liabilities and equity	812,886	863,369
2.01	Current liabilities	490,982	305,697
2.01.01	Social and labor obligations	13,560	23,514
2.01.01.01	Social obligations	2,339	4,229
2.01.01.02	Labor obligations	11,221	19,285
2.01.02	Suppliers	29,005	15,823
2.01.02.01	Suppliers – domestic	28,173	14,841
2.01.02.02	Suppliers – foreign	832	982
2.01.03	Tax obligations	482	13,312
2.01.03.01	Federal tax obligations	417	5,402
2.01.03.01.01	Income and social contribution tax payable	417	5,402
2.01.03.02	State tax obligations	48	7,892
2.01.03.03	Municipal tax obligations	17	18
2.01.04	Loans and financing	362,588	160,903
2.01.04.01	Loans and financing	252,528	85,112
2.01.04.01.01	In local currency	106,500	75,365
2.01.04.01.02	In foreign currency	146,028	9,747
2.01.04.02	Debentures	110,060	75,791
2.01.05	Other payables	83,807	90,680
2.01.05.02	Other	83,807	90,680
2.01.05.02.01	Dividends and interest on equity payable	10	15,270
2.01.05.02.04	Foreign exchange payable	49,798	39,626
2.01.05.02.05	Derivative financial instruments	14,478	19,358
2.01.05.02.06	Other payables	19,521	16,426
2.01.06	Provisions	1,540	1,465
2.01.06.01	Social security, labor and civil provisions	1,540	1,465
2.01.06.01.02	Social security and labor provisions	1,540	1,465
2.02	Non-current liabilities	93,044	232,337
2.02.01	Loans and financing	61,021	225,861
2.02.01.01	Loans and financing	61,021	176,322
2.02.01.01.01	In local currency	30,369	56,555
2.02.01.01.02	In foreign currency	30,652	119,767
2.02.01.02	Debentures	0	49,539
2.02.02	Other payables	29,221	4,371
2.02.02.02	Other	29,221	4,371
2.02.02.02.03	Tax obligations	738	0
2.02.02.02.05	Other obligations	28.483	0
2.02.03	Deferred taxes	2,802	2,105
2.02.03.01	Deferred income and social contribution taxes	2,802	2,105
2.03	Equity	228,860	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	8,366	107,765
2.03.04.01	Legal reserve	8,366	25,718
2.03.04.08	Proposed additional dividends	0	469
2.03.04.10	Reserve for investments	0	81,578

Individual financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2012	Prior year 12/31/2011
2.03.06	Equity valuation adjustment	37,676	44,807
2.03.07	Cumulative translation adjustments	-1,088	-11,143

Individual financial statements / Income statement

(In thousands of reais)

Account code	Account description	Current quarter 04/01/2012 to 06/30/02012	YTD 01/01/2012 to 06/30/2012	Same prior year quarter 04/01/2011 to 06/30/2011	Prior year Accrued 01/01/2011 to 06/30/2011
3.01	Revenue from sale of goods and/or services	111,296	185,274	88,343	161,562
3.02	Cost of goods and/or services sold	-81,908	-142,009	-64,371	-123,621
3.03	Gross profit	29,388	43,265	23,972	37,941
3.04	Operating income (expenses)	1,025	7,390	-15,846	-21,619
3.04.01	Selling expenses	-8,496	-15,630	-10,605	-19,042
3.04.02	General and administrative expenses	-7,618	-15,586	-11,003	-20,679
3.04.04	Other operating income	108	606	62	509
3.04.05	Other operating expenses	-1,186	-2,524	-1,049	-2,539
3.04.06	Equity pickup	18,217	40,524	6,749	20,132
3.05	Income before financial expenses and income taxes	30,413	50,655	8,126	16,322
3.06	Financial expenses, net	-17,385	-18,865	-7,671	-8,539
3.06.01	Financial income	17,439	61,855	2,432	9,183
3.06.02	Financial expenses	-34,824	-80,720	-10,103	-17,722
3.07	Income before income taxes	13,028	31,790	455	7,783
3.08	Income and social contribution taxes	-920	-2,375	-666	-857
3.08.01	Current	0	0	-487	-487
3.08.02	Deferred	-920	-2,375	-179	-370
3.09	Net income from continuing operations	12,108	29,415	-211	6,926
3.10	Net income from discontinuing operations	-127,050	-132,216	0	0
3.11	Net income for the period	-114,942	-102,801	-211	6,926
3.99	Earnings per share - (Reais / share)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	-0.81281	-0.72696	-0.00149	0.04898
3.99.01.02	PN	-0.81281	-0.72696	-0.00149	0.04898
3.99.02	Diluted earnings per share				
3.99.02.01	ON	-0.81281	-0.72696	-0.00149	0.04898
3.99.02.02	PN	-0.81281	-0.72696	-0.00149	0.04898

Individual financial statements / Statement of comprehensive income

(In thousands of reais)

Account code	Account description	Current quarter 04/01/2012 to 06/30/2012	YTD 01/01/2012 to 06/30/2012	Same prior year quarter 04/01/2011 to 06/30/2011	Prior year Accrued 01/01/2011 to 06/30/2011
4.01	Net income for the period	-114,942	-102,801	-211	6,926
4.02	Other comprehensive income (losses)	9,929	6,795	-3,971	-6,157
4.02.01	Cumulative translation adjustments for the period	13,187	10,053	-3,971	-6,157
4.02.03	Financial instruments adjustments	-3,258	-3.258	0	0
4.03	Comprehensive income (losses) for the period	-105,013	-96,006	-4,182	769

Individual financial statements / Cash flow statement - Indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 06/30/2012	Prior year Accrued 01/01/2011 to 06/30/2011
6.01	Net cash provided by (used in) operating activities	18,244	17,907
6.01.01	Cash from operations	-5,132	7,616
6.01.01.01	Net income for year	-102,801	6,926
6.01.01.02	Depreciation and amortization	5,839	8,410
6.01.01.03	Cost of permanent assets disposed of	664	682
6.01.01.04	Deferred income and social contribution taxes	2,375	370
6.01.01.05	Equity pickup	-40,524	-20,132
6.01.01.06	Equity pickup – Discontinuing Operations	132,216	0
6.01.01.07	Provision for derivative financial instruments	-20,007	652
6.01.01.08	Equity valuation adjustment write-off	0	-29
6.01.01.09	Change in investment in subsidiaries	76	30
6.01.01.10	Allowance for doubtful accounts	-88	0
6.01.01.11	Swap related to financial operations	17,118	10,707
6.01.02	Changes in assets and liabilities	23,376	2,090
6.01.02.01	Decrease in trade accounts receivable	50,904	25,660
6.01.02.02	(Increase) in inventories	-7,226	-1,532
6.01.02.03	Decrease in other accounts receivable	-25,011	-711
6.01.02.04	(Decrease) increase in suppliers	14,050	-968
6.01.02.05	(Decrease) in accounts payable and provisions	-9,341	-20,359
6.01.03	Other	0	8,201
6.01.03.01	Receipt of profits and dividends from subsidiaries	0	8,201
6.02	Net cash used in investing activities	-31,992	-31,380
6.02.01	Receivables from related companies	-18,246	-9,783
6.02.02	Other long-term receivables	-6,613	-727
6.02.03	In investments	-990	-2,160
6.02.04	In property, plant and equipment	-5,836	-18,543
6.02.05	In intangible assets	-307	-167
6.03	Net cash provided by (used in) financing activities	6,632	-28,588
6.03.01	Payment of interest on equity and dividends	-12,104	-12,165
6.03.02	Loans raised	128,267	36,495
6.03.03	Loans repayment	-95,351	-41,905
6.03.04	Payment of interest on loans	-14,180	-11,013
6.05	Increase (decrease) in cash and cash equivalents	-7,116	-42,061
6.05.01	Beginning balance of cash and cash equivalents	71,320	138,370
6.05.02	Ending balance of cash and cash equivalents	64,204	96,309

Individual financial statements / Statement of changes in equity - 01/01/2012 to 06/30/2012

(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	0	0	-469
5.04.08	Non-controlling shareholders	0	0	-469	0	0	-469
5.05	Total comprehensive income	0	0	0	-98,930	2,924	-96,006
5.05.01	Net income for the period	0	0	0	-102,801	0	-102,801
5.05.02	Other comprehensive income	0	0	0	3,871	2,924	6,795
5.05.02.01	Financial instrument adjustments	0	0	0	0	-3,258	-3,258
5.05.02.04	Cumulative translation adjustments for the period	0	0	0	0	10,053	10,053
5.05.02.06	Realization of equity valuation adjustment	0	0	0	3,871	-3,871	0
5.06	Changes in equity	0	0	-98,930	98,930	0	0
5.06.01	Constitution of reserves	0	0	-98,930	98,930	0	0
5.07	Closing balances	257,797	-73,891	8,366	0	36,588	228,860

Individual financial statements / Statement of changes in equity - 01/01/2011 to 06/30/2011

(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	234,684	0	24,842	460,526
5.03	Adjusted opening balances	201,000	0	234,684	0	24,842	460,526
5.04	Capital transactions with shareholders	18,000	0	-19,766	0	0	-1,766
5.04.01	Capital increases	18,000	0	-18,000	0	0	0
5.04.06	Dividends	0	0	-1,766	0	0	-1,766
5.05	Total comprehensive income/losses	0	0	0	9,572	-8,777	795
5.05.01	Net income for the period	0	0	0	6,926	0	6,926
5.05.02	Other comprehensive income/losses	0	0	0	2,646	-8,777	-6,131
5.05.02.04	Cumulative translation adjustments for the period	0	0	0	0	-6,157	-6,157
5.05.02.06	Realization of equity valuation adjustment	0	0	0	2,646	-2,620	26
5.06	Changes in equity	0	0	9,572	-9,572	0	0
5.06.01	Constitution of reserves	0	0	9,572	-9,572	0	0
5.07	Ending balances	219,000	0	224,490	0	16,065	459,555

Individual financial statements / Statement of value added

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 06/30/2012	Prior year Accrued 01/01/2011 to 06/30/2011
7.01	Revenues	218,162	199,617
7.01.01	Sales of goods, products and services	217,468	199,179
7.01.02	Other revenues	606	509
7.01.04	Set up/reversal of allowance for doubtful accounts	88	-71
7.02	Inputs acquired from third parties	-138,778	-87,482
7.02.01	Cost of goods and services sold	-72,225	-39,062
7.02.02	Materials, electricity, third party services and others	-64,553	-48,420
7.03	Gross value added	81,384	112,135
7.04	Withholdings	-5,839	-8,410
7.04.01	Depreciation, amortization and depletion	-5,839	-8,410
7.05	Net value added produced	75,545	103,725
7.06	Value added received in transfer	-29,837	29,315
7.06.01	Equity pickup	40,524	20,132
7.06.02	Financial income	61,855	9,183
7.06.03	Other	-132,216	0
7.06.03.01	Net from discontinuing operations	-132,216	0
7.07	Total value added to be distributed	45,708	133,040
7.08	Distribution of value added	45,708	133,040
7.08.01	Personnel	49,745	52,597
7.08.01.01	Direct compensation	36,637	43,560
7.08.01.02	Benefits	2,829	5,638
7.08.01.03	Unemployment compensation fund (F.G.T.S.)	10,279	3,399
7.08.02	Taxes, charges and contributions	-3,166	43,366
7.08.02.01	Federal	-250	32,504
7.08.02.02	State	-3,041	10,819
7.08.02.03	Municipal	125	43
7.08.03	Third-party capital remuneration	101,930	30,151
7.08.03.01	Interest	80,711	17,722
7.08.03.02	Rent	2,969	4,642
7.08.03.03	Other	18,250	7,787
7.08.04	Interest on equity	-102,801	6,926
7.08.04.03	Retained profit / loss for the period	-102.801	6,926

Consolidated financial statements / Balance sheet – Assets

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2012	Prior year 12/31/2011
1	Total assets	1,059,821	1,114,327
1.01	Current assets	660,375	750,018
1.01.01	Cash and cash equivalents	134,313	162,226
1.01.01.01	Cash and banks	46,162	74,758
1.01.01.02	Short-term investments	88,151	87,468
1.01.03	Accounts receivable	166,795	148,881
1.01.03.01	Trade accounts receivable	166,795	148,881
1.01.04	Inventories	256,033	237,578
1.01.06	Taxes recoverable	44,246	17,141
1.01.06.01	Taxes recoverable-current	44,246	17,141
1.01.07	Prepaid expenses	5,666	7,154
1.01.08	Other current assets	53,322	177,038
1.01.08.02	Assets from discontinued operations	0	137,785
1.01.08.03	Other	53,322	39,253
1.01.08.03.01	Financial instruments	29,655	18,262
1.01.08.03.02	Advance on interest on equity	0	3,625
1.01.08.03.03	Other receivables	23,667	17,366
1.02	Non-current assets	399,446	364,309
1.02.01	Long-term receivables	52,498	50,587
1.02.01.03	Accounts receivable	195	0
1.02.01.03.01	Trade accounts receivable	195	0
1.02.01.06	Deferred taxes	40,951	43,767
1.02.01.06.01	Deferred income and social contribution taxes	40,951	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 non-current assets	11,352	6,601
1.02.01.09.03	Taxes recoverable	3,923	3,553
1.02.01.09.04	Other	7,429	3,048
1.02.02	Investments	16,034	15,505
1.02.02.01	Investments	16,034	15,505
1.02.02.01.01	investments in affiliates	15,685	15,216
1.02.02.01.04	Other investments	349	289
1.02.03	Property, plant and equipment	267,819	256,476
1.02.03.01	Property, plant and equipment in use	238,238	232,579
1.02.03.03	Construction in progress	29,581	23,897
1.02.04	Intangible assets	63,095	41,741
1.02.04.01	Intangible assets	63,095	41,741

Consolidated financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2012	Prior year 12/31/12011
2	Total liabilities	1,059,821	1,114,327
2.01	Current liabilities	630,068	465,568
2.01.01	Social and labor obligations	24,226	28,349
2.01.01.01	Social obligations	5,322	6,552
2.01.01.02	Labor obligations	18,904	21,797
2.01.02	Suppliers	23,958	26,291
2.01.02.01	Suppliers – domestic	19,625	17,445
2.01.02.02	Suppliers – foreign	4,333	8,846
2.01.03	Tax obligations	16,205	31,159
2.01.03.01	Federal tax obligations	13,875	18,334
2.01.03.01.01	Income and social contribution taxes payable	12,239	13,187
2.01.03.01.02	Other taxes	1,636	5,147
2.01.03.02	State tax obligations	2,297	12,800
2.01.03.03	Municipal tax obligations	33	25
2.01.04	Loans and financing	397,819	174,834
2.01.04.01	Loans and financing	287,759	99,043
2.01.04.01.01	In local currency	140,073	76,398
2.01.04.01.02	In foreign currency	147,686	22,645
2.01.04.02	Debentures	110,060	75,791
2.01.05	Other payables	166,320	121,742
2.01.05.02	Other	166,320	121,742
2.01.05.02.01	Dividends and interest on equity payable	10	15,270
2.01.05.02.04	Derivative financial instruments	14,478	19,358
2.01.05.02.05	Foreign exchange payable	49,798	39,626
2.01.05.02.06	Advance on real estate credit	32,626	7,417
2.01.05.02.07	Other payables	12,910	0
2.01.05.02.08	Advance on receivables	17,855	17,530
2.01.05.02.09	Other payables	38,643	22,541
2.01.06	Provisions	1,540	1,465
2.01.06.01	Social security, labor and civil provisions	1,540	1,465
2.01.06.01.02	Social security and labor provisions	1,540	1,465
2.01.07	Liabilities for non-current assets for sale and discontinued	0	81,728
2.01.07.02	Liabilities for assets from discontinued operations	0	81,728
2.02	Noncurrent liabilities	200,893	323,524
2.02.01	Loans and financing	186,022	282,192
2.02.01.01	Loans and financing	186,022	232,653
2.02.01.01.01	In local currency	79,046	70,782
2.02.01.01.02	In foreign currency	106,976	161,871
2.02.01.02	Debentures	0	49,539
2.02.02	Other payables	7,369	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	7,369	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 06/30/2012	Prior year 12/31/2011
2.02.02.02.05	Other liabilities	4,573	3,495
2.02.03	Deferred taxes	6,602	6,112
2.02.03.01	Deferred income and social contribution taxes	6,602	6,112
2.02.04	Provisions	900	0
2.02.04.02	Other provisions	900	0
2.02.04.02.01	Provision for warranty	900	0
2.03	Consolidated equity	228,860	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	8,366	107,765
2.03.04.01	Legal reserve	8,366	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	37,676	44,807
2.03.07	Cumulative translation adjustments	-1,088	-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 04/01/2012 to 06/30/2012	YTD 01/01/2012 to 06/30/2012	Same prior year quarter 04/01/2011 to 06/30/2011	Prior year Accrued 01/01/2011 to 06/30/2011
3.01	Revenue from sale of goods and/or services	175,393	353,757	147,780	303,702
3.02	Cost of goods and/or services sold	-101,525	-213,740	-87,136	-182,388
3.03	Gross profit	73,868	140,017	60,644	121,314
3.04	Operating expenses	-36,357	-72,140	-38,675	-76,016
3.04.01	Selling expenses	-21,659	-43,027	-22,415	-43,087
3.04.02	General and administrative expenses	-13,874	-27,882	-15,434	-31,685
3.04.04	Other operating income	1,023	2,418	1,715	2,670
3.04.05	Other operating expenses	-2,111	-4,362	-3,003	-4,828
3.04.06	Equity pickup	264	713	462	914
3.05	Income before financial expenses and taxes	37,511	67,877	21,969	45,298
3.06	Financial expenses, net	-17,957	-19,893	-8,909	-11,128
3.06.01	Financial income	20,476	67,065	3,304	11,055
3.06.02	Financial expenses	-38,433	-86,958	-12,213	-22,183
3.07	Income before income taxes	19,554	47,984	13,060	34,170
3.08	Income and social contribution taxes	-7,446	-18,569	-6,524	-15,273
3.08.01	Current	-6,017	-12,729	-4,777	-9,543
3.08.02	Deferred	-1,429	-5,840	-1,747	-5,730
3.09	Net income from continuing operations	12,108	29,415	6,536	18,897
3.10	Loss from discontinued operations	-127,050	-132,216	-6,736	-11,951
3.10.01	Net loss from discontinued operations	-127,050	-132,216	-6,736	-11,951
3.11	Consolidated net income for the period	-114,942	-102,801	-200	6,946
3.11.01	Attributed to controlling shareholders	-114,942	-102,801	-211	6,926
3.11.02	Attributed to non-controlling shareholders	0	0	11	20
3.99	Earnings per share - (Reais /share)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	-0.81281	-0.72696	-0.00141	0.04912
3.99.01.02	PN	-0.81281	-0.72696	-0.00141	0.04912
3.99.02	Diluted earnings per share				

Consolidated financial statements / Income statement

(In thousands of reais)

Account code	Account description	Current quarter 04/01/2012 to 06/30/2012	YTD 01/01/2012 to 06/30/2012	Same prior year quarter 04/01/2011 to 06/30/2011	Prior year Accrued 01/01/2011 to 06/30/2011
3.99.02.01	ON	-0.81281	-0.72696	-0.00141	0.04912
3.99.02.02	PN	-0.81281	-0.72696	-0.00141	0.04912

Consolidated financial statements / Statement of comprehensive income

(In thousands of reais)

Account code	Account description	Current quarter 04/01/2012 to 06/30/2012	YTD 01/01/2012 to 06/30/2012	Same prior year quarter 04/01/2011 to 06/30/2011	Prior year Accrued 01/01/2011 to 06/30/2011
4.01	Consolidated net income for the period	-114,942	-102,801	-211	6,926
4.02	Other comprehensive income/losses	9,929	6,795	-3,971	-6,157
4.02.01	Cumulative translation adjustment for the period	13,187	10,053	-3,971	-6,157
4.02.03	Financial instruments adjustments	- 3,258	-3,258	0	0
4.03	Consolidated comprehensive income/losses for the period	-105,013	-96,006	-4,182	769
4.03.01	Attributed to controlling shareholders	- 105,013	-96,006	-4,056	888
4.03.02	Attributed to non-controlling shareholders	0	0	-126	-119

Consolidated financial statements / Cash flow statement - Indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 06/30/2012	Prior year Accrued 01/01/2011 to 06/30/2011
6.01	Net cash provided by (used in) operating activities	15,244	53,963
6.01.01	Cash from operations	62,545	40,709
6.01.01.01	Net income for the year	-102,801	6,926
6.01.01.02	Depreciation and amortization	15,438	15,027
6.01.01.03	Allowance for doubtful accounts	8,527	0
6.01.01.04	Deferred income and social contribution taxes	4,985	5,638
6.01.01.05	Equity pickup	-713	-914
6.01.01.07	Provision for interest on loans and financing	25,737	11,685
6.01.01.08	Provision for derivative financial instruments	-20,090	861
6.01.01.09	Non-controlling shareholders	100	20
6.01.01.10	Equity valuation adjustment write-off and realization	0	27
6.01.01.12	Cost of permanent assets disposed of	9,237	1,439
6.01.01.13	Provision for interest on real estate credit	2,390	0
6.01.01.14	Disposal of fixed asset held for sale	57,830	0
6.01.01.15	Provisions for loss	4,385	0
6.01.01.16	Additional provision for loss	57,520	0
6.01.02	Changes in assets and liabilities	-47,890	12,701
6.01.02.01	(Increase) decrease in trade accounts receivable	-4,096	50,296
6.01.02.02	(Increase) decrease in inventories	-8,305	-17,965
6.01.02.03	Decrease (increase) in other accounts receivable	-15,168	-3,727
6.01.02.04	(Decrease) increase in suppliers	-3,490	-16,132
6.01.02.05	Increase (decrease) in accounts payable and provisions	-16,831	229
6.01.03	Other	589	553
6.01.03.01	Profits and dividends received from subsidiaries	589	553
6.02	Net cash used in investing activities	-56,685	-26,707
6.02.01	Receivables from related companies	219	0
6.02.02	Other receivables	-4,328	-451
6.02.03	In investments	-60	0
6.02.04	In property, plant and equipment	-30,299	-25,765
6.02.05	In intangible assets	-22,217	-491
6.03	Net cash provided by (used in) financing activities	13,392	-28,933
6.03.01	Payment of interest on equity and dividends	-12,104	-12,164
6.03.02	Loans	183,539	53,586
6.03.03	Loan repayment	- 131,880	-56,510
6.03.04	Payment of interest on loans	-20,053	-13,845
6.03.09	Real estate credit	-3,483	0
6.03.10	Payables to related companies	-219	0
6.03.11	Interest paid on real estate credit	-2,408	0
6.05	Increase (decrease) in cash and cash equivalents	-28,049	-1,677
6.05.01	Opening cash and cash equivalents balance	162,362	188,674
6.05.02	Closing cash and cash equivalents balance	134,313	186,997

Consolidated financial statements / Statement of changes in equity - 01/01/2012 to 06/30/2012

(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	Non-controlling 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	0	0	-469	100	-369
5.04.08	Non-controlling shareholders	0	0	-469	0	0	-469	100	-369
5.05	Total comprehensive income /loss	0	0	0	-98,930	2,924	-96,006	0	-96,006
5.05.01	Net income for the period	0	0	0	-102,801	0	-102,801	0	-102,801
5.05.02	Other comprehensive income/losses	0	0	0	3,871	2,924	6,795	0	6,795
5.05.02.01	Financial instrument adjustments	0	0	0	0	-3,258	-3,258	0	-3,258
5.05.02.04	Cumulative translation adjustments for the period	0	0	0	0	10,053	10,053	0	10,053
5.05.02.06	Equity valuation adjustment realization	0	0	0	3,871	-3,871	0	0	0
5.06	Changes in equity	0	0	-98,930	98,930	0	0	0	0
5.06.01	Constitution of reserves	0	0	-98,930	98,930	0	0	0	0
5.07	Closing balances	257,797	-73,891	8,366	0	36,588	228,860	0	228,860

Consolidated financial statements /Statement of changes in equity - 01/01/2011 to 06/30/2011

(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	234,684	0	24,842	460,526	53	460,579
5.03	Adjusted opening balances	201,000	0	234,684	0	24,842	460,526	53	460,579
5.04	Capital transactions with shareholders	18,000	0	-19,766	0	0	-1,766	18	-1,748
5.04.01	Capital increase	18,000	0	-18,000	0	0	0	0	0
5.04.06	Dividends	0	0	-1,766	0	0	-1,766	0	-1,766
5.04.08	Non-controlling shareholders	0	0	0	0	0	0	18	18
5.05	Total comprehensive income/losses	0	0	0	9,572	-8,777	795	0	795
5.05.01	Net income for the period	0	0	0	6,926	0	6,926	0	6,926
5.05.02	Other comprehensive income/losses	0	0	0	2,646	-8,777	-6,131	0	-6,131
5.05.02.04	Cumulative translation adjustments for the period	0	0	0	0	-6,157	-6,157	0	-6,157
5.05.02.06	Equity valuation adjustment realization ,	0	0	0	2,646	-2,620	26	0	26
5.06	Changes in equity	0	0	9,572	-9,572	0	0	0	0
5.06.01	Constitution of reserves	0	0	9,572	-9,572	0	0	0	0
5.07	Closing balances	219,000	0	224,490	0	16,065	459,555	71	459,626

Consolidated financial statements / Statement of value added

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 06/30/2012	Prior year Accrued 01/01/2011 to 06/30/2011
7.01	Revenues	440,381	377,780
7.01.01	Sales of goods, products and services	446,490	374,853
7.01.02	Other revenues	2,418	2,881
7.01.04	Constitution/reversal of allowance for doubtful accounts	-8,527	46
7.02	Inputs purchased from third parties	-183,644	-167,007
7.02.01	Cost of products, goods and services sold	-99,223	-88,832
7.02.02	Materials, electricity, third party services and others	-84,421	-78,175
7.03	Gross value added	256,737	210,773
7.04	Withholdings	-15,438	-15,027
7.04.01	Depreciation, amortization and depletion	-15,438	-15,027
7.05	Net value added produced	241,299	195,746
7.06	Value added received in transfer	-64,438	12,383
7.06.01	Equity pickup	713	914
7.06.02	Financial income/losses	67,065	11,469
7.06.03	Other	-132,216	0
7.06.03.01	Income from discontinued operations	-132,216	0
7.07	Total value added to be distributed	176,861	208,129
7.08	Distribution of value added	176,861	208,129
7.08.01	Personnel	97,170	85,541
7.08.01.01	Direct compensation	76,582	67,062
7.08.01.02	Benefits	14,997	14,204
7.08.01.03	Unemployment compensation fund (F.G.T.S.)	5,591	4,275
7.08.02	Taxes, charges and contributions	82,420	72,875
7.08.02.01	Federal	69,542	60,068
7.08.02.02	State	12,679	12,746
7.08.02.03	Municipal	199	61
7.08.03	Third-party capital remuneration	100,072	42,787
7.08.03.01	Interest	90,348	26,277
7.08.03.02	Rent	3,041	5,987
7.08.03.03	Other	6,683	10,523
7.08.04	Interest on equity	-102.801	6,926
7.08.04.03	Retained profit/loss for the period	-102.801	6,926

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, tooling machinery, and machining of metals to order.

At June 30, 2012, the Company and its subsidiaries operated with eight industrial plants, five 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	**06-30-2012**	**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 June 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.

2. **The Company's entities** (Continued)

b) Acquisition of Steelinject - Injeção de Aços Ltda. (Continued)

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 15)	(4,338)

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 and copies of old west guns.

Initial goodwill of R$15,882 was recorded in connection with the acquisition. On June 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.

3. Basis of preparation (Continued)

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 North American 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.

The information on uncertainties, assumptions and estimates that represent a significant risk of resulting in a material adjustment within the next financial year has been included in the following notes: 13 – Deferred tax assets and liabilities, 20 – Contingences 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 TMFL sale value to R$57,520.

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

e) Restatement of financial statements (Continued)

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

The Company revisited all agreements and correspondence relating 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 June 30, 2012
		Assets	Liabilities and equity			Income (loss
	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	for the period
Balance originally disclosed	**674,106**	**512,196**	**429,034**	**403,937**	**353,331**	**21,670**
Write-off of accounts receivable (a)	-	(57,830)	-	-	(57,830)	(57,830)
Supplementary provision for losses (b)	(2,600)	(54,920)	-	-	(57,520)	(57,520)
Provision for inventory losses (c)	(4,385)	-	-	-	(4,385)	(4,385)
Allowance for doubtful accounts (c)	(6,746)	-	-	-	(6,746)	(6,746)
Transfer of loans to current liabilities (d)	-	-	129,058	(129,058)	-	-
Transfer of debentures to current liabilities (d)	-	-	49,621	(49,621)	-	-
Transfer of real estate credits to current liabilities (d)	-	-	24,365	(24,365)	-	-
Statutory profit sharing (e)	-	-	(2,010)	-	2,010	2,010
Restated balance	**660,375**	**399,446**	**630,068**	**200,893**	**228,860**	**(102,801)**

						Company
						At June 30, 2012
		Assets	Liabilities and equity			Income
		Noncurrent		Noncurrent		(loss) for
	Current assets	assets	rrent liabilities	liabilities	Equity	the period
Balance originally disclosed	**316,233**	**599,253**	**314,313**	**247,842**	**353,331**	**21,670**
Decrease of investments in subsidiaries	-	(102,600)	-	-	(102,600)	(102,600)
Capital deficiency at subsidiary	-	-	-	23,881	(23,881)	(23,881)
Transfer of loans to current liabilities (d)	-	-	129,058	(129,058)	-	-
Transfer of debentures to current liabilities (d)	-	-	49,621	(49,621)	-	-
Statutory profit sharing (e)	-	-	(2,010)	-	2,010	2,010
Restated balance	**316,233**	**496,653**	**490,982**	**93,044**	**228,860**	**(102,801)**

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

e) <u>Restatement of financial statements</u> (Continued)

(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 were also adjusted. 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.

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.

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 change:

<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 June 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 operating 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 75,000 thousand and, at June 30, 2012, it had used USD 30,400 thousand.

In addition, the Company has credit lines, not contracted, from the largest banks that operate in Brazil, for approximately R$ 500,000 thousand, at market rates and terms.

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

(v) <u>Market risk</u>

Market risk is the risk that variation in market prices, such as foreign exchange rates, interest rates and share prices, 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) <u>Foreign currency risk</u>

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 US dollar (USD).

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.

Interest on loans is denominated in the currency of the loan.

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) Operating risk

Operating 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. Operating risks arise from all of the Company’s operations.

The Company’s objective is to administer operating 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 operating risks within each business unit. This responsibility is supported by the Company’s general standards developed to administer operating 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 operating risks faced and adequate controls and procedures to deal with the risks identified; Requirements to report operating losses and the corrective actions proposed; development of contingency plans; professional training and development; ethical and commercial standards; mitigating risks, including insurance when effective.

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

6. Financial risk management (Continued)

(ix) Capital management

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

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

	06-30-2012 (restated)	**12-31-2011**
Total liabilities	**830,961**	789,092
Less: cash and cash equivalents	**(134,313)**	(162,226)
Net debt (A)	**696,648**	626,866
Total equity (B)	**228,860**	325,335
Net debt to equity ratio at June 30, 2012 and December 31, 2011 (A/B)	**3,04**	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 June 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	
	06-30-2012 (restated)	**06-30-2011**	**06-30-2012**	**06-30-2011**	**06-30-2012 (restated)**	**06-30-2011**	**06-30-2012**	**06-30-2011**	**06-30-2012 (restated)**	**06-30-2011**
External income	**247,830**	223,766	**65,349**	56,768	**9,259**	14,713	**40,578**	23,168	**363,016**	318,415
Inter-segment income	**-**	-	**2,823**	497	**708**	81	**47,838**	5,422	**51,369**	6,000
Costs of sales	**(158,303)**	(129,339)	**(37,893)**	(32,874)	**(7,101)**	(16,179)	**(17,544)**	(20,175)	**(220,841)**	(198,567)
Gross profit (loss)	**89,527**	94,427	**30,279**	24,391	**(2,866)**	(1,385)	**70,872**	8,415	**193,544**	125,848
Selling expenses	**(31,976)**	(34,155)	**(9,162)**	(4,533)	**(8,628)**	(3,635)	**(1,839)**	(4,351)	**(51,605)**	(46,674)
General and administrative expenses	**(23,514)**	(29,047)	**(1,326)**	(774)	**(1,996)**	(2,005)	**(925)**	(1,424)	**(27,761)**	(33,250)
Depreciation and amortization	**(2,312)**	(319)	**(114)**	(77)	**-**	(83)	**(746)**	(92)	**(3,172)**	(571)
Other operating income (expenses), net	**(1,523)**	(1,577)	**695**	67	**(121,160)**	(1,174)	**(111)**	(648)	**(122,099)**	(3,332)
Equity pickup	**-**	-	**-**	-	**-**	-	**713**	914	**713**	914
	(59,325)	(65,098)	**(9,907)**	(5,317)	**(131,784)**	(6,897)	**(2,908)**	(5,601)	**(203,924)**	(82,913)
Operating profit (loss)	**30,202**	29,329	**20,372**	19,074	**(128,918)**	(8,282)	**67,964**	2,814	**(10,380)**	42,935
Financial income	**61,857**	6,035	**3,318**	1,821	**659**	414	**1,890**	3,199	**67,724**	11,469
Financial expenses	**(82,190)**	(18,155)	**(1,263)**	(581)	**(4,104)**	(4,094)	**(3,505)**	(3,447)	**(91,062)**	(26,277)
Financial income (expenses), net	**(20,333)**	(12,120)	**2,055**	1,240	**(3,445)**	(3,680)	**(1,615)**	(248)	**(23,338)**	(14,808)
Profit (loss) per reportable segment before income and social contribution taxes	**9,869**	17,209	**22,427**	20,314	**(132,363)**	(11,962)	**66,349**	2,566	**(33,718)**	28,127
Elimination of inter-segment income	**-**	-	**(2,823)**	(497)	**(708)**	(81)	**(47,838)**	(5,422)	**(51,369)**	(6,000)
Profit (loss) before income and social contribution taxes	**9,869**	17,209	**19,604**	19,817	**(133,071)**	(12,043)	**18,511**	(2,856)	**85,087**	22,127
Income and social contribution taxes	**(9,657)**	(10,410)	**(5,236)**	(4,262)	**855**	92	**(3,676)**	(601)	**(17,714)**	(15,181)
Net profits/losses	**212**	6,799	**14,368**	15,555	**(132,216)**	(11,951)	**14,835**	(3,457)	**(102,801)**	(6,946)
Assets of reportable segments	**642,196**	558,130	**147,453**	158,521	**37,327**	151,322	**232,845**	92,745	**1,059,821**	960,718
Liabilities of reportable segments	**656,542**	317,674	**34,724**	36,828	**95,065**	124,784	**44,630**	21,804	**830,961**	501,090

7. Operating segments (Continued)

Reconciliation of income and profit from reportable segments

	06-30-2012 (restated)	06-30-2011
Income		
Total income from reportable segments	**363,016**	318,415
Elimination of discontinued operations	**(9,259)**	(14,713)
Consolidated income	**353,757**	303,702
Profit or losses		
Total profit from reportable segments	**(85,087)**	22,127
Elimination of discontinued operations	**133,071**	12,043
Consolidated profit before income and social contribution taxes	**47,984**	34,170

Geographic segments

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

	Weapons	
	06-30-2012	06-30-2011
Domestic market		
Southeast	**20,840**	38,608
South	**12,175**	10,888
Northeast	**9,389**	6,548
North	**1,088**	1,784
Mid-West	**5,378**	6,381
	48,870	64,209
Foreign market		
United States	**185,887**	144,700
Argentina	**592**	2,478
Chile	**9,221**	2,781
Peru	**825**	258
Pakistan	**165**	1,180
Other countries	**2,270**	8,160
	198,960	159,557
	247,830	223,766

7. Operating segments (Continued)

Geographic segments (Continued)

	Helmets	
	06-30-2012	**06-30-2011**
Domestic market		
Southeast	**20,035**	18,003
South	**7,902**	3,247
Northeast	**15,510**	18,100
North	**12,328**	7,944
Mid-West	**9,230**	8,858
	65,005	56,152
Foreign market		
Paraguay	**329**	512
Peru	**-**	25
Uruguay	**15**	79
	344	616
	65,349	56,768

	Machinery (discontinued)	
	06-30-2012	**06-30-2011**
Domestic market		
Southeast	**8,029**	9,977
South	**1,219**	4,630
Northeast	**-**	-
North	**-**	9
	9,248	14,616
Foreign market		
United States	**11**	88
Other countries	**-**	9
	11	97
	9,259	14,713

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:

	Consolidated
	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

	Consolidated
	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

	06-30-2012 (restated)	06-30-2011
Loss for the year from discontinued operations		
Revenues	**17,787**	15,430
Expenses	**(150,003)**	(27,381)
Loss for the year from discontinued operations	**(132,216)**	(11,951)

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”), belonging to the SüdMetal Group, 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)

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

<u>Sale of TMFL – Taurus Máquinas-Ferramenta Ltda.</u> (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 June 30, 2012 of R$57,520, 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 June 30, 2012, the balance receivable for the sale of TMFL's operations is shown below:

	06-30-2012 (restated)
Selling price	**115.350**
Price adjustment	**(57.830)**
Supplementary provision for losses	**(57.520)**
Total	**-**

9. Cash and cash equivalents

	Consolidated		Company	
	06-30-2012	12-31-2011	06-30-2012	12-31-2011
Cash	**197**	76	**65**	37
Demand deposits	**45,965**	74,682	**5,699**	12,360
Short-term investments	**88,151**	87,468	**58,440**	58,923
Cash and cash equivalents	**134,313**	162,226	**64,204**	71,320

Short-term investments are remunerated at rates that vary between 98% and 103% of CDI at June 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	
	06-30-2012 (restated)	12-31-2011	06-30-2012	12-31-2011
Customers - local	**111,869**	101,082	**40,782**	69,171
Customers - local related parties	**-**	-	**631**	83
Allowance for doubtful accounts – local	**(11,790)**	(3,484)	**(2,575)**	(2,657)
Customers – foreign	**70,067**	54,218	**6,632**	6,858
Customers – foreign related parties	**-**	-	**48,599**	71,436
Allowance for doubtful accounts- foreign	**(3,156)**	(2,935)	**(6)**	(12)
Total	**166,990**	148,881	**94,063**	144,879
Current	**166,795**	148,881	**94,063**	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 (restated)	Company
Balance at December 31, 2011	(6,419)	(2,669)
Additions	(10,540)	(2)
Reversal of the allowance for doubtful accounts	2,013	90
Balance at June 30, 2012	**(14,946)**	**(2,581)**

11. Inventories

	Consolidated		Company	
	06-30-2012 (restated)	12-31-2011	06-30-2012	12-31-2011
Finished products	**151,236**	146,856	**27,182**	26,244
Work-in-process	**52,159**	43,106	**31,389**	38,722
Raw materials	**47,078**	38,203	**12,416**	11,881
Ancillary and maintenance materials	**9,945**	9,413	**6,927**	9,369
Allowance for inventory impairment	**(4,385)**			
	256,033	237,578	**77,914**	86,216

The allowance for inventory impairment schedule is shown below:

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

12. Taxes recoverable

	Consolidated		Company	
	06-30-2012	**12-31-2011**	**06-30-2012**	**12-31-2011**
ICMS	**12,579**	5,508	**9,127**	4,728
IPI	**14,952**	1,187	**13,155**	415
PIS	**2,242**	442	**1,715**	396
COFINS	**9,980**	2,044	**7,914**	1,840
Income and social contribution taxes	**8,416**	11,513	**6,417**	5,781
Total	**48,169**	20,694	**38,328**	13,160
Current	**44,246**	17,141	**37,021**	9,950
Non-current	**3,923**	3,553	**1,307**	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	
	06-30-2012	**12-31-2011**
On temporary difference assets, income and social contribution tax losses		
Provision for commissions	**2,530**	1,455
Present value adjustment	**(41)**	187
Provision for labor proceedings	**684**	552
Provision for employer proceedings	**782**	782
Allowance for doubtful accounts	**1,868**	1,762
Provision for products warranty	**377**	66
Derivative financial instruments	**5,260**	6,886
Income and social contribution tax losses	**36,611**	37,448
Inventories – unrealized profits	**4,787**	6,822
Other items	**2,499**	137
	55,357	56,097
On temporary difference liabilities		
Equity valuation adjustment	**(2,944)**	(4,898)
Depreciation base difference	**(6,984)**	(6,378)
Financial charges	**(1,071)**	(1,006)
Derivative financial instruments	**(10,009)**	(6,160)
	(21,008)	(18,442)
Total assets and liabilities, net	**34,349**	37,655
Classified in non-current assets	**40,951**	43,767
Classified in non-current liabilities	**(6,602)**	(6,112)

	Company	
	06-30-2012	**12-31-2011**
On temporary difference assets		
Provision for commissions	**2,233**	1,455
Present value adjustment	**272**	187
Provision for labor proceedings	**577**	552
Provision for employer proceeding	**782**	782
Allowance for doubtful accounts	**459**	459
Derivative financial instruments	**5,260**	6,582
Other items	**1,936**	137
	11,519	10,154
On temporary difference liabilities		
Equity valuation adjustment	**(2,034)**	(3,907)
Depreciation base difference	**(1,402)**	(1,339)
Financial charges	**(1,039)**	(968)
Derivative financial instruments	**(9,846)**	(6,045)
	(14,321)	(12,259)
Total assets and liabilities, net	**(2,802)**	(2,105)
Classified in non-current liabilities	**(2,802)**	(2,105)

Changes in deferred taxes:

	Consolidated	**Company**
Opening balance of deferred taxes	37,655	(2,105)
Posted to P&L (Note 27)	(5,840)	(2,375)
Posted to equity (Note 21.e)	1,678	1,678
Reclassification of assets and liabilities held for sale	177	-
Effect of changes in exchange rates	679	-
Closing balance of deferred taxes	34,349	(2,802)

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$ 63,042 at June 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 June 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	1,257	454	1,711	4.68%
2013	2,029	730	2,759	7.54%
2014	2,198	791	2,989	8.16%
2015	2,380	857	3,237	8.84%
From 2016 to 2021	19,055	6,860	25,915	70.78%
Total	26,919	9,692	36,611	100.00%

The amount of income and social contribution tax losses on which no deferred taxes were recorded totaled in consolidated R$ 209,404 (R$ 127,870 at December 31, 2011), and R$ 23,767 – 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 June 30, 2012, the total restated balances is R$ 32,626 and is fully classified in current liabilities, as result of the proceeded adjustments restatements, note 3, and covenants that were not met. On December 31, 2011 the balance was R$ 36,127, being R$ 7,417 classified in current liabilities and R$ 28,710 in non-current liabilities.

15. Investments

	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)	Company 09-30-2012 (restatement)	12-31-2011
Current assets	100,215	17,658	196,279	60	6,176	40,805	69,082		
Noncurrent assets	47,761	17,843	52,097	241	59,375	265,284	20,290		
Current liabilities	17,213	7,009	33,631	3	35,017	18,692	23,941		
Noncurrent liabilities	22,150	10,040	79,447	547	58,881	77,797	26,944		
Capital	80,209	9,400	616	100	39,087	210,000	20.000		
Equity	108,613	18,452	135,298	(249)	(23,347)	209,600	38,487		
Net revenue	75,852	15,113	185,887	-	5,676	66.448	48,179		
Net income (loss) for the period	2,117	4,608	8,663	-	(55,881)	(56,878)	2,037		
Number of shares/units of interest	648	1	302,505	100,000	21,414,136	209,999,999	-		
Direct ownership interest (%)	0.01%	0.1%	100%	100%	74.53%	100%	-		
Opening balances	1	14	107,271	-	17,904	194,447	2.215	**321,852**	232,409
Capital payment (4)	**-**	**-**	**-**	**-**	**928**	**71,655**	**-**	**72,583**	58,919
Equity pickup – continued operations (3)	**-**	**5**	**11,792**	**-**	**(42,636)**	**71,363**	**-**	**40,524**	69,288
Equity pickup – discontinued operations (3)	**-**	**-**	**-**	**-**	**-**	**(132,216)**	**-**	**(132,216)**	(21,373)
Loss on investment	**-**	**-**	**-**	**-**	**(77)**	**-**	**-**	**(77)**	(117)
Exchange variation on investments	**-**	**-**	**10,055**	**-**	**-**	**-**	**-**	**10,055**	12,726
Dividends received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(30,000)
Reclassified to capital deficiency	**-**	**-**	**-**	**-**	**23,881**	**-**	**-**	**23,881**	-
Closing balances (3)	**1**	**19**	**129,118**	**-**	**-**	**205,249**	**2,215**	**336,602**	321,852

(1) Capital deficiency at the subsidiary Taurus Security Ltda. of R$249 and at the subsidiary Taurus Investimentos Imobiliários Ltda. of R$23,881 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$928 was made in cash.

15. **Investments** (Continued)

The financial statements of Taurus Holdings, Inc., an overseas subsidiary, reported total assets of R$ 248,376 at June 30, 2012 (R$ 282,330 at December 31, 2011) and current and noncurrent liabilities of R$ 113,078 at June 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 June 30, 2012 was equivalent to R$ 185,887 (R$ 159,106 at June 30, 2011) and net income equivalent to R$ 8,663 at June 30, 2012 (R$ 5,789 at June 30, 2011).

	Consolidated
	Famastil Taurus Ferramentas S.A.
Current assets	69,082
Noncurrent assets	20,290
Current liabilities	23,941
Noncurrent liabilities	26,944
Equity	20,000
Paid-in capital	38,487
Net income	48,179
Profits	2,037
Number of shares/quotas	7,000,000
Percentage of direct participation (%)	35%
Opening balances (1)	15,215
Equity income	**713**
Received dividends	**(242)**
Close balances (1)	**15,686**

(1) Includes goodwill on purchase of investments of R$2,215.

16. Property, plant and equipment

	Land, buildings and facilities	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	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	784	12,200	795	726	378	15,367	49	30,299
Disposals	(6,341)	(258)	(5)	(30)	(396)	(10)	(429)	(7,469)
Transfers of assets under construction	845	2,625	3,301	528	-	(7,299)	-	-
Effect from exchange variation	1,953	1,345	-	206	8	-	-	3,512
Balance at June 30, 2012	**101,880**	**168,967**	**39,971**	**22,285**	**4,010**	**26,635**	**4,940**	**368,688**
Depreciation								
Balance at December 31, 2011	8,142	51,154	15,884	9,306	1,384	-	-	85,870
Depreciation for the period	1,543	8,093	3,188	1,498	380	-	-	14,702
Disposals	(461)	(181)	-	(28)	(140)	-	-	(810)
Effect from exchange variation	282	673	-	148	4	-	-	1,107
Balance at June 30, 2012	**9,506**	**59,739**	**19,072**	**10,924**	**1,628**	**-**	**-**	**100,869**
Book value								
At December 31, 2011	96,497	101,901	19,996	11,549	2,636	18,577	5,320	256,476
At June 30, 2012	**92,374**	**109,228**	**20,899**	**11,361**	**2,382**	**26,635**	**4,940**	**267,819**

16. Property, plant and equipment (Continued)

	Land, buildings and facilities	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	Assets in progress	Advances to suppliers	Company Total
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	130	73	215	369	5,257	(234)	5,836
Disposals	-	(531)	-	(30)	(396)	-	-	(957)
Transfers to Investment (1)	(1,457)	(55,325)	(7,514)	(1,524)	(247)	(7,957)	(60)	(74,084)
Transfers of assets under construction	336	1,260	1,918	295	-	(3,809)	-	-
Balance at June 30, 2012	**2,391**	**59,961**	**19,292**	**6,869**	**2,547**	**7,206**	**4,222**	**102,488**
Depreciation								
Balance at December 31, 2011	358	36,188	9,846	3,409	925	-	-	50,726
Depreciation for the period	108	2,920	1,474	505	231	-	-	5,238
Disposals	-	(125)	-	(28)	(140)	-	-	(293)
Transfers to investment (1)	(129)	(17,212)	(2,490)	(650)	(89)	-	-	(20,570)
Balance at June 30, 2012	**337**	**21,771**	**8,830**	**3,236**	**927**	**-**	**-**	**35,101**
Book value								
At December 31, 2011	3,128	78,239	14,969	4,504	1,896	13,715	4,516	120,967
At June 30, 2012	**2,054**	**38,190**	**10,462**	**3,633**	**1,620**	**7,206**	**4,222**	**67,387**

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

Assets in progress

The balance of assets in progress in the value of R$ 7,206 in the Company and R$ 26,635 in the Consolidated in 2012 (R$13,715 and R$ 18,577 in 2011, respectively) refers to machinery and equipment that are still in the implementation phase and constructions in progress. Such goods shall come in operation during the years 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 June 30, 2012, the Company had guarantees provided in the amount of R$ 58,081 (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 from business combinations	20,220	4	1,255	738	22,217
Disposals	-	(28)	(36)	-	(64)
Effect from exchange variation	-	-	(63)	-	(63)
Balance at June 30, 2012	**52,719**	**3,433**	**10,201**	**1,575**	**67,928**
Balance at December 31, 2011	-	-	3,949	148	4,097
Amortization for the period	-	-	542	194	736
Balance at June 30, 2012	**-**	**-**	**4,491**	**342**	**4,833**
Book value					
At December 31, 2011	32,499	3,457	5,096	689	41,741
At June 30, 2012	**52,719**	**3,433**	**5,710**	**1,233**	**63,095**

				Company
	Tradema rks and patents	Development costs	System implementat ion	Total
Cost				
Balance at December 31, 2011	237	8,448	772	9,457
Acquisitions from business combinations	1	298	8	307
Transfers to investment	-	-	(175)	(175)
Balance at June 30, 2012	**238**	**8,746**	**605**	**9,589**
Balance at December 31, 2011	-	3,949	130	4,079
Amortization for the period	-	542	59	601
Transfers to investment	-	-	(11)	(11)
Balance at June 30, 2012	**-**	**4,491**	**178**	**4,669**
Book value				
At December 31, 2011	237	4,499	642	5,378
At June 30, 2012	**238**	**4,255**	**427**	**4,920**

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	06-30-2012	12-31-2011
Forjas Taurus S.A.	**24,023**	21,194
Taurus Holdings, Inc.	**19,161**	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	**52,719**	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 June 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	
	06-30-2012 (restated)	12-31-2011	06-30-2012 (restated)	12-31-2011
Current liabilities				
Guaranteed bank loans				
Working capital	**110,507**	39,948	**95,233**	39,948
Accounts receivable discounted	**-**	14,107	**-**	14,107
FINAME	**7,097**	2,855	**4,458**	2,444
FINEP	**11,643**	8,625	**3,519**	8,068
BNDES-PEC	**3,290**	5,644	**3,290**	5,644
FNE	**648**	65	**-**	-
BNDES-Exim-Pre-shipment	**5,029**	-	**-**	
BNDES Revitaliza	**295**	-	**-**	
Working capital -USD	**137,329**	22,274	**136,083**	9,747
Financing for acquisition of fixed assets	**346**	787	**346**	787
Investment in USD	**412**	371	**-**	-
FINIMP	**11,163**	4,367	**9,599**	4,367
	287,759	99,043	**252,528**	85,112
Non-current liabilities				
Guaranteed bank loans				
Working capital	**22,500**	45,000	**22,500**	45,000
FINAME	**6,590**	5,948	**4,804**	4,836
FINEP	**38,172**	9,096	**3,065**	5,787
BNDES-PEC	**-**	468	**-**	468
FNE	**9,223**	9,806	**-**	-
BNDES Revitaliza	**2,561**	-	**-**	-
Working capital - USD	**95,307**	151,158	**30,319**	119,767
Financing for acquisition of fixed assets	**333**	464	**333**	464
Investment in USD	**11,336**	10,713	**-**	-
	186,022	232,653	**61,021**	176,322
	473,781	331,696	**313,549**	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			
				06-30-2012		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 4.1%	2012-2013	137,700	**133,007**	102,700	84,948
Discounted trade receivables	R$	16.80% p.a.	2012	-	**-**	14,107	14,107
FINAME	R$	TJLP + 2.25 to 4.90% p.a.	2012-2020	20,801	**5,262**	20,912	3,221
FINAME	R$	3.80 to 5.50% p.a.	2012-2020	11,814	**8,425**	8,252	5,582
FINEP	R$	TJLP + 0.16 to 2.0% p.a.	2012-2014	29,601	**6,585**	29,601	13,855
FINEP	R$	5.0 to 5.25% p.a.	2017	58,153	**43,232**	8,008	3,866
BNDES-PEC	R$	12.90% p.a.	2013	10,000	**3,290**	10,000	6,112
BNDES-Exim-Pre-shipment	R$	4.50% p.a.	2012	5,000	**5,029**	-	-
BNDES Revitaliza	R$	9% p.a.	2017	2,846	**2,856**	-	-
FNE	R$	9.50% p.a.	2019	9,806	**9,870**	9,806	9,871
Working capital	USD	*Libor* + 0.79 to 4.80% p.a.	2012-2017	43,000	**97,095**	28,000	45,033
Working capital	USD	3.32 to 5.20% p.a.	2012-2016	66,869	**135,542**	68,078	128,399
Financing for acquisition of fixed assets	USD	*Libor* + 3.0% p.a.	2012-2014	824	**679**	824	787
Investments	USD	5.33% p.a.	2012-2017	6,035	**11,747**	6,035	11,084
FINIMP	USD	*Libor* + 1.10% p.a.	2012	6,303	**11,162**	4,810	4,831
Total liabilities subject to interest					**473,781**		331,696

				Company			
				06-30-2012		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%	2012-2014	122,500	**117,733**	102,700	84.948
Discounted trade receivables	R$	16.80% p.a.	2012	-	**-**	14,107	14.107
FINAME	R$	TJLP + 2.25 to 4.40%	2012-2014	9,766	**2,276**	20,216	1.698
FINAME	R$	3.80 to 5.50% p.a.	2012-2021	10,028	**6,985**	6,633	5.582
FINEP	R$	TJLP + 0.16 to 2.0%	2012-2014	29,601	**6,585**	29,601	13.855
BNDES-PEC	R$	12.90% p.a.	2013	10,000	**3,290**	10,000	6.112
Working capital	USD	*Libor* + 0.79 to 4.80%	2012-2017	23,000	**34,983**	8,000	7.517
Working capital	USD	3.91% p.a.	2012-2017	63,849	**131,419**	63,849	121.997
Financing for acquisition of fixed assets	USD	*Libor* + 1.25 to 3.0% p.a.	2012-2014	824	**679**	824	787
FINIMP	USD	*Libor* + 1.10% p.a.	2012	5,537	**9,599**	4,810	4.831
Total liabilities subject to interest					**313,549**		261,434

18. Loans and financing (Continued)

Maturity dates of non-current liabilities:

	Consolidated		Company	
Year	06-30-2012 (restated)	12-31-2011	06-30-2012 (restated)	12-31-2011
2013	**17,681**	89,403	**10,214**	57,982
2014	**30,482**	64,963	**18,572**	61,738
2015	**22,636**	31,101	**10,742**	27,854
2016	**21,800**	30,629	**10,380**	27,791
2017 onwards	**93,423**	16,557	**11,113**	957
	186,022	**232,653**	**61,021**	**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 June 30, 2012, those rates had not been complied, for that reason it was reclassified to current liabilities in the amount of R$129,058.

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.

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:

						06-30-2012 (restated)
	Index	Current (restated)	Non-current (restated)	Transaction costs incurred	Transaction costs appropriated	Transaction costs to appropriate
Debentures:						
1st issue	DI rate + 4.1%	**60,035**	**-**	**1,065**	**715**	**350**
2nd issue	DI rate + 2.8%	**50,025**	**-**	**695**	**134**	**561**
		110,060	**-**	**1,760**	**849**	**911**

						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.

19. Debentures (Continued)

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).

(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.

19. **Debentures** (Continued)

Management from the Company and its subsidiaries monitor these indices on a systematic and constant basis, to ensure that the terms are met. At June 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$ 49,621 as a result of non-compliance 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$ 5,095 at June 30, 2012 (R$ 4,261 at December 31, 2011) considered sufficient to cover estimated losses on proceedings pending judgment involving probable unfavorable outcome:

	06-30-2012			12-31-2011
	Provision	**Judicial deposit (2)**	**Net**	**Net**
Labor	**2,299**	**2,320**	**(21)**	(600)
Tax				
Federal	**-**	**423**	**(423)**	(423)
State (1)	**2,796**	**682**	**2,114**	2,401
	5,095	**3,425**	**1,670**	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	834	-	834
Balance at June 30, 2012	**2,299**	**2,796**	**5,095**

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

20. Contingencies (Continued)

a) Consolidated (Continued)

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 June 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.

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$ 2,278 at June 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:

			06-30-2012	**12-31-2011**
	Provision	**Judicial deposit (2)**	**Net**	**Net**
Labor	**1,540**	**1,275**	**265**	281
Tax				
Federal	**-**	**423**	**(423)**	(423)
State (1)	**738**	**513**	**225**	367
	2,278	**2,211**	**67**	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	75	-	75
Provisions used in the period	-	-	-
Balance at June 30, 2012	**1,540**	**738**	**2,278**

(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 June 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.

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			
			06-30-2012		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* 6m x CDI**						
	Forjas Taurus S.A.	US dollars - USD	8,000	**446**	12,000	217
***Swap Fixed* x CDI**						
	Forjas Taurus S.A.	Reais - BRL	37,356	**2,304**	37,356	1,801
	Taurus Blindagens Ltda.	Reais - BRL	9,652	**479**	9,652	334
	Taurus Helmets Ind. Plástica Ltda.	Reais - BRL	4,355	**216**	4,355	150
***Swap* USD x CDI**						
	Forjas Taurus S.A.	Reais - BRL	10,000	**26,210**	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	51,100	**(14,478)**	88,100	(15,259)
				15,177		(968)

	06-30-2012	12-31-2011
Company		
Derivative financial instruments assets	**28,960**	17,778
Derivative financial instruments liabilities	**(14.478)**	(19,358)
	14.482	(1,580)
Consolidated		
Derivative financial instruments assets	**29,655**	18,262
Derivative financial instruments liabilities	**(14,478)**	(19,358)
Assets held for sale	**-**	128
	15.177	(968)

21. **Financial instruments** (Continued)

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

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 6m x CDI

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.

21. Financial instruments (Continued)

Swap USD x CDI

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.

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	
	06-30-2012 (restated)	**12-31-2011**
Financial assets held to maturity	**743**	659
Trade accounts receivable	**181,936**	155,300
Other loans and receivables	**30,900**	19,948
Cash and cash equivalents	**134,313**	162,226
Foreign exchange forward and interest rate swap contracts used for asset hedging	**29,655**	18,262
Total	**377,547**	356,395

	Company	
	Book value	
	06-30-2012	**12-31-2011**
Financial assets held to maturity	**743**	659
Trade accounts receivable	**96,644**	147,548
Other loans and receivables	**12,333**	17,656
Cash and cash equivalents	**64,204**	71,320
Foreign exchange forward and interest rate swap contracts used for asset hedging	**28,960**	17,778
Total	**202,884**	254,961

21. Financial instruments (Continued)

a) *Credit risk* (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	
	06-30-2012	12-31-2011	06-30-2012	12-31-2011
Domestic – Trade accounts receivable	**111,869**	101,082	**41,413**	69,254
United States – Trade accounts receivable	**62,009**	47,317	**48,599**	71,436
Other	**8,058**	6,901	**6,632**	6,858
Total	**181,936**	155,300	**96,644**	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	
	06-30-2012	12-31-2011	06-30-2012	12-31-2011
Clients – public bodies	**34,628**	60,069	**32,882**	57,257
Clients – distributors	**52,328**	8,792	**60,358**	79,775
End clients	**94,980**	86,439	**3,404**	10,516
Total	**181,936**	155,300	**96,644**	147,548

Impairment losses

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

	Consolidated			
	Gross	Gross	*Impairment*	*Impairment*
	06-30-2012	12-31-2011	06-30-2012 (restated)	12-31-2011
Falling due	**113,204**	129,172	**-**	-
Overdue between 0-30 days	**5,172**	12,144	**-**	-
Overdue between 31-360 days (1)	**46,118**	8,663	**(2,757)**	(1,098)
More than one year	**17,442**	5,321	**(12,189)**	(5,321)
Total	**181,936**	155,300	**(14,946)**	(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***
	06-30-2012	**12-31-2011**	**06-30-2012**	**12-31-2011**
Falling due	**65,883**	131,715	**-**	-
Overdue between 0-30 days	**685**	4,372	**-**	-
Overdue between 31-360 days [1]	**27,475**	7,403	**(386)**	(410)
More than one year	**2,601**	4,058	**(2,195)**	(2,259)
Total	**96,644**	147.,548	**(2,581)**	(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.

In 1H12, the Company transferred to third parties, credits receivable from the subsidiary Taurus Holdings, Inc. for the amount of R$ 17,855, without right of refund for damages. In the financial statements, this amount was recognized as advances on receivables.

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					
	06-30-2012 (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	**473,781**	**528,470**	**308,854**	**60,046**	**118,962**	**40,608**
Debt securities issued	**110,060**	**116,402**	**116,402**	**-**	**-**	**-**
Certificates of real estate receivables	**32,626**	**34,019**	**34,019**	**-**	**-**	**-**
Foreign exchange payable	**49,798**	**50,342**	**50,342**	**-**	**-**	**-**
Derivative financial liabilities						
Derivative instruments (output)	**(29,655)**	**(29,655)**	**(29,655)**	**-**	**-**	**-**
Derivative instruments (input)	**14,478**	**14,478**	**14,478**	**-**	**-**	**-**
	651,088	**714,056**	**494,440**	**60,046**	**118,962**	**40,608**

	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 liabilities						
Derivative instruments (output)	(18,262)	(18,262)	(18,262)	-	-	-
Derivative instruments (input)	19,358	19,358	19,358	-	-	-
	533,875	609,219	233,054	230,744	128,749	16,672

	Company					
	06-30-2012 (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	**313,549**	**332,418**	**260,721**	**36,486**	**22,271**	**12,940**
Debt securities issued	**110,060**	**116,402**	**116,402**	**-**	**-**	**-**
Foreign exchange payable	**49,798**	**50,342**	**50,342**	**-**	**-**	**-**
Derivative financial liabilities						
Derivative instruments (output)	**(28,960)**	**(28,960)**	**(28,960)**	**-**	**-**	**-**
Derivative instruments (input)	**14,478**	**14,478**	**14,478**	**-**	**-**	**-**
	458,925	**484,680**	**412,983**	**36,486**	**22,271**	**12,940**

21. **Financial instruments** (Continued)

b) *Liquidity risk* (Continued)

	Company					
	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	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 liabilities						
Derivative instruments (output)	(17,778)	(17,778)	(17,778)	-	-	-
Derivative instruments (input)	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	
	06-30-2012	**12-31-2011**
Accounts receivable	**34,664**	28,904
Foreign exchange payable	**(24,500)**	(21,018)
Guaranteed bank loans	**(125,989)**	(101,362)
Foreign suppliers	**(2,144)**	(4,716)
Net balance sheet exposure	**(117,969)**	(98,192)

The exposure to consolidated foreign exchange risk includes the guaranteed bank loans from Taurus Holdings, Inc. for the amount of USD 38,560 at June 30, 2012 (USD 29,322 at December 31, 2011).

	Company	
	USD 000	
	06-30-2012	**12-31-2011**
Accounts receivable	**3,289**	3,656
Accounts receivable – overseas related parties	**24,015**	38,083
Foreign exchange payable	**(24,500)**	(21,018)
Guaranteed bank loans	**(87,409)**	(72,040)
Foreign suppliers	**(412)**	(524)
Net balance sheet exposure	**(85,017)**	(51,843)

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

	Average rate		Spot rate	
	06-30-2012	**12-31-2011**	**06-30-2012**	**12-31-2011**
R$/USD	**2.0492**	1.6746	**2.0213**	1.8758

21. Financial instruments (Continued)

c) *Foreign exchange risk* (Continued)

Sensitivity analysis

The devaluation of the Real to the US dollar, at June 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
June 30, 2012				
R$/USD (25% - forecast rate 2.5266)	**(59,613)**	**(59,613)**	**(42,961)**	**(42,961)**
R$/USD (50% - forecast rate 3.0320)	**(119,225)**	**(119,225)**	**(85,922)**	**(85,922)**

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	
	06-30-2012	**12-31-2011**
Fixed rate Instruments		
Financial liabilities	**96,595**	98,884
Variable rate instruments		
Financial assets	**126,753**	105,730
Financial liabilities	**584,148**	453,053

	Company	
	Carrying value	
	06-30-2012	**12-31-2011**
Fixed rate instruments		
Financial liabilities	**11,658**	29,932
Variable rate instruments		
Financial assets	**116,633**	76,701
Financial liabilities	**476,226**	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 June 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	
	06-30-2012	**12-31-2011**
Change in interest rate on financing	**(2,157)**	(1,865)
Change in interest rate on short-term investments	**367**	448

	Company	
	Equity and net income for the year	
	06-30-2012	**12-31-2011**
Change in interest rate on financing	**(2,147)**	(1,821)
Change in interest rate on short-term investments	**243**	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			
	06-30-2012		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	**29,655**	**29,655**	18,262	18,262
Assets stated at amortized cost				
Cash and cash equivalents	**134,313**	**134,313**	162,226	162,226
Trade accounts receivable and other receivables	**170,366**	**170,366**	148,881	148,881
	304,679	**304,679**	311,107	311,107
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	**14,478**	**14,478**	19,358	19,358
Liabilities stated at amortized cost				
Guaranteed bank loans	**473,781**	**473,781**	331,696	331,696
Issue of debt securities	**110,060**	**110,060**	126,597	126,597
Foreign exchange payable	**49,798**	**49,798**	39,626	39,626
Suppliers and other accounts payable	**45,955**	**45,955**	43,821	43,821
Advance on real estate credits	**32,626**	**32,626**	36,127	36,127
	712,220	**712,220**	577,867	577,867

21. Financial instruments (Continued)

d) *Interest rate risk* (Continued)

Fair value versus carrying values (Continued)

				Company
		06-30-2012		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	**28,960**	**28,960**	17,778	17,778
Assets stated at amortized cost				
Cash and cash equivalents	**64,204**	**64,204**	71,320	71,320
Trade accounts receivable and other receivables	**94,063**	**94,063**	144,879	144,879
	158,267	**158,267**	216,199	216,199
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	**14,478**	**14,478**	19,358	19,358
Liabilities stated at amortized cost				
Guaranteed bank loans	**313,549**	**313,549**	261,434	261,434
Issue of debt securities	**110,060**	**110,060**	126,597	126,597
Foreign exchange payable	**49,798**	**49,798**	39,626	39,626
Suppliers and other accounts payable	**41,848**	**41,848**	15,823	15,823
	515,255	**515,255**	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*

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

Maturity	Currency	NDF contracts	Options *Zero Cost Collar*)	Export prepayment (PPE)	FINIMP	Total
09/30/2012	USD	**2,500**	**3,000**	**-**	**1,820**	**7,320**
12/31/2012	USD	**17,500**	**3,000**	**-**	**1,611**	**22,111**
03/31/2013	USD	**3,900**	**-**	**-**	**-**	**3,900**
06/30/2013	USD	**800**	**-**	**-**	**-**	**800**
06/30/2014	USD	**-**	**-**	**-**	**1,282**	**1,282**
12/31/2015	USD	**-**	**-**	**833**	**-**	**833**
03/31/2016	USD	**-**	**-**	**833**	**-**	**833**
3/31/2017	USD	**-**	**-**	**834**	**-**	**834**
TOTAL	**USD**	**24,700**	**6,000**	**2,500**	**4,713**	**37,913**

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**	**06-30-12**	**06-30-11**	**06-30-12**	**06-30-11**	**06-30-12**	**12-31-11**
Foreign exchange hedge operations							
Non-delivery forward (NDF) contracts	**R$**	**-**	-	**3.953**	-	**3.385**	-
Options (*Zero Cost Collar*)	**R$**	**-**	-	**-**	-	**560**	-
Export prepayment (PPE)	**R$**	**-**	-	**128**	-	**498**	-
Finimp	**R$**	**-**	**-**	**91**	**-**	**493**	**-**
TOTAL	**R$**	**-**	**-**	**4.172**	**-**	**4.936**	**-**

Gain from cash flow hedge of R$ 4,936 was posted to equity, deducting income and social contribution taxes of R$ 1,678.

22. Related parties

	Balances of subsidiaries outstanding with the Company					Effect of result of transactions 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
June 30, 2012.							
Taurus Blindagens Ltda.	-	-	-	-	-	-	-
Taurus Holdings,Inc. (Note 10)	48,599	-	48,599	5	5	115,426	2,066
Taurus Security Ltda.	-	547	547	-	-	-	-
Taurus Investimentos Imobiliários Ltda. (**)	-	-	-	-	-	-	2,311
Taurus Máquinas-Ferramenta Ltda.	41	76,786	76,827	-	-	151	-
Polimetal Metalurgia e Plásticos Ltda. (Note 10)	631	-	631	17,913	17,913	5,688	45,523
	49,271	**77,333**	**126,604**	**17,918**	**17,918**	**121,265**	**49,900**

(*) Recorded as accounts payable
(**) Sale of the Company's fixed assets to the 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$76,786 as of June 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.

22. Related parties (Continued)

Remuneration of key management personnel

At June 30, 2012, remuneration paid to key management personnel amounted to R$ 11,674 (R$ 18,647 at June 30, 2011), and includes salaries, fees and benefits.

Remuneration of key management personnel includes:

	Consolidated		Company	
	06-30-2012	**06-30-2011**	**06-30-2012**	**06-30-2011**
Remuneration and benefits of statutory directors and board members	**4,393**	10,586	**4,393**	10,586
Remuneration of key personnel	**7,281**	8,061	**2,897**	4,293
Total	**11,674**	18,647	**7,290**	14,879

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.

22. Related parties (Continued)

Operations of directors and key management personnel

The directors and key management personnel directly control 0.69% 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:

	06-30-2012	**12-31-2011**
Taurus Máquinas-Ferramenta Ltda.	**16,071**	17,391
Taurus Holdings, Inc.	**77,307**	55,002
	93,378	72,393

23. Equity (Company)

Capital and reserves

Authorized shares (in thousands of shares)

	06-30-2012	**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 June 30, 2012				
ON - R$ 2.58 - PN - R$ 2.30*	**47,138**	**121,616**	**94,275**	**216,832**

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

23. Equity (Company) (Continued)

Legal reserve

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.

Statutory reserve and profit retention

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

Equity valuation adjustments

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

Cumulative translation adjustments

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

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 June 30, 2012, as presented below:

	06-30-2012 (restated)	06-30-2011
Net income for the period from continuing operations	**29,415**	18,877
Loss for the period from discontinued operations	**(132,216)**	(11,951)
Net income/loss attributable to shareholders	**102,801**	6,926
Basic and diluted earnings per share - in R$	**0.7270**	0.0540
Basic and diluted earnings per share from continuing operations – in R$	**0.2080**	0.1472

23. Equity (Company) (Continued)

Earnings per share (Continued)

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 June 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.

24. Operating revenue

	Consolidated		Company	
	06-30-2012	**06-30-2011**	**06-30-2012**	**06-30-2011**
Revenue from products sold	**412,465**	357,429	**206,157**	188,641
Revenue from services rendered	**1,885**	1,731	**25**	73
Total revenue	**414,350**	359,160	**206,182**	188,714

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

	Consolidated		Company	
	06-30-2012	**06-30-2011**	**06-30-2012**	**06-30-2011**
Gross revenue	**414,350**	359,160	**206,182**	188,714
Sales taxes	**(55,577)**	(52,999)	**(18,852)**	(24,605)
Sales returns and rebates	**(5,016)**	(2,459)	**(2,056)**	(2,547)
Total net operating revenue	**353,757**	303,702	**185,274**	161,562

25. Other operating expenses, net

	Consolidated		Company	
	06-30-2012	**06-30-2011**	**06-30-2012**	**06-30-2011**
Other operating expenses				
Research and development	**(1,160)**	(1,561)	**(1,155)**	(1,561)
Cost of fixed assets sold	**(1,090)**	(516)	**(878)**	(491)
Amortization of intangible assets	**(327)**	(460)	**(310)**	(454)
Employee profit sharing	**(588)**	(591)	**-**	-
Idle capacity	**-**	-	**-**	-
Other	**(1,197)**	(1,700)	**(181)**	(33)
	(4,362)	(4,828)	**(2,524)**	(2,539)
Other operating income				
Tax incentives	**1,343**	-	**-**	-
Other operating income	**1,075**	2,670	**606**	509
	2,418	2,670	**606**	509
Other operating expenses, net	**(1,944)**	(2,158)	**(1,918)**	(2,030)

26. Financial income and expenses

	Consolidated		Company	
	06-30-2012	06-30-2011	06-30-2012	06-30-2011
Financial expenses				
Interest	**(24,270)**	(15,528)	**(20,677)**	(11,627)
Capitalized interest on fixed assets	**249**	906	**208**	851
Exchange variation	**(44,049)**	(2,804)	**(43,792)**	(2,785)
IOF	**(58)**	(1)	**(9)**	2
Swap on financial operations	**(14,969)**	-	**(14,969)**	-
Other expenses	**(3,861)**	(4,756)	**(1,481)**	(4,163)
	(86,958)	(22,183)	**(80,720)**	(17,722)
Financial income				
Interest	**6,961**	6,077	**3,327**	5,510
Exchange variation	**31,960**	1,883	**31,323**	1,865
Swap on financial operations	**27,326**	-	**26,974**	-
Other income	**818**	3,095	**231**	1,808
	67,065	11,055	**61,855**	9,183
Net financial expenses	**(19,893)**	(11,128)	**(18,865)**	(8,539)

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	
	06-30-2012 (restated)	06-30-2011	06-30-2012 (restated)	06-30-2011
Income/Loss before income and social contribution taxes	**(84,232)**	22,219	**(100,426)**	7,783
Combined tax rate	**34%**	34%	**34%**	34%
Income and social contribution taxes:				
At combined tax rate	**28,639**	(7,554)	**34,145**	(2,646)
Permanent additions:				
Nondeductible expenses	**(105)**	(45)	**(96)**	(44)
Permanent exclusions:				
Tax exempt income – equity pickup	**242**	-	**(31,175)**	6,845
Other – Law No. 11196/05	**747**	23	**-**	-
Tax loss not recognized in assets	**(31,351)**	(9,003)	**(6,187)**	(4,940)
Non-deductible provisions	**(19,595)**	-	**-**	-
Other items	**2,854**	1,306	**938**	(72)
Income and social contribution taxes posted to P&L for the year	**(18,569)**	(15,273)	**(2,375)**	(857)
Breakdown of income and social contribution taxes posted to P&L for the year:				
Current	**(12,729)**	(9,543)	**-**	(487)
Deferred	**(5,840)**	(5,730)	**(2,375)**	(370)
	(18,569)	(15,273)	**(2,375)**	(857)
Effective rate	**(22.05%)**	68.74%	**(2.36%)**	11.01%

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

		06-30-2012
	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**
	06-30-2012	**06-30-2011**	**06-30-2012**	**06-30-2011**
Expenses by function				
Cost of goods and/or services sold	**(213,740)**	(182,388)	**(142,009)**	(123,621)
Selling expenses	**(43,027)**	(43,087)	**(15,630)**	(19,042)
General and administrative expenses	**(27,882)**	(31,685)	**(15,586)**	(20,679)
Other operating expenses	**(4,362)**	(4,828)	**(2,524)**	(2,539)
	(289,011)	(261,988)	**(175,749)**	(165,881)
Expenses by nature				
Depreciation and amortization	**(15,438)**	(15,027)	**(5,839)**	(8,410)
Personnel expenses	**(50,491)**	(61,254)	**(68,601)**	(56,370)
Raw material and use and consumption materials	**(153,701)**	(126,447)	**(73,857)**	(62,663)
Freight	**(8,429)**	(8,905)	**(3,434)**	(4,097)
Commissions	**(16,482)**	(16,680)	**(6,499)**	(7,787)
Third-party services	**(5,701)**	(11,960)	**(3,329)**	(9,742)
Advertising and promotion	**(8,504)**	(8,600)	**(1,187)**	(1,792)
Bad debits allowance	**(8,527)**	(1,439)	**88**	(71)
Other expenses	**(21,738)**	(11,676)	**(13,091)**	(14,949)
	(289,011)	(261,988)	**(175,749)**	(165,881)

RELEASE

2Q12

Release republished on 03/28/2014 due to the restatement of the Quarterly Information for the 2nd 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 2nd quarter of 2012 (2Q12), and of the first six months of 2012 (6M12) 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 2Q12, 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 June 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$ 102.8 million in the 6M12 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 09-30-12, 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 1ST SEMESTER OF 2012 (2Q12)

- **January/12**

  ✓ Management of operations of Steelinject (metal injection molding) acquired from Lupatech in Dec/11 for R$ 14 million;

  ✓ Launching of new weapons in the SHOT SHOW in Las Vegas (Nevada), USA, the biggest hunting, sports and public and private security weapons fair in the world;

- **March/April/12**

  ✓ Raising of international revolving credit line facility of US$ 75 million by Taurus Holdings – USA, with term of 5 years and at very competitive cost;

  ✓ Hiring of new independent auditor, namely Ernst&Young Terco, owing to the mandatory rotation of auditor;

- ✓ Ordinary Shareholders' Meeting approves Capital Budget of Taurus (CAPEX/2012 of R$78.6 million), including acquisitions;

- **May/12**

  - ✓ Acquisition of Heritage Manufacturing Inc., a company manufacturing revolvers in the USA for R$ 19 million;

- **June/July/12**

  - ✓ Sale of the operations of Taurus Máquinas-Ferramenta Ltda. to Renill Participações Ltda. for R$ 115 million;
  - ✓ Launching of new products in the 12th INTERSEG, the biggest Public Security Fair in Latin America, held in São Paulo - SP (Rifle CT 556; Pistol PT 24/7 G2 SA; Shotgun ST-12; Grenade Launcher LT-38, entering the market of less lethal weapons);
  - ✓ FJTA4 (preferred shares) reached nominal appreciation of 77.4% in Jan/Jul12, being the 11th most profitable share on BM&FBOVESPA, with significant increase in liquidity as compared to December, with financial volume increase of 159% and number of trades increase of 81%, reaching market value of R$ 360 million at the end of July/12;
  - ✓ Consolidated net revenue of R$ 353.8 million, up 16.5% in 1H12 as compared to 1H11 and increase in exports of 20.8%, with average US dollar rate 14% higher;
  - ✓ Helmet sales of 1,373 thousand were up 19.6% and net revenue of R$ 65.3 million was up 16% in 1H12, while motorcycle sales were down 13.2%;
  - ✓ The market share in the helmets segment was up from 52% to 54%;
  - ✓ EBIT of R$ 67.9 million was up 49.8%, with margin of 19%;
  - ✓ Adjusted EBITDA of R$ 80.7 million was up 27.5%, with margin of 22.8% of net revenue for 1H12, higher than the 20.8% margin for 1H11;
  - ✓ Restatement of the quarterly information of the 2nd quarter of 2012 to consider the effects of renegotiation of TMFL on a retroactive basis and for June 2012 (date of asset disposal), resulting in net loss of R$ 102.8 million in 1H12, as compared to net income of R$ 6.9 million in 1H11.

FORJAS TAURUS ANNOUNCES THE RESULTS FOR THE 2ND QUARTER OF 2012 (2Q12)

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	**2Q12**	**1Q12**	**2Q11**	**1H12**	**1H11**	**1H12/1H11**	**2Q12/2Q11**	**2Q12/1Q12**
Net revenue	**175,4**	**178,4**	**147,8**	**353,8**	**303,7**	**16,5%**	**18,7%**	**-1,7%**
Domestic market	74,8	69,8	64,7	144,6	130,5	10,8%	15,5%	7,1%
Foreign market	100,6	108,6	83,1	209,2	173,2	20,8%	21,1%	-7,4%
COGS	101,5	112,2	87,1	213,7	182,4	17,2%	16,5%	-9,5%
Gross Profit	73,9	66,1	60,6	140,0	121,3	15,4%	21,8%	11,7%
Gross Margin - %	**42,1%**	**37,1%**	**41,0%**	**39,6%**	**39,9%**	**-0,4 p.p.**	**1,1 p.p.**	**5,0 p.p.**
Operating Expenses	-36,4	-35,8	-38,7	-72,1	-76,0	-5,1%	-6,0%	1,6%
Operating Profit (EBIT) (1)	37,5	30,4	22,0	67,9	45,3	49,8%	70,7%	23,5%
Net Financial Income	-18,0	-1,9	-8,9	-19,9	-11,1	78,8%	101,6%	827,5%
Depreciation and amortization (2)	7,9	7,6	7,8	15,4	15,0	2,7%	1,7%	4,3%
Net Income - Continuing Operations	12,1	17,3	6,5	29,4	18,9	55,7%	85,3%	-30,0%
Net Income Margin - Cont. Operations	**6,9%**	**9,7%**	**4,4%**	**8,3%**	**6,2%**	**2,1 p.p.**	**2,5 p.p.**	**-2,8 p.p.**
Net Income - Descontinuing Operations	-127,1	-5,2	-6,7	-132,2	-12,0	1006,3%	1786,1%	2359,3%
Net Income - Consolidated	-114,9	12,1	-0,2	-102,8	6,9	-1580,0%	57371,0%	-1046,7%
Net Income Margin - Consolidated	**-65,5%**	**6,8%**	**-0,1%**	**-29,1%**	**2,3%**	**-31,3 p.p.**	**-65,4 p.p.**	**-72,3 p.p.**
Adjusted EBITDA (3)	44,5	36,2	33,5	80,7	63,3	27,5%	32,7%	22,8%
Adjusted EBITDA Margin - %	**25,4%**	**20,3%**	**22,7%**	**22,8%**	**20,8%**	**2,0 p.p.**	**2,7 p.p.**	**5,0 p.p.**
Total Assets	1.059,8	1.126,9	960,7	1.059,8	960,7	10,3%	10,3%	-6,0%
Equity	228,9	334,3	459,6	228,9	459,6	-50,2%	-50,2%	-31,5%
Investiments (CAPEX)	31,3	21,2	12,8	52,5	27,1	93,7%	144,6%	47,4%

(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

2Q12

Total consolidated net revenue for 2Q12 amounted to R$175.4 million, up 18.7% in relation to R$147.8 million in 2Q11. This increase is mainly due to the 21.1% increase in sales in the foreign market totaling R$ 100.6 million, corresponding to 57.4% of consolidated net revenue, as compared to 56.2% in 2Q11. The North American market alone (United States, Canada and Mexico) represented 55% of total net revenue and 95.9% of exports, due to the increase in consumption in the USA in the 1H12.

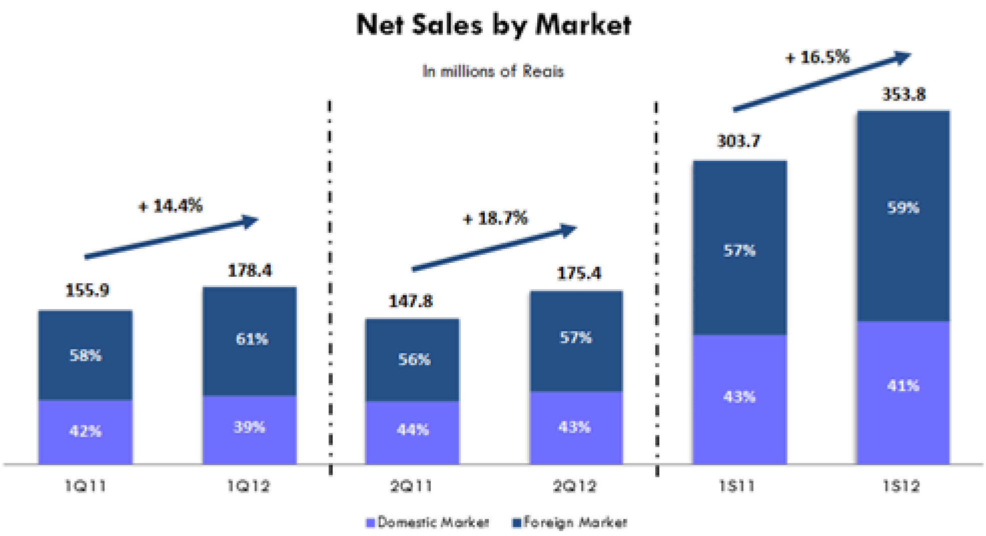
Average exchange rate appreciation was of 23% in 2Q12 as compared to 2Q11, benefitting export trading companies like Taurus.

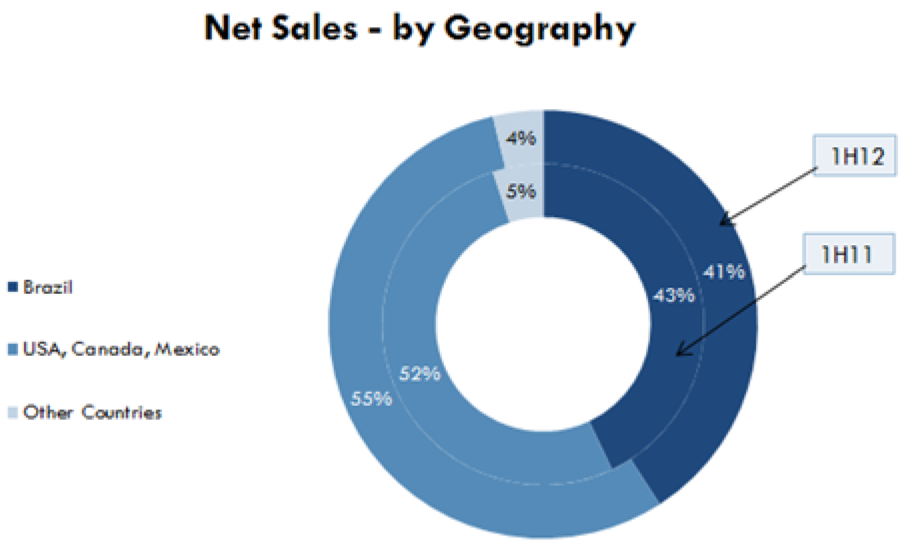
1H12

Consolidated net revenue for 1H12 reached R$ 353.8 million, up 16.5% in relation to 1H11, due to the 20.8% increase in exports, which represented 59% of total revenue and due to the 10.8% increase in the domestic market. The trend of increase in revenue in each quarter was maintained in relation to the same prior year period, being up 14.4% in 1Q12 and up 18.7% in 2Q12.

Average exchange rate appreciation was of 23% in 2Q12 as compared to 2Q11, benefitting export trading companies like Taurus.

We illustrate below the Company’s sales in the quarters under review, by market and geographic region, in millions of Brazilian reais:





1.3 – Business segment information

The table below sets out consolidated highlights by business segment in the 1H12, compared with the same 2011 period, however, we point out that discontinued operations were eliminated (TMFL – Taurus Máquinas-Ferramenta Ltda.) and intersegment revenues, according to the table in Note 7 of the 2nd ITR/12. In addition to the restatement of the financial statements for 2Q12, we point out that we had restated the results by business segment of 2012 and 2011 upon disclosure for the 3Q12, in order to improve the criteria for the apportionment of expenses and allocation of revenues among the three segments, so as to better reflect the Company's performance in accordance with Accounting Pronouncement CPC 22.

RESULTS BY BUSINESS SEGMENT
Consolidated amount in millions of reais

Comparative Six months - Year over Year

	Net Revenue					Gross Income			Gross Margin			Income before taxes		
	1H12	Part. %	1H11	Part. %	Var.	1H12	1H11	Var.	1H12	1H11	Var.p.p	1H12	1H11	Var.
Firearms	247,8	70,1%	223,8	73,7%	10,8%	89,5	94,4	-5,2%	36,1%	42,2%	-6,1	9,9	18,6	-47%
Helmets	65,3	18,5%	56,3	18,6%	16,0%	27,5	23,3	17,6%	42,0%	41,4%	0,6	19,6	16,8	17%
Others	40,6	11,5%	23,6	7,8%	72,0%	23,0	3,5	NS	56,8%	15,0%	41,7	18,5	(1,2)	NS
Total	**353,8**	100,0%	**303,7**	100,0%	16,5%	**140,0**	**121,3**	15,4%	**39,6%**	**39,9%**	**-0,4**	**48,0**	**34,2**	40%

Comparative Quarter - Year over Year

	Net Revenue					Gross Income			Gross Margin			Income before taxes		
	2Q12	Part. %	2Q11	Part. %	Var.	2Q12	2Q11	Var.	2Q12	2Q11	Var.p.p	2Q12	2Q11	Var.
Firearms	116,7	66,6%	108,1	73,1%	8,0%	45,7	50,9	-10,3%	39,2%	47,1%	-8,0	(2,9)	9,2	NS
Helmets	33,4	19,0%	28,4	19,2%	17,3%	13,7	12,2	12,8%	41,2%	42,8%	-1,7	10,1	9,2	10%
Others	25,3	14,4%	11,3	7,6%	124,8%	14,4	(2,5)	NS	57,0%	-22,1%	79,0	12,3	(5,4)	NS
Total	**175,4**	100,0%	**147,8**	100,0%	18,7%	**73,9**	**60,6**	21,8%	**42,1%**	**41,0%**	**1,1**	**19,6**	**13,1**	50%

Comparative Quarter - Current Quarter x Previous Quarter

	Net Revenue					Gross Income			Gross Margin			Income before taxes		
	2Q12	Part. %	1Q12	Part. %	Var.	2Q12	1Q12	Var.	2Q12	1Q12	Var.p.p	2Q12	1Q12	Var.
Firearms	116,7	66,6%	131,1	73,5%	-11,0%	45,7	43,8	4,3%	39,2%	33,4%	5,7	(2,9)	12,7	-123%
Helmets	33,4	19,0%	32,0	17,9%	4,3%	13,7	13,7	0,1%	41,2%	42,9%	-1,7	10,1	9,5	7%
Others	25,3	14,4%	15,3	8,6%	65,6%	14,4	8,6	67,3%	57,0%	56,4%	0,6	12,3	6,2	98%
Total	**175,4**	100,0%	**178,4**	100,0%	-1,7%	**73,9**	**66,1**	11,7%	**42,1%**	**37,1%**	**5,0**	**19,6**	**28,4**	-31%

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

Defense and Security Segment

1. Weapons

2Q12

The Defense and Security segment in 2Q12 represented 67% of total consolidated net revenue, reaching R$ 116.7 million, up 8% as compared to 2Q11 (R$ 108.1 million, equivalent to 73% of total consolidated net revenue). Gross profit amounted to R$ 45.7 million, down 10.3% in relation to 2Q11 but up 4.3% in relation to 1Q12. Gross margin reached 39.2%, lower than that for the same prior year period of 47.1%. The decrease is due to the increase in costs and higher unproductivity due to lower production volume in the prior quarter due to a technical halt.

1H12

Net revenue represented 70% of total consolidated net revenue, reaching R$ 247.8 million, up 10.8% as compared to 1H11 (R$ 223.8 million, equivalent to 74% of total consolidated net revenue). Gross profit amount for the half was down 5.2% and gross margin of 36.1% was lower than that for the same prior year period of 42.2%. 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.

Metallurgy and Plastics Segment

2. Helmets for motorcyclists

2Q12

In analyzing the result for 2Q12, it is already possible to feel the effect from gradual recovery in revenue and volume of motorcycle sales by Taurus, with revenue of R$ 33.4 million, up 17.3% compared to 2Q11 and up

4.3% in relation to 1Q12. There was also recovery in gross profit, which was up 12.8% in relation to 2Q11 and stable compared to 1Q12, with gross margin of 41.2% in 2Q12 (42.8% in 2Q11 and 42.9% in 1Q12).

EBIT in 2Q12 amounted to R$ 10.1 million, up 10% in relation to 2Q11 and up 7% compared to 1Q12.

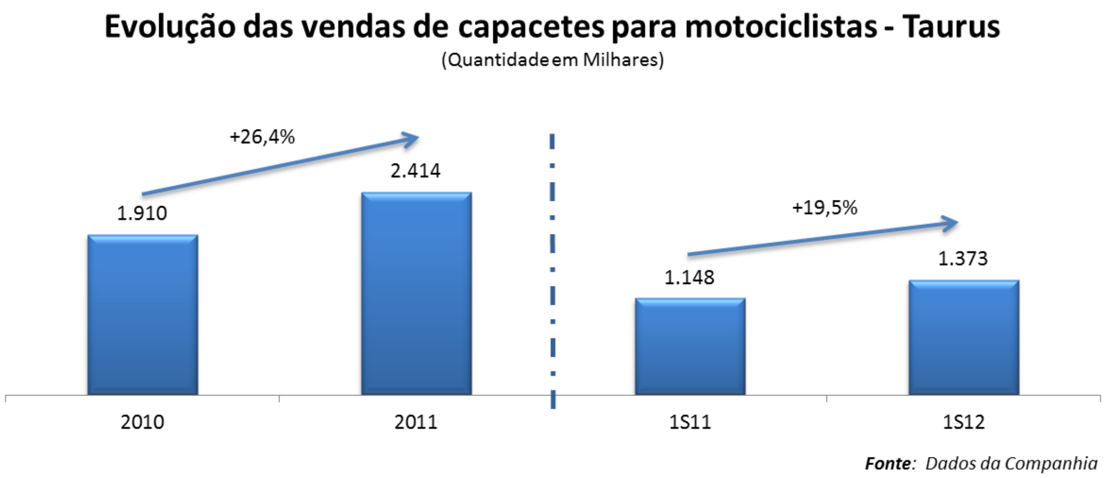
1H12

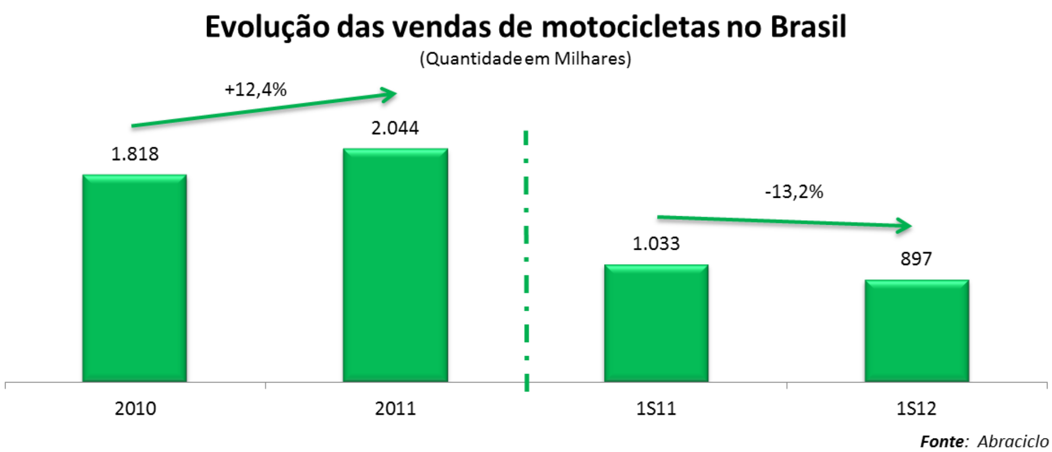
Sales of helmets for motorcyclists represented 18,5% (R$ 65.3 million) of total consolidated net revenue of 1H12, up 16% compared to 1H11 (R$ 56.3 million and representing 18.6% of total consolidated net revenue).

Despite the 13.2% decrease in motorcycle sales in the market in 1H12, mainly due to the increase in consumers' default, thus leading to increased restrictions to consumer credit, Taurus succeeded in growing 19.6% in volume and 16% in terms of revenue. Gross margin remained stable, namely 42% of net revenue in 1H12 as compared to 41.4% in 1H11, with a 17.6% increase in gross profit, however proportionally lower than the 16% increase in net revenue.

EBIT in 1H12 of R$19.6 million was up 17% compared to 1H11. There was sale of 1,373 thousand helmets in the six-month period, up 19.6% in terms of volume in relation to 1H11, with a gain in relation to competitors, with a market share that increased from 52% at the end of March to 54% at the end of June 2012, due to the competitive differentials, such as quality and price.

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 on a semi-annual basis for 2011 and 2012.





3. Other products

2Q12

Net revenue amounted to R$ 25.3 million, up 124.8% as compared to 2Q11. This significant difference is due to the variety of products contained in the Others segment, representing 14.4% of sales, compared to 7.6% in 2Q11.

1H12

Consolidated net revenue from other products totaled R$ 40.6 million in 1H12, representing 11.5% of total consolidated net revenue of 1H11 (R$ 23.6 million), up 72% due to the significant increase in the volume of sales of bulletproof vests, plastic containers and glasses for motorcyclists, which offset the decrease in forged products for third parties. Among other products, there are metal injection molded products for third parties (M.I.M), especially for the automotive, oil and gas and agricultural sectors, which have presented good future prospects, with several contracts that are being negotiated with new customers, following a strategy to reduce the share of "commoditized" parts in billing, in order to migrate to an every time more differentiated production, that adds value in terms of technology, innovation and quality, as well as integrated engineering meeting customers' needs, to allow higher margins and thus increase profitability.

1.4 – Gross profit and gross margin

2Q12

Consolidated gross profit increased 21.8%, reaching R$ 73.9 million in 2Q12 with gross margin of 42.1% (R$ 60.6 million in 2Q11 and gross margin of 41%). Gross profit and gross margin were mainly affected by the following: (1) cost increased proportionally less than revenue; (2) decrease in the margin of weapons, due to the decrease in production and increase in US dollar-related production costs, offset by; (3) reversal of R$ 700 thousand in the form of reversal of the provision related to profit sharing of executives linked to production, since the Company did not post profit; (4) 12.8% increase in gross profit from helmets for motorcyclists, with higher sales volume and revenue despite the slowdown in the motorcycle market; and (5) other products, that presented good evolution from loss to gross profit due to the significant increase in the volume of bulletproof vests and plastic containers, with margin recovery.

1H12

Consolidated gross profit increased 15.4%, reaching R$ 140 million in 1H12 with stable gross margin of 39.6% (R$ 121.3 million in 1H11 and gross margin of 39.9%).

The performance is due to the following: (1) 5.2% decrease in gross profit from the weapons segment due to increase in CPS in excess of the increase in net revenue; (2) 17.6% increase in gross profit in the helmets segment due to the increase in sales volume and revenue, with increase in gross margin from 41.4% to 42%; (3) reversal of R$ 700 thousand in the form of reversal of the provision related to profit sharing of executives linked to production, since the Company did not post profit; and (4) increase in gross profit from other products reaching R$ 23 million and margin of 56.8% (R$ 3.5 million and margin of 15% in 1H11), highlighting the increase in sales volume of bulletproof vests, glasses for motorcyclists and plastic containers, with quite satisfactory margins.

1.5 – Earnings before interest and taxes - EBIT

2Q12

Consolidated EBIT was up 70.7% in 2Q12, totaling R$ 37.5 million, with operating margin of 21.4% (R$ 22 million and operating margin of 14.9% in 2Q11). EBIT was affected mainly by the 21.8% increase in gross profit and the 6% decrease in total operating expenses in 2Q12 as compared to 2Q11.

1Q12

EBIT was up 49.8% in 1H12, totaling R$ 67.9 million, with operating margin of 19% (R$ 45.3 million and operating margin of 14.9% in 1H11). EBIT resulted from the 15.4% increase in gross profit and the 5.1% decrease in total operating expenses in 1H12 as compared to 1H11.

1.6 – Adjusted EBITDA and adjusted EBITDA margin

With issue of CVM Rule No. 527 of October 2012, there was creation of a concept for non-accounting measures with EBITDA, in order to represent the Company's capacity of generating cash from its operations, with the possibility of adjustments for non-recurrent results.

EBITDA calculation box as follows:

CONSOLIDATED EBITDA

In thousands of BRL

PERIOD	1H11	1H12
= NET PROFIT	6.926	(102.801)
(+) IR/CSLL	15.273	18.569
(+) Net Financial Expenses	22.183	86.958
(-) Net Interest Income	(11.055)	(67.065)
(+) Depreciation/Amortization	15.027	15.438
= EBITDA CVM Reg. 527/12	48.354	(48.901)
(+) Income from Discontinued Operations [1]	11.951	129.626
(+) Non-recurring Expenses	4.623	-
= ADJUSTED EBITDA	64.928	80.725

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

2Q12

As explained above, there was application of the new calculation methodology of CVM Rule No. 527 of October/2012, reason why EBITDA for 2Q12 was recalculated and also that for 2Q11, being denominated adjusted EBITDA, presenting differences in relation to that originally presented, since the new rule did not exist at the time.

Consolidated operating cash generation in 2Q12 was up 32.7%, measured by the adjusted EBITDA (earnings before interest, taxes, depreciation and amortization, eliminating discontinued operations nonrecurrent of TMFL), totaling R$ 44.5 million and EBITDA margin of 26.3% (R$ 33.5 million and EBITDA margin of 25.4% in 2Q11).

1H12

The same concept was adopted for the result for 1H12. Consolidated cash generation in 1H12 was up 27.5% as compared to that of 1H11, totaling R$ 80.7 million with adjusted EBITDA margin of 22.8% (R$ 63.3 million and adjusted EBITDA margin of 20.8% in 1H11). Depreciation and amortization composing adjusted EBITDA calculation were used without considering discontinued operations, covering 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 expenses in 1H12 totaled R$ 19.9 million, up 78.8% compared to R$ 11.1 million in 1H11. There was financial income of R$ 67.1 million compared to financial expense of R$ 87 million, also the increase in net financial expense is due to the increase in interest expenses and net negative exchange variation of R$ 12.1 million in 1H12.

Raising of funds abroad through an international credit line at the end of March 2012, in the modality of Revolving Line of Credit Facility, by subsidiary Taurus Holdings, Inc. and its subsidiaries, in the amount of US$ 75 million, with term of 5 (five) years at competitive costs, contributed to the strategy of generating higher cash flow at the Parent Company (Brazil), since the average term granted in exports to the USA of 150 days was reduced to 30 days as from April.

This raising of funds is aligned with one of the items of the Business Plan, which sought to extend the debt payment term and reduce financial costs as well as provide a source of funds for acquisitions (purchase of Heritage in the USA in April/12), as provided for in the Capital Budget for 2012.

1.8 – Net income (loss)

2Q12

As mentioned in Section 1.9 of this release, we recognized a loss of R$ 58 million by reducing the selling price of the TMFL operations and constitute provision for losses to the outstanding receivable balance in order of this sale in the amount of R$ 57 million. Also as described in that topic, due to restatement of quarterly financial information, subsequent events occurring after the date of the quarterly information and its restatement in the amount of R$ 11 million was also reflected in the results for the period ended June 30, 2012. These values were recognized by the subsidiary TMFL, which was classified as a discontinued activity on that date. The consolidated loss was R$ 114.9 million in 2Q12 (the net loss from discontinued operations totaled R$ 127 million).

If we analyze net result from **continuing operations** separately in 2Q12, there was net income of R$ 12.1 million before discontinued operations and 6.9% margin, compared to net income of R$ 6.5 million and net margin 4.4% in 2Q11.

1H12

Owing to the renegotiation of sale of TMFL in 2Q12, we restated the results for 1H12, with loss of R$ 102.8 million, due to posting of loss of R$ 132.2 million from TMFL discontinued operations.

Analyzing net income from continuing operations in 1H12, the result amounted to R$ 29.4 million, up 55.7%, with net margin of 8.3%, compared to net income of R$ 18.9 million and net margin of 6.2% in 1H11. Net income from continuing operations was 4 times higher than that for prior year, mainly due to the following factors: (a) 16.5% increase in net revenue; (b) 15.4% increase in gross profit; (c) 5.1% decrease in net operating expenses; and (d) 27.5% increase in EBITDA.

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 June 30, 2012
	Assets		Liabilities and equity			Income (loss
	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity	for the period
Balance originally disclosed	**674,106**	**512,196**	**429,034**	**403,937**	**353,331**	**21,670**
Write-off of accounts receivable (a)	-	(57,830)	-	-	(57,830)	(57,830)
Supplementary provision for losses (b)	(2,600)	(54,920)	-	-	(57,520)	(57,520)
Provision for inventory losses (c)	(4,385)	-	-	-	(4,385)	(4,385)
Allowance for doubtful accounts (c)	(6,746)	-	-	-	(6,746)	(6,746)
Transfer of loans to current liabilities (d)	-	-	129,058	(129,058)	-	-
Transfer of debentures to current liabilities (d)	-	-	49,621	(49,621)	-	-
Transfer of real estate credits to current liabilities (d)	-	-	24,365	(24,365)	-	-
Statutory profit sharing (e)	-	-	(2,010)	-	2,010	2,010
Restated balance	**660,375**	**399,446**	**630,068**	**200,893**	**228,860**	**(102,801)**

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 2Q12 totaled R$ 31.3 million (R$ 12.8 million in 2Q11). Depreciation and amortization totaled R$ 7.9 million in the quarter, compared to R$ 7.8 million in 2Q11. In 1H12, R$ 52.5 million was invested, up 93.7% compared to R$ 27.1 million in 1H11, considering in this amount the acquisitions made in 1H12, previously announced, namely Steelinject in Brazil, in the amount of R$ 14 million and Heritage Manufacturing, Inc. in the USA for R$ 19 million.

The Company's Capital Budget for 2012 amounts to R$78.6 million and was approved by the Ordinary Shareholders'' Meeting 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 1H12 and 1H11, without considering acquisitions, with the following distribution:

1.11 – Financial position

The balance of cash and short-term investments totaled R$ 134.3 million at June 30, 2012, down 28% compared to R$ 186.3 million at March 31, 2012, due to payment of semi-annual dividends related to 2011 results. There was also payment of interest on debenture of 1st issue of the Company in the period, in addition to other recurring obligations of the operations.

Consolidated gross indebtedness of the Taurus companies (including Taurus Máquinas-Ferramenta Ltda.) totaled at June 30, 2012, the amount of R$ 668.9 million, up 4% compared to R$ 646.1 at March 31, 2012. The funds were mainly allocated to financing: (i) of working capital; (ii) of the investments in industrial modernization; (iii) export financing (advances on foreign exchange contracts that will be settled upon shipments); and (iv) acquisitions abroad.

Short and long-term loans and financing totaled R$ 473.8 million at June 30, 2012, up 4.6% compared to the balance at March 31, 2012, already reflecting funding in April/12 by Taurus International, Inc. in the USA, of US$ 75 million, for repayment within 5 years, taken out from Wells Fargo Bank, at very competitive costs.

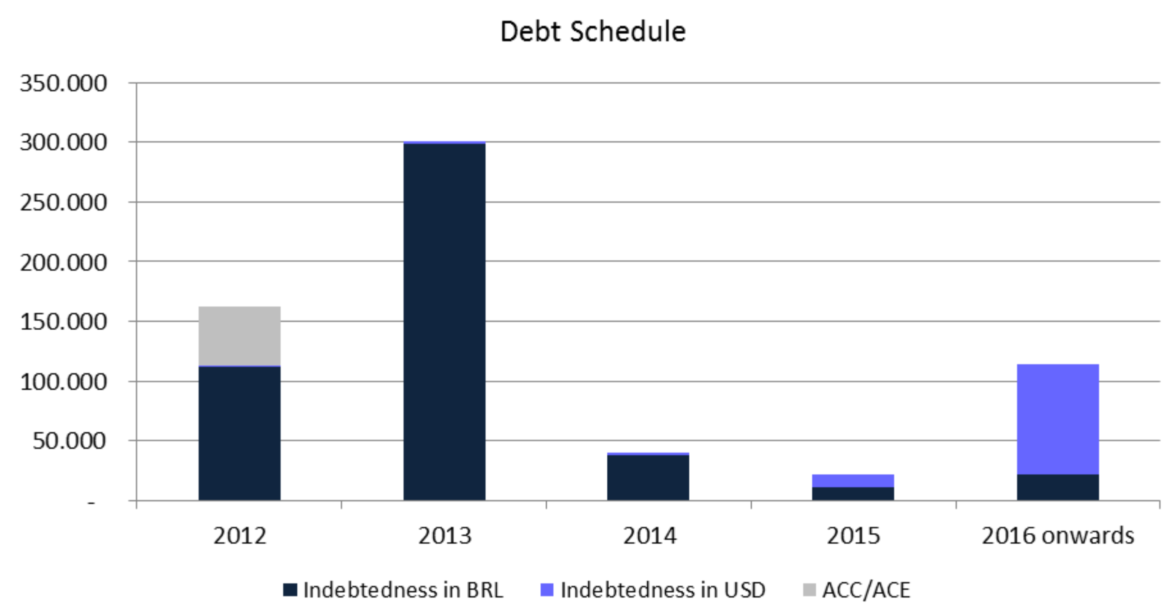
The funds raised were source of working capital for operations in the USA, thus reducing the need of terms granted by the parent company in Brazil and for the payment of acquisition of HERITAGE for US$ 10 million, with payment of US$ 9 million on April 30, 2012 and USD 1 million paid on April 30, 2013.

Although payment terms have been strategically extended at lower costs and the terms of receivables shortened, net indebtedness at June 30, 2012 increased 16%, reaching R$ 534.6 million, compared to R$ 459.8 at March 31, 2012, for also considering the financial position of Taurus Máquinas-Ferramenta Ltda., even after sale of operations, since the financial liability 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$203 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 2Q12, 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.

With this new scenario after the restatement, the maturity schedule was temporarily concentrated in the short-term portion:



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

	06/30/2012	03/31/2012	12/31/2011	Var. Jun/12 x Mar/12	Var. Jun/12 x Dec/11
Short term indebtedness	287,8	168,7	99,0	71%	191%
Long term indebtedness	186,0	284,3	232,7	-35%	-20%
Exchange Serves	49,8	24,0	39,6	107%	26%
Debentures	110,1	128,0	125,3	-14%	-12%
Antecipation Mortages	32,6	34,4	36,1	-5%	-10%
Advance on Receivables	17,9	15,9	17,5	12%	2%
Derivatives	-15,2	-9,2	1,0	65%	-
Gross Indetbetedness	668,9	646,1	550,2	4%	22%
(-) Cash available and financial investments	134,3	186,3	162,2	-28%	-17%
Net Indebtedness	534,6	459,8	388,0	16%	38%
Adjusted EBITDA	155,2	144,2	130,8	8%	19%
Net Indebtedness/Adjusted EBITDA	3,45x	3,19x	2,97x		
Adjusted EBITDA/Financial Expenses Net	2,76x	3,30x	2,75x		

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.

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 purchase the totality of the units of interest for R$115,350.

2.2. Renegotiation of the Purchase and Sale Contract for disposal of the operations of TMFL

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.

On October 10, 2013, there was late disclosure of the ITR for 2Q13 (initially scheduled for 08/14/13) until conclusion of the renegotiation of TMFL sale to be submitted for the appreciation of the Independent Auditors, given the complexity of the analysis of the results, as per the Material News Release disclosed on August 14, 2013.

2.3 Acquisition of Heritage Manufacturing Inc.

On May 2, 2012, the subsidiary Taurus Holdings, Inc. acquired for USD10 million the controlling interest in Heritage Manufacturing Inc., based in Opa Locka, Florida. This company is engaged in manufacturing of Single Action revolvers and replicas of old Far West revolvers.

2.4 Acquisition of Steelinject Injeção de Aços Ltda.

On December 16, 2012, the Company's Board of Directors approved acquisition of Steelinject Injeção de Aços Ltda. for R$14 million, paid in five monthly installments of R$2.8 million, supplementing its segment of products manufactured using the M.I.M. (Metal Injection Molding) methodology. Under the purchase and sale agreement executed by the parties, the controlling interest in said company was transferred to Polimetal Metalurgia e Plásticos Ltda. on January 1, 2012, date on which there was effective conclusion of the business with transfer of the units of interest representing capital of this company.

Company has concluded the evaluation process to determine the fair value of assets acquired and liabilities assumed in the acquisition within a period of up to one year (the measurement period), as provided for in CPC 15 and IFRS 3, with no relevant impact in the results.

3 – Capital market

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

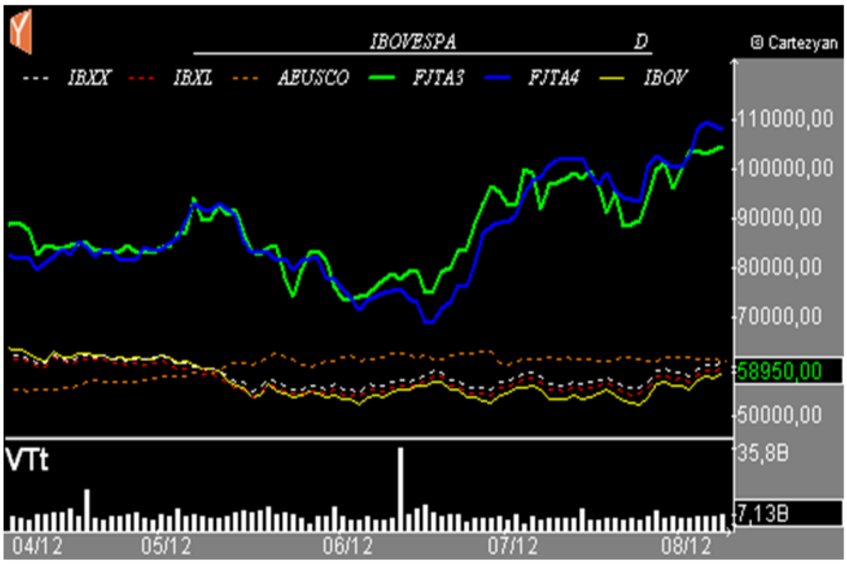
The Company's shares have been listed on Bovespa since March 1982. On July 7, 2011, the Company adhered to Level 2 of BM&FBovespa with its Articles of Incorporation fully amended and consolidated including adoption of differentiated corporate governance practices provided for Level 2.

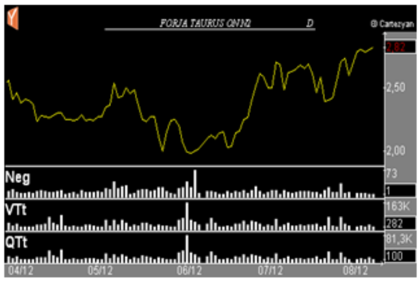
Due to the corporate reorganization occurred in July 2011, that resulted in capital increase followed by share split and reverse split, the number of the Company's shares at December 31, 2011 became 141,412,617, comprising 47,137,539 common shares, representing 33.3% of capital and 94,275,078 preferred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

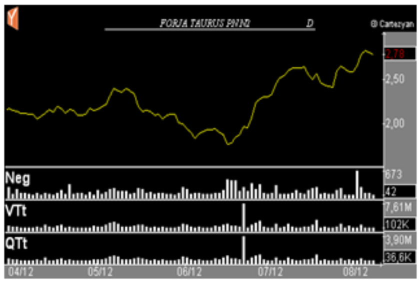
The recent evolution of the main aspects related to liquidity, such as number of trades, financial volume and quantity of traded shares, as well as the market value, based on certain information about shares on BM&FBovespa, clearly evidences the increase in liquidity and appreciation of Taurus shares along 2012 and when compared to July 2011, date of the corporate reorganization, with July 2012. Taurus shares ranked above IBOVESPA index as shown in the table below:

	Avarage Jan a Jul/12	Base: Dec/11	Var.	Avarage Jul/12	Avarage Jul/11	Var.
Share FJTA3 - 47,137,539 shares						
Stock Price - BRL share	2.24	1.53	46%	2.58	2.51	3%
Trades - Amount	13,033	30,274	-57%	7,533	65,357	-88%
Trades - Volume BRL	28,101	49,231	-43%	19,338	125,848	-85%
Share FJTA4 - 94,275,078 shares						
Stock Price - BRL share	2.07	1.46	42%	2.53	2.51	1%
Trades - Amount	31,7770	175,186	81%	272,262	95,410	185%
Trades - Volume BRL	659,154	254,924	159%	681,154	266,452	156%
Market Value FTSA - BRL thousands						
141,412,617 shares	300,649	209,762	43%	360,019	354,811	1%
Ibovespa						
	60,357	57,379	5%	54,617	60,432	-10%

Fonte: BM&FBovespa







Averages FJTA3						
Period	Max	Min	Close	Bus. .	Vol.	Qty
Aug/11	2.21	1.74	1.90	18	185,306	79,914
Dec/11	1.60	1.40	1.49	16	49,231	30,274
Jan/12	2.00	1.50	1.71	12	17,153	10,395
Feb/12	2.52	1.85	2.15	17	58,991	29,800
Mar/12	2.56	2.20	2.44	12	32,486	13,452
Apr/12	2.46	2.09	2.28	10	23,983	10,265
Ma/12	2.54	2.00	2.29	16	20,522	8,955
Jun/12	2.61	1.98	2.18	14	29,844	14,005
Jul/12	2.75	2.39	2.58	10	19,338	7,533

Averages FJTA4						
Period	Max	Min	Close	Bus.	Vol.	Qty
Aug/11	2.26	1.65	1.84	74	325,917	166,117
Dec/11	1.55	1.38	1.46	71	254,924	175,186
Jan/12	1.78	1.42	1.61	112	332,742	205,243
Feb/12	2.15	1.67	1.90	146	643,889	335,047
Mar/12	2.25	1.97	2.13	205	636,767	296,614
Apr/12	2.27	2.00	2.13	93	414,260	194,055
Ma/12	2.43	1.88	2.20	120	774,706	350,450
Jun/12	2.34	1.66	1.96	183	1,135,699	578,335
Jul/12	2.69	2.34	2.53	116	681,154	272,262

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%

CAPEX (Capital Budget) that had been approved for 2012 was R $ 78.6 million. The difference of R $ 11.5 million higher between budgeted and actual 2012 was explained by the carry-over of 2011 paid in 2012 and the excellent opportunity to acquire a contiguous property to our factory in Hialeah, Greater Miami (Florida), which allowed the purchase of machinery and equipment for the migration of Heritage to the same site of Taurus and the migration of Steelinject of Caxias do Sul (RS) for Polimetal factory located in São Leopoldo (RS).

Regards the relocation of the industrial facilities has been expected within up to two years to increase synergy, productivity, quality and reduce costs, presented as follows:

- ✓ Transfer of the Steelinject plant (metal injection molding for third parties) from Caxias do Sul, to the plant in São Leopoldo – Polimetal, occurred in june 2013, where the M.I.M. plant already operates. – *Metal Injection Molding*, which produces components used in the weapon production lines;
- ✓ Transfer of the Rossi long guns production line, from the plant in São Leopoldo – Branch 5 (rented premises), to the plant in São Leopoldo – Polimetal, in own premises until June 2014;
- ✓ Transfer of the plant of Heritage in Opa Locka (FL) – USA, to the plant of TIMI – Taurus International Manufacturing Inc. in Hialeah, in Greater Miami (FL) – EUA, occured in September 2012, where we already have weapon production lines.

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 June 30, 2012, which comprises the balance sheet as at June 30, 2012 and the related income statement and statement of comprehensive income for the three and six-month periods then ended, and the statement of changes in equity and cash flow statement for the six-month period then ended, including 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 six-month periods ended June 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$57,520 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$203,044 thousand. As described in Note 3(e), the Quarterly Information (ITR) for the quarter ended June 30, 2013 was changed and is being restated to reflect the corrections of the above mentioned 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 statement of value added (SVA), for the six-month period ended June 30, 2012, prepared under the responsibility of Company management, whose presentation in the interim financial information is required according to 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 six-month periods ended June 30, 2011, the statement of changes in equity, cash flow statement and the statement of value added, presented for comparative purposes, for the six-month period ended June 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 second 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 SECOND 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 April 1, 2012 to June 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 April 1, 2012 to June 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