

Contents

Company information	
Breakdown of capital	1
Individual financial statements	
Balance sheet - Assets	2
Balance sheet - Liabilities	3
Statement of income	5
Statement of comprehensive income	6
Statement of cash flows	7
Statement of changes in shareholders' equity	
Statement of changes in shareholders' equity (DMPL) - 01/01/2018–03/31/2018	8
Statement of changes in shareholders' equity (DMPL) - 01/01/2017–03/31/2017	9
Statement of added value	10
Consolidated financial statements	
Balance sheet - Assets	11
Balance sheet - Liabilities	12
Statement of income	14
Statement of comprehensive income	15
Statement of cash flows	16
Statement of changes in shareholders' equity	
Statement of changes in shareholders' equity (DMPL) - 01/01/2018–03/31/2018	17
Statement of changes in shareholders' equity (DMPL) - 01/01/2017–03/31/2017	18
Statement of added value	19
Performance comment	20
Notes to the financial statements	31
Opinions and Statements	
Special review report - Unqualified	91
Tax Council opinion or equivalent body	92
Statement of the Executive Officers on the Financial Statements	93
Statement of the Executive Officers on Independent Auditor's Report	94

Company information / Breakdown of capital

Quantity of shares (Units)	Current quarter 03/31/2018
Paid-in capital	
Common	46,445,314
Preferred	18,242,898
Total	64,688,212
Treasury	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet – Assets**(In thousands of reais)**

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
1	Assets Total	722,762	702,900
1.01	Current assets	230,988	219,153
1.01.01	Cash and cash equivalents	10,027	2,543
1.01.01.01	Cash and banks	1,306	2,199
1.01.01.02	Interbank funds applied	8,721	344
1.01.02	Interest earning bank deposits	2,054	1,777
1.01.03	Accounts receivable	78,517	69,008
1.01.03.01	Trade accounts receivable	78,517	69,008
1.01.04	Inventories	92,704	95,155
1.01.06	Recoverable taxes	20,422	25,693
1.01.06.01	Current taxes recoverable	20,422	25,693
1.01.07	Prepaid expenses	1,980	2,224
1.01.08	Other Current assets	25,284	22,753
1.01.08.03	Other	25,284	22,753
1.01.08.03.03	Related parties - Financial loan	22,624	19,367
1.01.08.03.04	Other accounts receivable	2,660	3,386
1.02	Non-current assets	491,774	483,747
1.02.01	Long term assets	25,298	24,411
1.02.01.01	Interest earning bank deposits measured at fair value	551	753
1.02.01.01.01	Trading securities	0	753
1.02.01.01.03	Interest earning bank deposits - pledged	551	0
1.02.01.08	Related party credits	14,930	14,044
1.02.01.08.04	Other related party credits	14,930	14,044
1.02.01.09	Other non-current assets	9,817	9,614
1.02.01.09.03	Recoverable taxes	139	195
1.02.01.09.04	Other	9,678	9,419
1.02.02	Investments	426,197	417,623
1.02.02.01	Ownership interest	426,197	417,623
1.02.02.01.02	Interest in subsidiaries	426,007	417,433
1.02.02.01.04	Other ownership interest	190	190
1.02.03	Property, plant and equipment	34,853	36,172
1.02.03.01	Fixed assets in operation	33,514	33,103
1.02.03.03	Constructions in progress	1,339	3,069
1.02.04	Intangible assets	5,426	5,541
1.02.04.01	Intangible assets	5,426	5,541

Individual financial statements - Balance sheet - Liabilities**(In thousands of reais)**

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
2	Total liabilities	722,762	702,900
2.01	Current liabilities	987,123	968,986
2.01.01	Social and labor obligations	12,894	17,418
2.01.01.01	Social charges	5,060	8,443
2.01.01.02	Labor obligations	7,834	8,975
2.01.02	Suppliers	131,899	134,832
2.01.02.01	Domestic suppliers	116,455	123,097
2.01.02.02	Foreign suppliers	15,444	11,735
2.01.03	Tax liabilities	22,731	17,944
2.01.03.01	Federal tax liabilities	14,310	8,669
2.01.03.01.01	Income and social contribution tax payable	271	0
2.01.03.01.02	Other Taxes	14,039	8,669
2.01.03.02	State tax liabilities	8,403	9,255
2.01.03.03	Municipal tax liabilities	18	20
2.01.04	Loans and financing	546,821	529,187
2.01.04.01	Loans and financing	468,931	453,416
2.01.04.01.01	In domestic currency	2,272	3,264
2.01.04.01.02	In foreign currency	466,659	450,152
2.01.04.02	Debentures	77,890	75,771
2.01.05	Other liabilities	233,057	223,652
2.01.05.02	Other	233,057	223,652
2.01.05.02.01	Dividends and interest on own capital	3	3
2.01.05.02.04	Financial loan	39,659	38,097
2.01.05.02.05	Foreign exchange withdrawals	25,525	24,193
2.01.05.02.07	Advance from receivables	1,535	1,535
2.01.05.02.08	Advance from clients	87,176	79,467
2.01.05.02.09	Other liabilities	79,159	80,357
2.01.06	Provisions	39,721	45,953
2.01.06.01	Tax, social security, labor and civil provisions	32,957	39,189
2.01.06.01.01	Tax provisions	27,689	27,689
2.01.06.01.02	Social security and labor provisions	5,268	11,500
2.01.06.02	Other Provisions	6,764	6,764
2.01.06.02.01	Provision for guarantees	6,764	6,764
2.02	Non-current liabilities	180,447	179,147
2.02.01	Loans and financing	41,518	47,103
2.02.01.01	Loans and financing	41,518	47,103
2.02.01.01.01	In domestic currency	3,594	4,147
2.02.01.01.02	In foreign currency	37,924	42,956
2.02.02	Other liabilities	90,091	92,992
2.02.02.01	Liabilities from Related parties	50,665	52,418
2.02.02.01.02	Debits with subsidiaries	5,354	5,329
2.02.02.01.04	Debts with other related parties	45,311	47,089
2.02.02.02	Other	39,426	40,574
2.02.02.02.03	Taxes payable	1,302	2,986
2.02.02.02.04	Provision for unsecured liability	35,271	34,722
2.02.02.02.05	Other liabilities	2,853	2,866

Individual financial statements - Balance sheet - Liabilities**(In thousands of reais)**

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
2.02.03	Deferred taxes	6,079	6,079
2.02.03.01	Deferred income tax and social contribution	6,079	6,079
2.02.04	Provisions	42,759	32,973
2.02.04.01	Tax, social security, labor and civil provisions	42,759	32,973
2.02.04.01.02	Social security and labor provisions	31,785	31,810
2.02.04.01.04	Civil provisions	10,974	1,163
2.03	Shareholders' equity	-444,808	-445,233
2.03.01	Realized capital	404,489	404,489
2.03.02	Capital reserves	-40,996	-40,996
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-952,761	-952,635
2.03.06	Equity valuation adjustments	47,925	48,240
2.03.07	Accumulated translation adjustments	96,535	95,669

Individual financial statements / Statement of income**(In thousands of reais)**

Code of account	Account description	Accumulated of the current year 01/01/2018–03/31/2018	Accumulated of the prior year 01/01/2017–03/31/2017
3.01	Income from sales of goods and/or services	152,406	129,524
3.02	Cost of goods and/or services sold	-107,514	-100,929
3.03	Gross income	44,892	28,595
3.04	Operating expenses/income	-18,364	-28,980
3.04.01	Sales expenses	-9,458	-9,428
3.04.02	General and administrative expenses	-15,056	-16,594
3.04.04	Other operating income	1,051	1,439
3.04.05	Other operating expenses	-2,060	-1,598
3.04.06	Equity in net income of subsidiaries	7,159	-2,799
3.05	Income (loss) before financial income and taxes	26,528	-385
3.06	Financial income (loss)	-25,063	-6,068
3.06.01	Financial income	1,545	18,262
3.06.02	Financial expenses	-26,608	-24,330
3.07	Income (loss) before income tax	1,465	-6,453
3.08	Income tax and social contribution	-271	0
3.08.01	Current	-271	0
3.09	Net income (loss) from continued operations	1,194	-6,453
3.11	Income/loss for the period	1,194	-6,453
3.99	Earnings per share - (Reais / Share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.01844	-0.10069
3.99.01.02	Preferred shares	0.01844	-0.10069
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	0.01844	-0.10069
3.99.02.02	Preferred shares	0.01844	-0.10069

Individual financial statements / Statement of comprehensive income**(In thousands of reais)**

Code of account	Account description	Accumulated of the current year 01/01/2018–03/31/2018	Accumulated of the prior year 01/01/2017–03/31/2017
4.01	Net income for the period	1,194	-6,453
4.02	Other comprehensive income	866	-6,943
4.02.01	Translation adjustments in the period	866	-6,943
4.03	Comprehensive income for the period	2,060	-13,396

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

Code of account	Account description	Accumulated of the current year 01/01/2018–03/31/2018	Accumulated of the prior year 01/01/2017–03/31/2017
6.01	Net cash from operating activities	27,687	6,268
6.01.01	Cash generated in operations	29,966	6,254
6.01.01.01	Net income (loss) before income tax and social contribution	1,465	-6,453
6.01.01.02	Depreciation and amortization	1,813	1,846
6.01.01.03	Cost of permanent asset written-off	74	56
6.01.01.05	Equity in net income of subsidiaries	-7,159	2,799
6.01.01.08	Provision for interest on loans and financing	14,244	18,329
6.01.01.11	Provision for guarantees	0	1,962
6.01.01.12	Provision for contingencies	3,874	2,826
6.01.01.13	Exchange rate change on loans and other	15,655	-15,111
6.01.02	Changes in assets and liabilities	-2,279	14
6.01.02.01	(Increase) decrease in trade accounts receivable	-11,139	2,549
6.01.02.02	Decrease (increase) in inventories	2,451	-9,026
6.01.02.03	Decrease (increase) in other accounts receivable	2,630	-7,719
6.01.02.04	(Decrease) increase in suppliers	-2,762	14,295
6.01.02.05	Increase (Decrease) in accounts payable	6,541	-85
6.02	Net cash from investment activities	-1,414	-2,969
6.02.01	Receivables with related companies	-886	-1,325
6.02.04	In property, plant and equipment	-453	-1,367
6.02.06	Interest earning bank deposits	-75	-277
6.03	Net cash from financing activities	-18,789	-4,074
6.03.02	Loans obtained	726	0
6.03.03	Payments of loans	-13,738	-17,062
6.03.05	Capital increase	0	10,348
6.03.07	Payment of Interest on loans	-3,999	-4,192
6.03.10	Debts with related companies	-1,778	6,832
6.05	Increase (decrease) in cash and cash equivalents	7,484	-775
6.05.01	Opening balance of cash and cash equivalents	2,543	1,313
6.05.02	Closing balance of cash and cash equivalents	10,027	538

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018–03/31/2018**(In thousands of reais)**

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	404,489	-40,996	0	-952,635	143,909	-445,233
5.02	Prior-year adjustments	0	0	0	-1,635	0	-1,635
5.02.01	Initial adoption of IFRS 9	0	0	0	-1,635	0	-1,635
5.03	Adjusted opening balances	404,489	-40,996	0	-954,270	143,909	-446,868
5.05	Total comprehensive income	0	0	0	1,509	551	2,060
5.05.01	Net income for the period	0	0	0	1,194	0	1,194
5.05.02	Other comprehensive income	0	0	0	315	551	866
5.05.02.04	Translation adjustments in the period	0	0	0	0	866	866
5.05.02.06	Realization of equity valuation adjustments	0	0	0	315	-315	0
5.07	Closing balances	404,489	-40,996	0	-952,761	144,460	-444,808

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2017–03/31/2017**(In thousands of reais)**

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	394,141	-40,996	0	-668,102	143,056	-171,901
5.03	Adjusted opening balances	394,141	-40,996	0	-668,102	143,056	-171,901
5.04	Capital transactions with partners	10,348	0	0	0	0	10,348
5.04.01	Capital increases	10,348	0	0	0	0	10,348
5.05	Total comprehensive income	0	0	0	-6,059	-7,337	-13,396
5.05.01	Net income for the period	0	0	0	-6,453	0	-6,453
5.05.02	Other comprehensive income	0	0	0	394	-7,337	-6,943
5.05.02.04	Translation adjustments in the period	0	0	0	0	-6,943	-6,943
5.05.02.06	Realization of equity valuation adjustments	0	0	0	394	-394	0
5.07	Closing balances	404,489	-40,996	0	-674,161	135,719	-174,949

Individual financial statements/ Statement of added value**(In thousands of reais)**

Code of account	Account description	Accumulated of the current year 01/01/2018–03/31/2018	Accumulated of the prior year 01/01/2017–03/31/2017
7.01	Income	172,115	131,790
7.01.01	Sale of merchandise, products and services	169,452	129,546
7.01.02	Other income	1,050	853
7.01.04	Formation/reversal of allowance for doubtful accounts	1,613	1,391
7.02	Inputs acquired from third parties	-103,952	-107,280
7.02.01	Cost of products, merchandise and services sold	-85,446	-103,971
7.02.02	Materials, Energy, Third-party services and other	-18,506	-3,309
7.03	Gross added value	68,163	24,510
7.04	Retentions	-1,847	-1,846
7.04.01	Depreciation, amortization and depletion	-1,847	-1,846
7.05	Net added value produced	66,316	22,664
7.06	Added value received as transfer	8,704	15,451
7.06.01	Equity in net income of subsidiaries	7,159	-2,799
7.06.02	Financial income	1,545	18,250
7.07	Total added value payable	75,020	38,115
7.08	Distribution of added value	75,020	38,115
7.08.01	Personnel	15,450	15,760
7.08.01.01	Direct remuneration	14,717	12,209
7.08.01.02	Benefits	1,466	2,680
7.08.01.03	Severance Pay Fund (FGTS)	-733	871
7.08.02	Taxes, duties and contributions	31,692	7,492
7.08.02.01	Federal	22,708	7,369
7.08.02.02	State	8,973	104
7.08.02.03	Municipal	11	19
7.08.03	Third-party capital remuneration	26,684	21,316
7.08.03.01	Interest	26,608	21,228
7.08.03.02	Rentals	76	88
7.08.04	Remuneration of own capital	1,194	-6,453
7.08.04.03	Retained earnings / Loss for the period	1,194	-6,453

Consolidated financial statements or Balance sheet – Assets**(In thousands of reais)**

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
1	Assets Total	777,460	768,958
1.01	Current assets	501,069	451,459
1.01.01	Cash and cash equivalents	24,839	6,679
1.01.01.01	Cash and banks	16,101	6,294
1.01.01.02	Interbank funds applied	8,738	385
1.01.02	Interest earning bank deposits	2,054	1,777
1.01.03	Accounts receivable	114,135	122,611
1.01.03.01	Trade accounts receivable	114,135	122,611
1.01.04	Inventories	177,768	211,885
1.01.06	Recoverable taxes	33,238	44,458
1.01.06.01	Current taxes recoverable	33,238	44,458
1.01.07	Prepaid expenses	8,256	6,674
1.01.08	Other Current assets	140,779	57,375
1.01.08.01	Non-current assets held for sale	131,026	51,390
1.01.08.03	Other	9,753	5,985
1.01.08.03.03	Other accounts receivable	9,753	5,985
1.02	Non-current assets	276,391	317,499
1.02.01	Long term assets	17,222	21,455
1.02.01.01	Interest earning bank deposits measured at fair value	819	1,008
1.02.01.01.01	Trading securities	819	1,008
1.02.01.06	Deferred taxes	0	3,465
1.02.01.06.01	Deferred income tax and social contribution	0	3,465
1.02.01.09	Other non-current assets	16,403	16,982
1.02.01.09.03	Recoverable taxes	281	493
1.02.01.09.04	Other	16,122	16,489
1.02.02	Investments	192	349
1.02.02.01	Ownership interest	192	349
1.02.02.01.04	Other ownership interest	192	349
1.02.03	Property, plant and equipment	189,459	222,686
1.02.03.01	Fixed assets in operation	188,640	218,382
1.02.03.03	Constructions in progress	819	4,304
1.02.04	Intangible assets	69,518	73,009
1.02.04.01	Intangible assets	69,518	73,009

Consolidated financial statements or Balance sheet – Liabilities**(In thousands of reais)**

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
2	Total liabilities	777,460	768,958
2.01	Current liabilities	1,004,654	965,691
2.01.01	Social and labor obligations	29,297	41,926
2.01.01.01	Social charges	11,156	20,458
2.01.01.02	Labor obligations	18,141	21,468
2.01.02	Suppliers	84,380	99,954
2.01.02.01	Domestic suppliers	40,006	60,366
2.01.02.02	Foreign suppliers	44,374	39,588
2.01.03	Tax liabilities	45,612	40,031
2.01.03.01	Federal tax liabilities	36,051	26,211
2.01.03.01.01	Income and social contribution tax payable	3,758	3,836
2.01.03.01.02	Other Taxes	32,293	22,375
2.01.03.02	State tax liabilities	9,548	13,798
2.01.03.03	Municipal tax liabilities	13	22
2.01.04	Loans and financing	547,990	534,713
2.01.04.01	Loans and financing	470,100	458,942
2.01.04.01.01	In domestic currency	2,278	7,644
2.01.04.01.02	In foreign currency	467,822	451,298
2.01.04.02	Debentures	77,890	75,771
2.01.05	Other liabilities	229,605	181,795
2.01.05.02	Other	229,605	181,795
2.01.05.02.01	Dividends and interest on own capital	3	3
2.01.05.02.04	Derivative financial instruments	101	242
2.01.05.02.05	Foreign exchange withdrawals	25,525	24,193
2.01.05.02.08	Advance from receivables	1,535	15,422
2.01.05.02.09	Advance from clients	62,699	49,983
2.01.05.02.10	Liabilities from non-current assets held for sale	48,555	0
2.01.05.02.11	Other liabilities	91,187	91,952
2.01.06	Provisions	67,770	67,272
2.01.06.01	Tax, social security, labor and civil provisions	55,778	55,298
2.01.06.01.01	Tax provisions	27,689	28,008
2.01.06.01.02	Social security and labor provisions	21,911	21,486
2.01.06.01.04	Civil provisions	6,178	5,804
2.01.06.02	Other Provisions	11,992	11,974
2.01.06.02.01	Provision for guarantees	11,992	11,974
2.02	Non-current liabilities	217,614	248,500
2.02.01	Loans and financing	130,634	157,970
2.02.01.01	Loans and financing	130,634	157,970
2.02.01.01.01	In domestic currency	3,594	8,420
2.02.01.01.02	In foreign currency	127,040	149,550
2.02.02	Other liabilities	4,313	7,614
2.02.02.02	Other	4,313	7,614
2.02.02.02.04	Taxes payable	1,460	4,748
2.02.02.02.05	Other liabilities	2,853	2,866
2.02.03	Deferred taxes	30,873	30,937
2.02.03.01	Deferred income tax and social contribution	30,873	30,937

Consolidated financial statements or Balance sheet – Liabilities**(In thousands of reais)**

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
2.02.04	Provisions	51,794	51,979
2.02.04.01	Tax, social security, labor and civil provisions	47,026	47,233
2.02.04.01.02	Social security and labor provisions	36,052	43,175
2.02.04.01.04	Civil provisions	10,974	4,058
2.02.04.02	Other Provisions	4,768	4,746
2.02.04.02.01	Provision for guarantees	4,768	4,746
2.03	Consolidated shareholders' equity	-444,808	-445,233
2.03.01	Realized capital	404,489	404,489
2.03.02	Capital reserves	-40,996	-40,996
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-952,761	-952,635
2.03.06	Equity valuation adjustments	47,925	48,240
2.03.07	Accumulated translation adjustments	96,535	95,669

Consolidated financial statements / Statement of income**(In thousands of reais)**

Code of account	Account description	Accumulated of the current year 01/01/2018–03/31/2018	Accumulated of the prior year 01/01/2017–03/31/2017
3.01	Income from sales of goods and/or services	231,043	192,724
3.02	Cost of goods and/or services sold	-151,331	-140,142
3.03	Gross income	79,712	52,582
3.04	Operating expenses/income	-50,600	-54,074
3.04.01	Sales expenses	-23,174	-24,150
3.04.02	General and administrative expenses	-30,764	-30,335
3.04.04	Other operating income	11,163	4,132
3.04.05	Other operating expenses	-7,825	-3,721
3.05	Income (loss) before financial income and taxes	29,112	-1,492
3.06	Financial income (loss)	-26,174	-7,428
3.06.01	Financial income	2,213	19,076
3.06.02	Financial expenses	-28,387	-26,504
3.07	Income (loss) before income tax	2,938	-8,920
3.08	Income tax and social contribution	-1,957	2,044
3.08.01	Current	-2,084	1,634
3.08.02	Deferred assets	127	410
3.09	Net income (loss) from continued operations	981	-6,876
3.10	Net income (loss) from discontinued operations	213	423
3.10.01	Net income (loss) of discontinued operations	213	423
3.11	Income/loss for the period	1,194	-6,453
3.11.01	Attributed to the Parent company's partners	1,194	-6,453
3.99	Earnings per share - (Reais / Share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.01844	-0.10069
3.99.01.02	Preferred shares	0.01844	-0.10069
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	0.01844	-0.10069
3.99.02.02	Preferred shares	0.01844	-0.10069

Consolidated financial statements / Statement of comprehensive income**(In thousands of reais)**

Code of account	Account description	Accumulated of the current year 01/01/2018–03/31/2018	Accumulated of the prior year 01/01/2017–03/31/2017
4.01	Consolidated net income for the period	1,194	-6,453
4.02	Other comprehensive income	866	-6,943
4.02.01	Translation adjustments in the period	866	-6,943
4.03	Consolidated comprehensive income for the period	2,060	-13,396
4.03.01	Attributed to the Parent company's partners	2,060	-13,396

Consolidated financial statements / Statement of cash flows - Indirect method**(In thousands of reais)**

Code of account	Account description	Accumulated of the current year 01/01/2018–03/31/2018	Accumulated of the prior year 01/01/2017–03/31/2017
6.01	Net cash from operating activities	60,610	1,204
6.01.01	Cash generated in operations	48,800	14,889
6.01.01.01	Net income (loss) before income tax and social contribution	2,938	-8,920
6.01.01.02	Depreciation and amortization	7,956	7,642
6.01.01.03	Cost of permanent assets written-off	5,742	5,406
6.01.01.06	Provision for Derivative financial instruments	-141	-95
6.01.01.07	Allowance for doubtful accounts	0	3,286
6.01.01.10	Provision for interest on loans and other	14,251	18,323
6.01.01.17	Provision for guarantees	40	1,836
6.01.01.18	Exchange variance on loans and financing	15,570	-23,429
6.01.01.19	Provision for contingencies	5,027	6,212
6.01.01.20	Net cash from discontinued operations	-2,583	4,628
6.01.02	Changes in assets and liabilities	11,810	-13,685
6.01.02.01	(Increase) decrease in trade accounts receivable	-8,928	-11,917
6.01.02.02	(Increase) decrease in inventories	16,745	5,211
6.01.02.03	(Increases) in other accounts receivable	-5,291	-13,408
6.01.02.04	Increase in suppliers	-7,118	4,566
6.01.02.05	Increase in accounts payable	16,402	1,863
6.02	Net cash from investment activities	-5,938	-9,978
6.02.04	In property, plant and equipment	-1,809	-9,298
6.02.05	In intangible assets	-74	-66
6.02.06	Interest earning bank deposits	-88	-290
6.02.07	Net cash from investment activities - Discontinued	-3,967	-324
6.03	Net cash from financing activities	-36,512	4,927
6.03.02	Loans obtained	726	10,133
6.03.03	Payment of loans	-31,230	-17,253
6.03.05	Capital increase	0	10,348
6.03.10	Payment of Interest on loans	-4,007	-4,185
6.03.11	Other	782	0
6.03.12	Net cash from financing activities - Discontinued	-2,783	5,884
6.05	Increase (decrease) in cash and cash equivalents	18,160	-3,847
6.05.01	Opening balance of cash and cash equivalents	6,679	26,708
6.05.02	Closing balance of cash and cash equivalents	24,839	22,861

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2018–03/31/2018**(In thousands of reais)**

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	404,489	-40,996	0	-952,635	143,909	-445,233	0	-445,233
5.02	Prior-year adjustments	0	0	0	-1,635	0	-1,635	0	-1,635
5.02.01	Initial adoption of IFRS 9	0	0	0	-1,635	0	-1,635	0	-1,635
5.03	Adjusted opening balances	404,489	-40,996	0	-954,270	143,909	-446,868	0	-446,868
5.05	Total comprehensive income	0	0	0	1,509	551	2,060	0	2,060
5.05.01	Net income for the period	0	0	0	1,194	0	1,194	0	1,194
5.05.02	Other comprehensive income	0	0	0	315	551	866	0	866
5.05.02.04	Translation adjustments in the period	0	0	0	0	866	866	0	866
5.05.02.06	Realization of equity valuation adjustments	0	0	0	315	-315	0	0	0
5.07	Closing balances	404,489	-40,996	0	-952,761	144,460	-444,808	0	-444,808

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2017–03/31/2017**(In thousands of reais)**

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	394,141	-40,996	0	-668,102	143,056	-171,901	0	-171,901
5.03	Adjusted opening balances	394,141	-40,996	0	-668,102	143,056	-171,901	0	-171,901
5.04	Capital transactions with partners	10,348	0	0	0	0	10,348	0	10,348
5.04.01	Capital increases	10,348	0	0	0	0	10,348	0	10,348
5.05	Total comprehensive income	0	0	0	-6,059	-7,337	-13,396	0	-13,396
5.05.01	Net income for the period	0	0	0	-6,453	0	-6,453	0	-6,453
5.05.02	Other comprehensive income	0	0	0	394	-7,337	-6,943	0	-6,943
5.05.02.04	Translation adjustments in the period	0	0	0	0	-6,943	-6,943	0	-6,943
5.05.02.06	Realization of equity valuation adjustments	0	0	0	394	-394	0	0	0
5.07	Closing balances	404,489	-40,996	0	-674,161	135,719	-174,949	0	-174,949

Consolidated financial statements/ Statement of added value**(In thousands of reais)**

Code of account	Account description	Accumulated of the current year	Accumulated of the prior year
		01/01/2018–03/31/2018	01/01/2017–03/31/2017
7.01	Income	276,959	196,482
7.01.01	Sale of merchandise, products and services	264,228	194,214
7.01.02	Other income	11,162	931
7.01.04	Formation/reversal of allowance for doubtful accounts	1,569	1,337
7.02	Inputs acquired from third parties	-176,570	-138,769
7.02.01	Cost of products, merchandise and services sold	-151,331	-137,921
7.02.02	Materials, Energy, Third-party services and other	-25,239	-848
7.03	Gross added value	100,389	57,713
7.04	Retentions	-7,957	-8,471
7.04.01	Depreciation, amortization and depletion	-7,957	-8,471
7.05	Net added value produced	92,432	49,242
7.06	Added value received as transfer	2,213	17,229
7.06.01	Equity in net income of subsidiaries	0	55
7.06.02	Financial income	2,213	17,174
7.07	Total added value payable	94,645	66,471
7.08	Distribution of added value	94,645	66,471
7.08.01	Personnel	30,682	34,624
7.08.01.01	Direct remuneration	28,341	27,204
7.08.01.02	Benefits	3,929	5,379
7.08.01.03	Severance Pay Fund (FGTS)	-1,588	2,041
7.08.02	Taxes, duties and contributions	34,424	15,053
7.08.02.01	Federal	24,914	14,917
7.08.02.02	State	9,419	107
7.08.02.03	Municipal	91	29
7.08.03	Third-party capital remuneration	28,558	23,247
7.08.03.01	Interest	28,387	23,019
7.08.03.02	Rentals	171	228
7.08.04	Remuneration of own capital	981	-6,453
7.08.04.03	Retained earnings / Loss for the period	981	-6,453

Performance comment



1Q18
PRESS RELEASE

Performance comment

São Leopoldo, May 15, 2018 - Forjas Taurus S.A., listed in Level 2 for BM&FBOVESPA Corporate Governance (Symbols: **FJTA3, FJTA4**), one of the world's largest manufacturers of light firearms and domestic leader in motorcycle helmets, as well as acting in area involving M.I.M. (Metal Injection Molding), discloses its income figures for the **1st quarter of 2018 (1Q18)**.

1. Highlights of the 'st Quarter of 2018 (1Q18)

Quotes - Closing date 03/29/2018

FJTA3 R\$ 2.07
FJTA4 R\$ 2.19

Number of shares

FJTA3 46,445,314
FJTA4 18,242,898

Market value

R\$ 136.1 million

Contacts:

Sergio Castilho Sgrillo Junior - CFO and DRI
sergio.sgrillo@taurus.com.br

Julian Batista - RI Specialist
julian.batista@taurus.com.br

+55 51 30213079

- ✓ **Consolidated net revenue was R\$ 231.0 million in 1Q18, an increase of 19.9% compared to 1Q17 Pro-Forma**, mainly impacted by the better performance of the firearms segment, both on the Brazilian domestic market and exports to other markets, mainly supported by the performance of shipments of new products.
- ✓ **Gross margin increased by 7.2 % in 1Q18 compared to 1Q17 Pro-Forma, reaching 34.5%**, as a result of the process of re-training of manpower combined with greater controls in production, plus better integration with suppliers which made it possible for the Company to reduce costs.
- ✓ **SG&A declined 6.7% in 1Q18 versus 1Q17 Pro-Forma, even with the increase in net revenue, recording R\$ 50.5 million.** This result demonstrates Management's efforts to resize the Company's expense framework vis-à-vis the new US market scenario following the election of Donald Trump.
- ✓ **EBITDA returned to positive territory in 1Q18, recording R\$ 37.2 million in 1Q18, six times higher than in 1Q17 Pro-Forma**, generated strictly by the Company's regular firearms operation.
- ✓ **Helmet Operation:** Starting this quarter, the helmet operation, due to the Company's commitment to the disposal thereof, is now part of the Discontinued Operations line, thus no longer integrating the Company's consolidated financial information.

Performance comment

2. Economic and financial performance - consolidated

The following table shows the Company's consolidated financial performance in 1Q18 with the helmet operation in the line of Net Income from Discontinued Operations, in light of Management's commitment to dispose of this operation. Accordingly, the comparison with 1Q17 will be made on a Pro-Forma basis, in order to maintain comparability with the current quarter.

Consolidated Financial and Economic Summary

Indicators	1Q18	1Q17 Pro-Forma	1Q17	4Q17	Change		
					1T18/1T17PF	1T18/1T17	1T18/4T17
Net revenue	231.0	192.7	212.4	179.8	19.9%	8.8%	28.5%
Domestic market	55.2	26.1	45.8	57.7	111.5%	20.5%	-4.3%
Foreign market	175.8	166.6	166.6	122.1	5.5%	5.5%	44.0%
CPV	151.3	140.1	154.2	202.2	8.0%	-1.9%	-25.2%
Gross income	79.7	52.6	58.2	-22.4	51.5%	36.9%	-455.8%
Gross margin - %	34.5%	27.3%	27.4%	-12.5%	7.2 p.p.	7.1 p.p.	47.0 p.p.
Operating expenses - SG&A	-50.5	-54.1	-60.6	-90.7	-6.7%	-16.7%	-44.3%
Operating income (EBIT)	29.2	-1.5	-2.4	-113.1	-	-	-
EBIT Margin %	12.6%	-0.8%	-1.1%	-62.9%	13.4 p.p.	13.8 p.p.	75.5 p.p.
Net financial income (loss)	-26.2	-7.4	-6.0	-49.2	254.1%	336.7%	-46.7%
Depreciation and amortization	8.0	7.6	8.5	10.7	5.3%	-5.9%	-25.2%
Net Income Continued Oper.	1.0	-6.9	-6.5	-235.8	-	-	-
Net Margin Cont. Oper. - %	0.4%	-3.6%	-3.1%	-131.1%	-112.1%	-114.1%	-100.3%
Net Income Discontinued Oper.	0.2	0.4	-	-	-49.6%	-	-
Consolidated income / loss	1.2	-6.5	-6.5	-235.6	-	-	-
Consolidated Net Margin - %	0.5%	-3.3%	-3.0%	-131.1%	3.9 p.p.	3.6 p.p.	131.6 p.p.
EBITDA	37.2	6.1	6.1	-102.2	509.8%	509.8%	-136.4%
EBITDA Margin - %	16.1%	3.2%	2.9%	-56.8%	12.9 p.p.	13.2 p.p.	72.9 p.p.
Total assets	777.5	896.8	896.8	769.0	-13.3%	-13.3%	1.1%
Unsecured liability	-444.8	-174.9	-174.9	-445.2	154.3%	154.3%	-0.1%

*Refers to the helmet operation, which is to be sold.

Net revenue

In 1Q18, the Company's consolidated net revenue totaled R\$ 231.0 million, a growth of 19.9% in relation to 1Q17 pro-Forma. This growth is linked to: (i) strong growth on the domestic firearms market in Brazil, which recorded net revenue of R\$ 32.2 million, an increase of 65.1% in 1Q18 compared to 1Q17, particularly the individual sales segment, which includes police officers in general, magistrates and HSC's (hunters, shooters and collectors) who acquire a weapon for private use; and (ii) the positive performance of exports to other countries, which recorded an increase of nearly ninefold this quarter in relation to in the same period of 2017, reaching

Performance comment

R\$ 27.2 million. It is also worth noting sales of new products, which have already shown material representativeness in the Company's income this quarter, especially the T4 Carbine in shipments to other countries.

In the US, the firearms market remained very competitive, with low demand at the beginning of the quarter, however showing a recovery at the end of the period, which was important for the consumption of finished product inventories of both the Company and the distributors. As a result, US sales increased by 2.9% in the first three months of 2018 compared to the same period in 2017, totaling R\$ 167.8 million. It is also important to highlight the positive impact of sales of the Spectrum pistol, which is also starting to have major importance for the Company's income in the USA.

Information per business segment

The following table shows consolidated net revenue and gross margin per segment.

	Net revenue					Gross margin		
	1Q18	Int.%	1Q17	Int.%	Change	1Q18	1Q17	Change
Firearms	227.2	90%	185.7	87%	22.3%	33.8%	27.6%	6.2 p.p.
Other	3.8	2%	6.6		-42.4%	73.7%	12.1%	61.6 p.p.

I. Firearms

This segment includes handguns (revolvers and guns used for public security, private, restricted military and civil use), long guns (rifles, carbines and shotguns), and submachine guns. Forjas Taurus S.A. in Sao Leopoldo/RS and Taurus Holdings, Inc. in the US carry out operations in this segment.

NET REVENUE In millions of R\$	1Q18	1Q17	4Q17	Change	
				1T1B/1T17	1T1S/4T17
Firearms	227.2	185.7	153.9	22.3%	47.6%
Brazil	32.2	19.5	33.0	65.1%	-2.4%
Exports	195.0	166.2	120.9	17.3%	61.3%
United States	167.8	163.1	104.3	2.9%	60.9%
Other countries	27.2	3.1	16.6	777.4%	63.9%

Net sales of firearms amounted to R\$ 227.2 million in 1Q18, 22.3% higher than in 1Q17. In the domestic market, sales of firearms grew 65.1% in this quarter when comparing to the same period of prior year. With government budgets still limited, expansion on the Brazilian domestic market was mainly linked to the individual sales segment, which includes police officers in general, magistrates, and HSCs (hunters, shooters and collectors), who

Performance comment

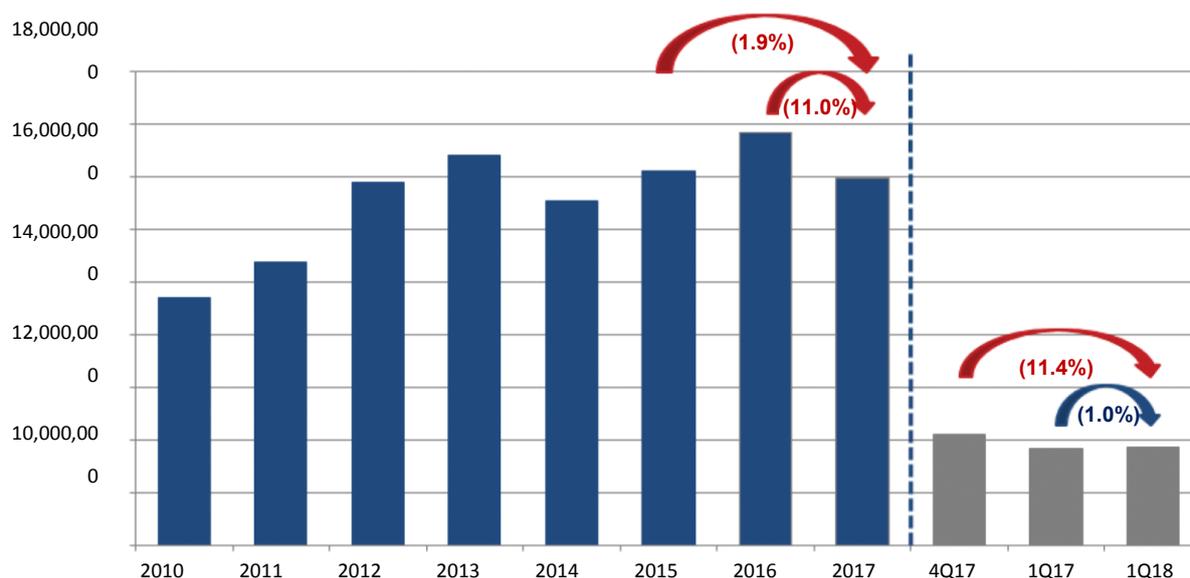
purchase a firearm for private use. Compared to 4Q17, sales on the domestic market recorded a decrease of 2.4%, due to the seasonal movement of government sales that takes place at the end of the year, when public agencies complete their annual budget availability.

In the US, the 1Q17 scenario remained very competitive, with demand still modest in the first half of the quarter, however showing a recovery in the second half of the period, making it possible to consume the finished product inventories of both the Company and the distributors. Accordingly, the Company's sales increased by 2.9% in the first three months of 2018 compared to the same period in 2017. This result takes on special importance, in that the US market went through a period of normalization of demand in 2017 with the election of Donald Trump, as discussed in previous releases.

Also noteworthy is the US market performance as measured by the Adjusted NICS (National Instant Criminal Background Check System) indicator, below, which allows one to determine intentions for firearm purchases in the US. This indicator increased by 1% in 1Q18 compared to 1Q17, and decreased 11.4% in comparison with 4Q17. It is important to underscore that in the comparison of this quarter with 4Q17, the Company's US sales increased by 60.9%, confirming the strength of the Taurus brand and the expansion of our market share in that country.

Adjusted NICS - National Instant Background Check System

Number of inquiries



Performance comment

Sales to other countries recorded a significant growth in this quarter compared to the same period in 2017, totaling R\$ 27.2 million, representing a growth of nearly ninefold in relation to 1Q17. This growth is highlighted by the shipments of the new T4 carbine, which went to the Middle East.

In 1Q18, the gross margin of firearms was 33.8%, 6.2% higher than in 1Q17, a result of the process of re-training of manpower and greater controls in production as well as a better integration with suppliers, which made it possible for the Company to reduce costs.

This result demonstrates Management's efforts to seek greater efficiency in the Company's cost framework vis-à-vis the new US market scenario following the election of Donald Trump.

II. Other

Starting in January/18, this segment is composed exclusively of parts made via Metal Injection Molding (MIM).

NET REVENUE In millions of R\$	1Q13	1Q17	4Q17	Change	
				1T18/1T17	1T18/4T17
Other	3.8	6.6	3.8	-42.4%	0.0%
Brazil	2-5	6-2	2.7	-59.7%	-7.4%
Exports	1.3	0-4	1-1	225.0%	18.2%

This segment presented R\$ 3.8 million in net sales in 1Q18, a 42.4% decline in relation to 1Q17. This segment has little representation in the Company's income, and presents specific demands. It is worth mentioning that the plastics operation was discontinued in January/18, causing this segment to operate exclusively with operations of parts made via Metal Injection Molding (MIM) since that time.

Operating expenses

In 1Q18, operating expenses were R\$ 50.5 million, 6.7% lower than in 1Q17 Pro-Forma. Regarding net revenue, operating expenses in 1Q18 represented 21.9%, 6.2 p.p. lower than in 1Q17 Pro-forma.

Performance comment

This result demonstrates Management's efforts to resize the Company's expense framework in order to generate greater efficiency vis-à-vis the new US market scenario following the election of Donald Trump.

OPERATING EXPENSES (SG&A)

In millions of R\$

	1Q18	1Q17 PRO-FORMA	1Q17	4Q17	1Q18 x 1Q17 PF	1Q18 x 1Q17	1Q18 x 4Q17
Operating expenses	50.5	54.1	60.5	90.7	-6.7%	-16.5%	-44.3%
Net income	231.0	192.7	212.4	179.8	19.9%	8.8%	28.5%
% Operating expenses	21.9%	28.1%	28.5%	50.4%	-6.2 p.p.	+6.6 p.p.	-28.5 p.p.

EBITDA

The Company's cash flow measured by EBITDA in 1Q18 once again showed a positive balance, totaling R\$ 37.2 million, six times higher than in 1Q17 Pro-Forma, having been generated strictly by the Company's regular firearms operation. The margin reached 15.2%, 12.9% higher than in 1Q17 Pro-Forma.

CONSOLIDATED EBITDA

In millions of R\$

	1Q18	1Q17 PRO-FORMA	1Q17	4Q17	1Q18 x 1Q17 PF	1Q18 x 1Q17	1Q18 x 4Q17
= Income from continued operations	1.0	(6.9)	(6.5)	(235.6)	-	-	-
(+) IR/CSLL	2.0	(2.0)	(1.9)	73.5	-	-	-97.3%
(+) Net financial income.	26.2	7.4	6.0	49.2	254.1%	336.7%	-46.7%
(+) Depreciation/amortization	8.0	7.6	8.5	10.6	5.3%	-5.9%	-24.5%
= EBITDA	37.2	6.1	6.1	(102.3)	509.8%	509.8%	-
EBITDA margin	16.1%	3.2%	2.9%	2.9%	12.9 p.p.	13.2 p.p.	72.9 p.p.

Income (loss) Consolidated

In 1Q18, the Company once again recorded profit, with a net result from continued operations of 1.0 million, compared to a loss of R\$ 6.9 million in 1Q17 Pro-Forma.

Performance comment

3. Financial position

In Mar/18, the Company presented gross indebtedness of R\$ 705 million. The Company's cash and cash equivalents, in Mar/18 totaled R\$ 27.7 million, 191.6% more than in Dec/17, reflecting the Company's strong cash generation in the period. Accordingly, the Company's net indebtedness fell 6.2% in Mar/18 compared to Dec/17, recording R\$ 678.0 million.

Taurus's short-term maturities totaled R\$ 575.1 million in 1Q18, and long-term maturities totaled R\$ 130.6 million in the period. The Company's short-term maturities are currently in a process of renegotiation, with a provisional grace period, which is being conducted by an outside consulting firm. Below is a break-down of Taurus's indebtedness in Mar/18.

INDEBTEDNESS

In millions of R\$

INDEBTEDNESS		Mar 2018	Mar 2017	Dec 2017	Mar 2018 x Mar 2017	Mar 2018 x Dec 2017
Short term	Loans and financing	470.1	34.6	458.9	1258.7%	2.4%
	Debentures	77.9	3.6	75.8	2063.9%	2.8%
	Advance from receivables	1.5	9.0	15.4	-83.3%	-90.3%
	Foreign exchange withdrawals	25.5	23.3	24.2	9.4%	5.4%
	Financial instruments	0.1	0.4	0.2	-75.0%	-50.0%
	TOTAL SHORT-TERM	575.1	70.9	574.5	711.1%	0.1%
Long term	Loans and financing	130.6	560.8	158	-76.7%	-17.3%
	Debentures	0.0	68.2	0.0	-	-
	TOTAL LONG-TERM	130.6	629.0	158.0	-79.2%	-17.3%
TOTAL DEBT		705.7	699.9	732.5	0.8%	-3.7%
Cash and cash equivalents and interest earning bank deposits		27.7	26.3	9.5	5.3%	191.6%
Net indebtedness		678.0	673.6	723.0	0.7%	-6.2%

4. Capital market and corporate governance

Forjas Taurus S.A. is a publicly-held Brazilian company, and has listed on the BM&FBOVESPA for more than 30 years, and since July/2011 has been ranked Level 2 in Corporate Governance. Below shows the evolution of share value and the market value of Taurus. In the end of 1Q18, the Company's preferred shares had a valuation of 21.0% as compared to 1Q17. As for common shares, 23.2% had an appreciation over the same period. As a

Performance comment

result, the Company's market value, recorded a growth of 31.4% in 1Q18, compared to 1Q17, reaching R\$ 136.1 million.

PERFORMANCE OF SHARES AND MARKET VALUE

Share quotation Closure	1Q18	1Q17	4Q17	Change	
				1T18x1T17	1T18x4T17
ON - FJTA3	2.07	R\$ 1.68	2.15	23.2%	-3.7%
Preferred shares - FJTA4	2.19	R\$ 1.81	1.94	21.0%	12.9%
IBOVESPA	85,366	64,984	76,402	31.4%	11.7%

Market value In millions of R\$	1Q18	1Q17	4Q17	Change	
				1T18x1T17	1T18x4T17
ON - FJTA3	R\$ 96.1	R\$ 78.0	R\$ 99.9	23.2%	-3.7%
Preferred shares - FJTA4	R\$ 40.0	R\$ 33.0	R\$ 35.4	21.0%	12.9%
TOTAL	R\$ 136.1	R\$ 111.0	R\$ 135.2	22.6%	0.6%

5. Discontinued operation

Helmets

In March 2018, Company Management assumed the commitment to dispose of the helmets operation. To carry out this process, a specialized consulting firm was engaged. Due to the decision to discontinue the investment, it was classified as "held for sale" and accounted for in accordance with technical pronouncement CPC 31 and IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations; this reclassification has a merely accounting character. The helmet segment continues to operate normally. It is worth remembering that this operation is in guarantee to the renegotiation of debt with the banking syndicate, so the proceeds from this disposal will be used exclusively for the amortization of debts with financial institutions.

The segment of helmets is the second largest in the company, with the production units of Taurus Blindagens Ltda., in Mandirituba/PR, and Taurus Blindagens Nordeste Ltda., in Simoes Filho/BA. Below is our comment on performance for this segment in 1Q18.

NET REVENUE In millions of R\$	1Q18	1Q17	4Q17	Change	
				1T18/1T17	1T18/4T17
Helmets	20.5	20.1	22.0	3.5%	-5.5%
Brazil	20.8	20.1	21.8	3.5%	-4.6%
Exports	-	-	0.2	-	-

Performance comment

Sales of helmets in the quarter reached R\$ 20.8 million, 3.5% more than in the same quarter of 2017. This result reflects the improvement in the economic indicators that occurred during 2017 and 2018.

Sales of helmets in 1Q18 reached R\$ 20.8 million, 3.5% higher than the sales recorded in 1Q17. As this segment has a strong correlation with the performance of the economy, this growth is already a reflection of the improvement in the indicators of unemployment, interest rate and GDP that occurred during 2017 and 2018.

In the graph below, comparing the evolution of the Company's physical sales of helmets with the physical sales of motorcycles in Brazil, we notice an expansion of 4.0% in the Company's physical sales of helmets in 1Q18, in relation to 1Q17, same rate observed in sales of motorcycles in the period. However, in comparison with 4Q17, physical sales of helmets in the quarter fell by 10.2%, while motorcycle sales also advanced by 4.0%.

The evolution of Physical Sales of Taurus Helmets
(Amount in thousands)



Growth of Physical Sales of Motorcycles in Brazil
(Amount in thousands)



Quarterly comparison - Year x Year

	Net income			Gross margin		
	1Q18	1Q17	Change	1Q18	1Q17	Change
Helmets	20.8	20.1	3.5%	35.6%	30.3%	5.2 p.p.

Performance comment

6. Subsequent event

The Company, on April 12, 2018, published a Material Fact informing the signing of a Memorandum of Understanding between Taurus USA and the State of Georgia (USA), for relocating its US subsidiary from Miami, Florida to Bainbridge, Georgia. It is estimated that this new headquarters will begin operating in 2020.

The aim of this transfer is to optimize production in the USA in order to better meet local demand in terms of production volume, to develop new products, and to improve the perception of the Taurus brand in that country. Moreover, the new headquarters will allow for cost reductions, with the granting of state tax incentives, and, consequently, increase profitability of the operation.

Taurus will keep its investors and the general market posted about this process through its channels of communication.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

1. Operations

Forjas Taurus S.A. (“Company”) headquartered in São Leopoldo/RS, a Brazilian publicly-held company for more than 30 years, and since 2011, ranked Level 2 in Corporate Governance of B3 (former BM&FBOVESPA) (trading symbols are FJTA3, FJTA4).

The Company operates in the segments of Firearms and Accessories and Metal Injection Molding (MIM), with two industrial plants, one in Brazil, located in the state of Rio Grande do Sul, and another in Miami, Florida, USA.

In Brazil, sales are directed to state, federal, civil and military police, in addition to the civilian market. Taurus is an accredited Strategic Defense Company and is permitted to supply products to the Brazilian armed forces.

Abroad, besides distributing products of the TAURUS and ROSSI trademarks produced in Brazil, the Miami unit manufactures models of TAURUS pistols and HERITAGE revolvers. Sales to the United States cover, mainly, the U.S. civil market and government bodies in the other regions.

In March 2018, Company Management assumed the commitment to dispose of the helmets operation. To carry out this process, a specialized consulting firm was engaged. Due to the decision to sell the investment, it was classified as “held for sale” and accounted for according to technical pronouncement CPC 31 and IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations. The helmet operation has two production units, one in Mandirituba, Paraná, and another in Simões Filho, Bahia.

The consolidated income statements for the quarter ended March 31, 2018 show the results of the helmets operation in a single line, as a net result of discontinued operations. The consolidated income statement for the quarter ended March 31, 2017 was reclassified for comparability.

Uncertainty related to the Company’s going concern

In the quarter ended March 31, 2018, the Company continued endeavoring to improve its operations and the integration with its suppliers in order to improve the cash generation and the recovery of its operating margins. During this period, the Company underwent re-training of manpower, together with improvements in production controls.

In the quarter, the Company presented growth in consolidated net revenue mainly as a result of higher sales on the Brazilian domestic market and exports to other countries (other than the United States). Sales in the United States also showed a slight increase over the same period in the previous year, and already include the impacts of sales of new products. This performance, combined with other efforts to reorganize operations, led to an improvement in the consolidated cash position.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Management continues the process of debt renegotiation with the banking syndicate, which is currently in progress and is being conducted by outside consulting firms. In conjunction with its external advisers, the Company presented to the Bank syndicate proposal to reschedule the current debt. Negotiations are under way, and there has already been one round with the banking syndicate. The positive income (loss) of this quarter makes the Company to expect to be able to reschedule the debt, adjusting it to the cash flows projected by Management, with the assistance of its advisors.

As additional option to assist in the economic and financial rebalance, the Company maintains its strategy: (a) divestitures of non-core assets, namely: the helmets operation (historically advantageous and profitable), whose decision of sale and authorization for selling efforts were made by the Board of Directors in March 2018, in addition to a large land in an affluent residential region of Porto Alegre, where the former facilities of the Company were located and; (b) strong restructuring plan, already in course and conducted by specialized consulting firm already contracted.

The aforementioned restructuring plan, which is already in progress, presented positive results in the quarter ended March 31, 2018, and is expected to continue to bring efficiency gains throughout 2018. The plan is divided into 4 areas: i) Renegotiation of Debt; ii) Operating Efficiency, iii) Commercial Efficiency, and (iv) Evaluation of Results. Below is a summary of the actions:

I – Renegotiation of Debt:

The debt rescheduling is being conducted through direct and extrajudicial renegotiation with creditors, including the following activities:

- Preparation, analysis and validation of operating and financial projections;
- Preparation of negotiation strategies in different scenarios;
- Negotiation with committee of creditors through meetings and presentations;
- Proper formalizations of the process.

II - Operating Efficiency

On macro basis, revaluation of the Organizational Structure of the Company through analysis of activities and processes, Span of Control and average remuneration.

- Realignment of the structure with the strategic purposes;
- Streamlining of the hierarchical levels for gain of promptness in decision making;
- Normalization of the areas so as to prevent conflicts and redundancies;
- Review of responsibilities and functions of each position;
- Clear definition of the metrics;
- Redesign of the relationship with other units of the company;
- Revaluation of outsourcing of non-core activities;
- Revaluation of service levels;
- Revaluation of the centralization of activities;

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

- Elimination of activities that do not aggregate value;
- Analyses of gains of efficiency in the processes;
- Intelligent and long-lasting reduction of costs;
- Development of a participatory environment proper to changes.

On a specific manner, the operating planning and management will be segmented as follows with their respective action plans already in course:

CGS - Cost of goods sold:

- Analyze the evolution of Variable Costs and general manufacturing costs (GGF) to identify the main deviations and opportunities.

Operating Master Planning:

- Review the S&OP model;
- Improve methodology of demand forecast;
- Review the logical process and model of production and inventory planning.

Efficiency of the Operating Management:

- Review metrics, goals and routines of analysis of results of key indicators of the processes;
- Map critical points of improvement of each process and develop/ implement applicable corrective actions.

Losses of Materials (yield and scrap):

- Identify critical points of improvement and implement applicable corrective actions.

Research and Development:

- Identification of Capex needs;
- Integration with all the industrial units;
- Schedule of actions.

Tools used:

- Explosion of Ideas;
- Data analysis;
- Simulations of scenarios;
- Analyses of Cause/Effect;
- Compensation Matrix.

III – Commercial Efficiency

In order to capture higher gains of efficiency in the commercial area, three areas are being focused as follows:

Market analysis

- Reviewing the pricing model;
- Mapping of sales channels and analysis of strategies per channel;

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

- Analysis of opportunities for reduction of the number of *Layers* and approximation of the point of sale.

Portfolio of products

- Performance analysis of the categories of products;
- Analysis for streamlining of SKUs;
- Definition of strategies for low-margin items;
- Definition of the positioning of each category.

Commercial Performance

- Assess the management model of sales routine;
- Revaluation and design of a variable remuneration program to the sales team;
- Restructuring of the monitoring model for attainment of goals.

IV – Evaluation of Results

These initiatives aim to adjust the key processes of Taurus so as to increase the Company's profitability and competition.

Accordingly, with the definition of roles and responsibilities, performance metrics and a culture of discipline in the performance of action plans, the Company continues to take actions aimed at higher operating and financial efficiency, in order to cover the demand for its products, improve its margins, recover profitability and the balance of its cash flows.

2. Presentation of quarterly information

2.1. Preparation basis

The individual and consolidated quarterly information was prepared based on the historical cost, except for non-derivative financial instruments measured at fair value through profit or loss.

a) Compliance statement

The Company's individual and consolidated quarterly information was prepared in accordance with CPC 21 (R1) issued by Accounting Pronouncement Committee ("CPC") and IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board -IASB, as well as with respect to standards disclosed by Securities Commission, applicable to the preparation of Quarterly Information - ITR.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

b) Statement of the Board of Directors

The Company management states it has utilized all of the relevant information for its quarterly information and correspond to those of its management.

The issue of individual and consolidated quarterly information was authorized by the Board of Directors on May 15, 2018.

2.2. Basis of consolidation

	Country	Ownership interest	
		03/31/2018	12/31/2017
Taurus Blindagens Ltda.	Brazil	100.00%	100.00%
Taurus Blindagens Nordeste Ltda.	Brazil	100.00%	100.00%
Taurus Holdings, Inc.	United States	100.00%	100.00%
Taurus Máquinas-Ferramenta Ltda.	Brazil	100.00%	100.00%
Taurus Investimentos Imobiliários Ltda.	Brazil	100.00%	100.00%
Polimetal Metalurgia e Plásticos Ltda. *	Brazil	100.00%	100.00%
T. Investments Co. Inc.**	Panama	100.00%	100.00%
Taurus Plásticos Ltda.	Brazil	100.00%	100.00%

(*) Presented interest represents the percentage directly and indirectly held by the Company in the capital of subsidiaries.

(**) On 04/24/2015, T.Investments Co. Inc., was established in Panama, with the aim of managing the international investments of Forjas Taurus S.A.. Forjas Taurus S.A. holds 100% of the capital of T. Investments Co. Inc.

(***) On January 5, 2016 a partial spin-off by Taurus Blindagens Ltda. resulted in Taurus Plásticos Ltda.

The process of consolidating the balance sheets and the result follows, by their nature, complemented by the elimination of the following:

- Shares of the parent company in capital, reserves and retained earnings of the consolidated companies;
- Balances of asset and liability accounts maintained between the consolidated companies;
- Balances of income and expenses from consolidated intercompany transactions; and
- Unrealized gains originating from transactions with investees recorded under the equity method in the proportion of the Company's interest in the investee. Unrealized losses in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment.

2.3. Functional and presentation currency

The individual and consolidated quarterly information is being presented in Brazilian Real, functional and presentation currency of the Company and its subsidiaries headquartered in Brazil. The functional currency of the subsidiary Taurus Holdings, Inc., headquartered in the US, and controlled T. Investments Co. Inc., headquartered in Panama is the US dollar and its assets and liabilities are converted into Reais, marked at the exchange rate on date of the balance sheet, their results are converted to the monthly average exchange rate.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Exchange differences arising from the translation process of foreign subsidiaries are reported in other comprehensive income, and presented as shareholders' equity.

Transactions in foreign currency are translated into the functional currency of the Company at the current exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. All differences are reported in the income statement.

3. Significant accounting judgments and sources of uncertainties about estimates

When applying the accounting practices, Management must make judgments and prepare estimates on book values of assets, liabilities, expenses and income that are not easily obtained from other sources. Estimates and respective assumptions are based on historic experience and on other factors that are considered relevant. The actual results of these book values may differ from these estimates.

Information regarding critical judgments referring to the accounting policies adopted which impact the amounts recognized in the individual and consolidated quarterly information and information on uncertainties, assumptions and estimates are included in the following notes: 9 - Clients (allowance for doubtful accounts), 10 - Inventories (Provision for inventory loss), 13 - Income and social contribution taxes, 14 - Assets held for sale (valuation), 16 - Property, plant and equipment (Impairment), 17 - Intangible assets (Impairment), 23 - Provision for civil, labor and tax risks and 24 - Financial instruments.

(i) **Measurement of fair value**

A series of Company's accounting policies and disclosures requires the measurement of fair value, for financial and non-financial assets and liabilities.

The Company established controls related to the measurement at fair value which includes the regular evaluation of significant non-observable data and evaluation adjustments

When measuring fair value of an asset or liability, the Company uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

Level 1: Prices quoted (not adjusted) in active markets for identical assets and liabilities.

Level 2: Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).

Level 3: Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

4. Significant accounting policies

The significant accounting practices adopted by the Company are described in the specific notes related to the presented items; those applicable, in general, for different aspects of the quarterly information, are presented in this section.

Accounting practices for transactions considered immaterial were not included in the quarterly information. The accounting policies have also been consistently applied by Company's investees.

a) Financial instruments

(i) *Non-derivative financial assets*

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

These assets are classified as loans and receivables.

Loans and receivables are initially recognized at fair value plus any transaction costs directly assignable. After their initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, adjusted at any impairment losses.

(ii) *Non-derivative financial liabilities*

The Company has the following non-derivative financial liabilities: loans, financing, non-convertible debentures, suppliers and other accounts payable. Such liabilities are initially recognized at fair value plus any transaction costs directly assignable. After initial recognition, they are measured at amortized cost using the effective interest method.

(iii) *Derivative financial instruments*

The Company keeps derivative instruments to hedge its exposures to foreign currency and interest rate changes.

Derivatives are initially recognized at their fair value, and the attributable transaction costs are recognized in profit or loss when incurred. After the initial recognition, derivatives are measured at fair value on each balance sheet date, and changes are recorded in fair value are recorded in income (loss).

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

(iv) *Impairment*

The Company and its subsidiaries assess at the balance sheet dates, whether there is any evidence that determines that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (known as a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets and can be reliably estimated.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

- b) Statements of added value
The statement of added value is not required by IFRS and is presented in supplementary form in compliance with Brazilian corporate law. Its purpose is to disclose the wealth generated by the Company during the year, and well demonstrating how it was distributed among the various agents.
- c) New standards, interpretations and non-standard revisions
New standards or amendments to standards and interpretations will become effective for the years started after January 1, 2019.

(i) CPC 06 (R2) / IFRS 16 Leases

CPC 06 (R2) / IFRS 16 introduces a single model of accounting of leases in the balance sheet to lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset and a lease liability that represents its obligation to make the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

The standard in force for annual periods starting on or after January 1, 2019. The Company intends to initially adopt CPC 06 (R2) / IFRS 16, adopting a modified retrospective approach. Therefore, cumulative effect of adopting CPC 06 (R2) / IFRS 16 will be recognized as an adjustment to retained earnings' opening balance on January 1, 2019, without updating comparative information.

The Company is not obliged to make adjustments for one-lessor leases, except when it refers to an intermediary lessor in a sublease.

According to Management's preliminary evaluation, this standard will not bring material impact. Nevertheless, the Company cannot provide a reasonable estimate of that effect until carrying out a detailed review at the time of actual adoption.

5. Financial risk management

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

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

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

5.1. Credit risk

Credit risk is the possibility of a financial loss if a client or a counterpart of a financial instrument fails to fulfill its contractual obligations arising mainly from trade accounts receivable and investments of the Company. As regards financial institutions, the Company and its subsidiaries only conduct operations with low risk financial institutions, considered by the Management, as low risk institutions.

Trade accounts receivable and other credits

The Company and its subsidiaries adopt as a practice the analysis of the financial situation of their counterparties, as well as the definition of credit limits and permanent monitoring of open positions. For the Company's income, sales are not concentrated to a single client, therefore there is no credit risk of concentration.

Credit approvals are analyzed individually before the terms and the standard terms of payment and delivery of the Company are offered. This analysis includes external evaluations and, in some cases, bank references. Purchase limits are established for each client and represent the maximum outstanding amount for which credit approval is not required; these limits are regularly reviewed. Clients who fail to meet the credit limit established by the Company may only operate when there is a settlement of securities. For public bodies, the Company's management individually assesses the ability to pay and the bidding requirements for completion of the sale. The consolidated statement excludes transactions between related parties and, since these transactions are excluded, the Company has no customers that individually represent more than 5% of sales.

When monitoring credit risk of clients, they are grouped according to their characteristics for credit facility, including if they are an individual or entity, retail, government agencies, geographic location, type of industry and previous financial difficulties. Credit risk exposure

The maximum credit risk exposure as of the date of quarterly information was as follows:

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Trade accounts receivable	114,135	122,611	78,517	69,008
Cash and cash equivalents	24,839	6,679	10,027	2,543
Interest earnings bank deposits	2,873	2,785	2,605	2,530
Total	141,847	132,074	91,149	74,081

The maximum credit risk exposure for trade accounts receivable on the report date per geographic region was:

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

	Consolidated		Parent company	
	Book value		Book value	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Domestic - trade accounts receivable	54,557	59,734	38,052	32,654
United States clients - trade accounts receivable	56,899	59,239	-	-
Other	30,319	34,825	54,944	50,784
Total*	141,776	153,798	92,996	83,438

The Company's maximum exposure to loans and receivables on the date of report by type of counterparty was as follows:

	Consolidated		Parent company	
	Book value		Book value	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Clients - public agencies	13,568	16,377	12,051	15,009
Clients - distributors	102,208	119,776	54,944	50,784
End clients	26,000	17,645	26,000	17,645
Total*	141,776	153,798	92,996	83,438

* Customer balances are presented without considering the provision for losses (see Note 9).

Provision for estimated losses

Pursuant to CPC 48 / IFRS 9, starting January 01, 2018 we began to adopt the provision for expected losses, taking into account the internal risk assessment indicator, which captures the client's behavior and the uncertainties of the macroeconomic context.

	03/31/2018			Consolidated 12/31/2017		
	Portfolio	Provision	% Coverage	Portfolio	Provision	% Coverage
	Not overdue	74,854	(2,585)	3.5%	98,314	(2,349)
Overdue (in days)						
0-30	14,750	(1,656)	11.2%	8,628	(1,132)	13.1%
31-60	4,627	(549)	11.9%	4,180	(275)	6.6%
61-90	3,981	(469)	11.8%	2,052	(295)	14.4%
91-180	4,439	(652)	14.7%	5,218	(2,633)	50.5%
181-360	9,473	(2,842)	30.0%	4,636	(1,897)	40.9%
>1 year	29,652	(18,888)	63.7%	30,770	(22,607)	73.5%
Total	141,776	(27,641)	19.5%	153,798	(31,187)	20.3%

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

	03/31/2018			Parent company 12/31/2017		
	Portfolio	Provision	% Coverage	Portfolio	Provision	% Coverage
Not overdue	19,173	(1,737)	9.1%	16,452	(1,505)	9.1%
Overdue (in days)						
0–30	29,014	(1,566)	5.4%	24,421	(1,038)	4.3%
31–60	3,510	(517)	14.7%	3,689	(269)	7.3%
61–90	2,450	(440)	18.0%	7,272	(302)	4.2%
91–180	11,091	(616)	5.6%	10,767	(2,622)	24.4%
181–360	11,635	(2,792)	24.0%	3,242	(1,884)	58.1%
>1 year	16,123	(6,810)	42.2%	17,594	(6,810)	38.7%
Total	92,996	(14,478)	15.6%	83,438	(14,430)	17.3%

5.2. Liquidity risk

Liquidity risk is the risk of the Company encountering difficulties in performing the obligations associated with its financial liabilities that will be settled with cash payments or with another financial asset.

The Company and its subsidiaries monitor the requirements for operating cash flow and this excludes the potential impact of extreme situations that cannot be reasonably foreseen, such as natural disasters.

We present below the contractual maturities of financial liabilities including payment of estimated interest and excluding, the impact of the negotiation agreements of currencies by the net position.

	Consolidated 03/31/2018					
	Book value	Contractual cash flow	Up to 1 year	1–2 years	2–5 years	>5 years
Non-derivative financial liabilities						
Suppliers	84,380	84,380	84,380	-	-	-
Loans and financing	600,734	607,273	470,100	120,609	5,046	11,518
Debentures	77,890	77,890	77,890	-	-	-
Foreign exchange advances	25,525	25,525	25,525	-	-	-
Advance from receivables	1,535	1,535	1,535	-	-	-
Derivative financial instruments						
Derivative instruments (liabilities)	101	101	101	-	-	-
	790,165	796,704	659,531	120,609	5,046	11,518

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

	Consolidated					
	12/31/2017					
	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	>5 years
Non-derivative financial liabilities						
Suppliers	99,954	99,954	99,954	-	-	-
Loans and financing	616,912	626,382	458,942	150,346	5,022	12,072
Debentures	75,771	93,714	23,012	53,693	17,009	-
Foreign exchange advances	24,193	24,193	24,193	-	-	-
Advance from receivables	15,422	15,422	15,422	-	-	-
Derivative financial instruments						
Derivative instruments (liabilities)	242	242	242	-	-	-
	832,494	859,907	621,765	204,039	22,031	12,072

	Parent company					
	03/31/2018					
	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	>5 years
Non-derivative financial liabilities						
Suppliers	131,899	131,899	131,899	-	-	-
Loans and financing	510,449	512,637	468,931	43,689	17	-
Debentures	77,890	77,890	77,890	-	-	-
Foreign exchange advances	25,525	25,525	25,525	-	-	-
Advance from receivables	1,535	1,535	1,535	-	-	-
	747,298	749,486	705,780	43,689	17	-

	Parent company					
	12/31/2017					
	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	>5 years
Non-derivative financial liabilities						
Suppliers	134,832	134,832	134,832	-	-	-
Loans and financing	500,519	561,254	134,670	342,887	83,697	-
Debentures	75,771	93,713	23,012	53,693	17,008	-
Foreign exchange advances	24,193	24,193	24,193	-	-	-
Advance from receivables	1,535	1,535	1,535	-	-	-
	736,850	815,527	318,242	396,580	100,705	-

5.3. Market risk

Market risk is the risk that alterations in market prices, such as exchange rates and interest rates, have in the Company's earnings, or in the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposures to risks, within acceptable parameters, and at the same time to optimize the return.

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

(i) Currency risk (foreign exchange)

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

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

Generally, the Company seeks to protect its expected foreign exchange exposure with respect to forecast sales.

Sensitivity analysis

The probable base scenario for 2018 was defined through assumptions available in the market (source: Brazilian Central Bank Focus), and sensitivity calculation considered the change between rates of the scenario foreseen for 2018 and those prevailing in 2017.

The sensitivity analysis also considered changes in 25% and 50% on exchange-rate changes considered in the probable scenario.

Currencies and ratios		Rate March 31, 2018	Probable scenario	Possible scenario Δ 25%	Remote scenario Δ 50%
US dollar	Write-off	3.3238	3.3000	2.4750	1.6500
US dollar	Increase	3.3238	3.3000	4.1250	4.9500

Awareness of the changes in the foreign currency:

		Consolidated			
		Balance at 2018	Probable scenario	Possible (25%)	Remote scenario (50%)
Assets - Depreciation of Dollar					
Accounts receivable	Dollar -	26,534	(190)	(6,776)	(13,362)
Liabilities - Increase in Dollar					
Loans and financing	Dollar -	(178,971)	1,282	(43,141)	(87,563)
Suppliers	Dollar -	(14,215)	102	(3,426)	(6,955)
Foreign exchange advances	Dollar -	(7,679)	55	(1,851)	(3,757)
Advance from clients	Dollar -	(25,542)	183	(6,157)	(12,497)
Other	Dollar -	1,801	(13)	434	881
		Parent company			
		Balance at 2018	Probable scenario	Possible (25%)	Remote scenario (50%)
Assets - Depreciation of Dollar					
Accounts receivable	Dollar -	16,530	(118)	(4,221)	(8,324)
Liabilities - Increase in Dollar					
Loans and financing	Dollar -	(151,809)	1,087	(36,593)	(74,274)
Suppliers	Dollar -	(4,646)	33	(1,120)	(2,273)
Foreign exchange advances	Dollar -	(7,679)	55	(1,851)	(3,757)
Advance from clients	Dollar -	(25,455)	182	(6,136)	(12,454)
Other	Dollar -	1,672	(12)	403	818

For the asset balances, an analysis was conducted considering a downturn in the foreign exchange rate and losses arising from a negative change in the currency, while for the liabilities balances, an analysis was conducted considering an upturn in the foreign exchange rate and the losses arising from a positive change in the currency.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

(ii) Interest rate risk

The balances of instruments exposed to changes in interest rates are summarized below.

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

As of March 31, 2018, the management considered the likely scenario for 2018 is a CDI rate of 6.39% and TJLP of 6.75%. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively. The scenarios below were estimated for the period of 1 year:

Currency	2018	Probable scenario	Possible scenario △ 25%	Remote scenario △ 50%
CDI - write-off	6.39%	10.14%	7.61%	5.07%
Rise in the CDI rate	6.39%	10.14%	12.68%	15.21%
TJLP	6.75%	7.00%	8.75%	10.50%
SELIC	6.40%	8.75%	10.94%	13.13%
LIBOR - 30 days	1.88%	1.88%	2.35%	2.82%
LIBOR 3 months	2.30%	2.30%	2.88%	3.45%
LIBOR 6 months	2.45%	2.45%	3.07%	3.68%

		Consolidated Gain (loss)			
	Index	Balance in 2018	Probable scenario	Possible scenario	Remote scenario
Interest earnings bank deposits	CDI - write-off	13,028	489	158	(172)
Loan	CDI - write-off	-	-	-	-
Loans	Rise in the CDI rate	(131,960)	(4,949)	(8,294)	(11,639)
Loans	TJLP	(5,197)	(13)	(104)	(195)
LIBOR - 30 DAYS	LIBOR - 30 DAYS	(71,864)	-	(337)	(674)
LIBOR 3 months	LIBOR 3 months	(450,514)	-	(2,593)	(5,185)
LIBOR 6 months	LIBOR 6 months	-	-	-	-
Taxes in installments	SELIC	(8,294)	(195)	(376)	(558)

		Parent company Gain (loss)			
	Index	Balance in 2018	Probable scenario	Possible scenario	Remote scenario
Liabilities					
Interest earnings bank deposits	CDI - write-off	11,326	425	138	(150)
Loan	CDI - write-off	(30,288)	(1,136)	(368)	400
Loans	Rise in the CDI rate	(131,960)	(4,949)	(8,294)	(11,639)
Loans	TJLP	(5,197)	(13)	(104)	(195)
LIBOR - 30 DAYS	LIBOR - 30 DAYS	-	-	-	-
LIBOR 3 months	LIBOR 3 months	(450,514)	-	(2,593)	(5,185)
LIBOR 6 months	LIBOR 6 months	-	-	-	-
Taxes in installments	SELIC	(6,766)	(159)	(307)	(455)

5.4. Capital management

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

The management's policy is to maintain a solid base of capital for the future development of the business, adding value for shareholders, creditors and the market in general, by monitoring the returns on capital. However, the results of recent years have meant some deterioration in this policy, as shown below.

	Consolidated	
	03/31/2018	12/31/2017
Total liabilities	1,285,149	1,214,191
Less: Cash and cash equivalents and interest earning bank deposits	(27,712)	(9,464)
Net debt	1,257,437	1,204,727
Total shareholders' equity	(444,788)	(445,233)

6. Operating segments

The Company has four reportable segments represented by strategic business units, managed separately since they differ by products and services, technologies and marketing strategies. The Company's reportable segment operations can be detailed as follows:

Firearms – the firearm production process, since is treated, primarily, as metalworking, and uses the following basic phases: machining (from machined and forged moulds by means of machining centers, milling, drill pressing and broaching, lathing, broaching since all the forging process and some machining operations are outsourced), Metal Injection Molding (MIM) (metal injection molded parts), finishing (polishing), heat treatment, surface treatment, final assembly, functional test, engraving and packaging; these operations are carried out by Forjas Taurus S.A., and Taurus Holdings, Inc. and its subsidiaries.

Helmets – the helmet production process uses the following steps injection (from the Acrylonitrile Butadiene Styrene (ABS)), painting and finishing (from parts already injected through the manual and automated painting process), sewing (from fabrics, foam plates and polycarbonates, using cutting machines and sewing) and final assembly; these operations are performed by Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda

Other - result of the MIM (Metal Injection Molding) segment - metal injection molded parts, (Polimetal Metalurgia e Plásticos Ltda.); hard trunks (Taurus Blindagens Ltda). It also includes expenditures with technical assistance and financial expenses with discontinued machinery operation in June 2012 and other operations as the manufacturing and sale of glasses and rendering of services. As these segments have been aggregated, they do not meet the quantitative thresholds for separate disclosure as a reportable segment.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Performance of each segment is quarterly evaluated based on the segment's earnings (losses) before income tax and social contribution, as included in internal reports, as Management believes that this information is more relevant for the evaluation of results from some segments related to other entities that operate in these industries.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

The reconciliation of income, income and losses, assets, liabilities and other material items in reportable segments are disclosed below:

	Firearms		Helmets		Other		Total	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017	03/31/2018	03/31/2017	03/31/2018	03/31/2017
External income	227,157	185,714	20,852	20,112	3,886	7,010	251,895	212,836
Inter-segment income	131,896	150,855	4,199	3,471	395	1,118	136,490	155,444
Cost of sales	(150,265)	(134,469)	(13,464)	(14,101)	(1,066)	(5,673)	(164,795)	(154,243)
Gross income (loss)	208,788	202,100	11,587	9,482	3,215	2,455	223,590	214,037
Sales expenses	(22,950)	(23,677)	(3,521)	(4,392)	(224)	(473)	(26,695)	(28,541)
General and administrative expense	(28,988)	(26,665)	(2,193)	(1,708)	470	(1,602)	(30,711)	(29,975)
Depreciation and amortization	(649)	(2,064)	-	(307)	(1,597)	(4)	(2,246)	(2,375)
Other operating income (expenses), net	166	309	(339)	(463)	3,171	102	2,998	(52)
	(52,421)	(52,097)	(6,053)	(6,869)	1,820	(1,977)	(56,654)	(60,943)
Operating income (loss)	156,367	150,003	5,534	2,612	5,035	478	166,936	153,094
Financial income	1,133	18,128	1,151	2,350	1,081	947	3,365	21,425
Financial expenses	(26,877)	(24,223)	(1,484)	(965)	(1,510)	(2,281)	(29,871)	(27,469)
Net financial income (loss)	(25,744)	(6,095)	(333)	1,385	(429)	(1,334)	(26,506)	(6,044)
Income (loss) per segment subject to be disclosed before income tax and social contribution	130,623	143,908	5,201	3,997	4,606	(856)	140,430	147,050
Elimination of inter-segment income	(131,896)	(150,855)	(4,199)	(3,471)	(395)	(1,118)	(136,490)	(155,444)
Income before income tax and social contribution	(1,273)	(6,947)	1,002	526	4,211	(1,974)	3,940	(8,394)
income tax and social contribution	(1,221)	2,111	(789)	(103)	(736)	(67)	(2,746)	1,941
Net income for the year	(2,494)	(4,836)	213	423	3,475	(2,041)	1,194	(6,453)
Assets of reportable segments	602,375	597,849	79,636	167,753	95,449	131,221	777,460	896,823
Liabilities of reportable segments	1,151,501	954,824	48,555	41,619	22,212	75,329	1,222,268	1,071,772

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Geographical information

The net revenue information below is based on the geographical location of the client.

	Firearms		Discontinued operations (Helmets)	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Domestic market				
Southeastern region	19,319	11,357	5,499	5,664
South region	6,029	3,945	1,939	1,137
Northeastern region	3,732	2,177	6,223	7,163
Mid-west region	1,661	1,694	3,505	3,053
North region	1,462	311	3,648	3,095
	32,203	19,484	20,814	20,112
Foreign market				
United States	167,770	163,088	38	-
Bangladesh	-	-	-	-
Peru	-	621	-	-
Burkina Faso	-	-	-	-
Honduras	1,024	-	-	-
Oman	20,736	-	-	-
Bosnia	-	-	-	-
Jordan	-	-	-	-
Pakistan	-	-	-	-
Argentina	75	816	-	-
France	697	284	-	-
Chile	281	498	-	-
South Africa	611	-	-	-
Lebanon	-	-	-	-
Thailand	-	-	-	-
Nicaragua	-	-	-	-
Germany	1,008	-	-	-
United Kingdom	-	118	-	-
Italy	-	-	-	-
Philippines	343	-	-	-
Australia	-	-	-	-
El Salvador	54	109	-	-
Other countries	2,355	696	-	-
	194,954	166,230	38	-
	227,157	185,714	20,852	20,112

The other segments of the Group have concentrated their sales in the domestic market and have widely distributed products throughout all regions of Brazil.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

The Company's sales and its subsidiaries do not have any restrictions and do not suffer concentration risk, characterized by a dependence on government agencies or any other client.

7. Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and interbank funds applied, that is, redeemable within up to three months of contracting dates, without penalties for the Company and with low risk of change in their market value.

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Cash balance	60	37	47	19
Demand deposits	16,041	6,257	1,259	2,180
Interest earning bank deposits	8,738	385	8,721	344
Cash and cash equivalents	24,839	6,679	10,027	2,543

The investments classified as cash and cash equivalents are remunerated at variable average rates from 86% to 100% of the CDI at 03/31/2018 (86% to 100.00% of CDI at 12/31/2017) with counterparty financial institutions considered by management as the first line.

8. Financial investments and linked accounts

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Money market investments in CDB	2,873	2,785	2,605	2,530
Total	2,873	2,785	2,605	2,530
Current	2,054	1,777	2,054	1,777
Non-current	819	1,008	551	753

Financial investments are paid by the average variable rate of 97.77% of CDI at March 31, 2018 (98.79% of CDI as of December 31, 2017), being held as guarantees for short-term financing, and their redemption scheduled takes place in conjunction with amortization, presented in current and non-current assets based on their redemption provisions.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

9. Clients

Trade accounts receivable are recorded at the amount billed, and include the respective direct taxes for which the Company is responsible.

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

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Domestic clients	53,581	65,021	38,052	32,654
Foreign clients	88,195	88,777	54,944	50,784
	141,776	153,798	92,996	83,438
Allowance for doubtful accounts - domestic	(20,068)	(22,596)	(10,070)	(8,981)
Allowance for doubtful accounts - abroad	(7,573)	(8,591)	(4,408)	(5,449)
	(27,641)	(31,187)	(14,478)	(14,430)
Total	114,135	122,611	78,517	69,008

The Company's exposure to credit and currency and impairment losses risk related to trade accounts receivables and other accounts, including the breakdown of accounts receivable by maturity are disclosed in note 5. Changes in the allowance for doubtful accounts are as follow:

	Consolidated	Parent company
Balance at December 31, 2017	(31,187)	(14,430)
Initial adoption - CPC 48 / IFRS 9	(1,635)	(1,635)
Additions	(845)	(817)
Reversal of allowance for doubtful accounts	6,111	2,429
Exchange-rate change	(85)	(25)
Balance at March 31, 2018	(27,641)	(14,478)

10. Inventories

Inventories are shown at the lower of cost and net realizable value. The cost of inventories is based on the weighted moving average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs (based on normal operating capacity), as well as other costs incurred in bringing them to their existing location and condition.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

The provision for inventory losses is recorded for products with low turnover and items that are sold below the formation cost.

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Finished goods	95,951	127,427	25,363	32,399
Raw material	129,633	134,346	113,214	110,525
Provision for loss	(47,816)	(49,888)	(45,872)	(47,769)
	177,768	211,885	92,704	95,155

	Consolidated	Parent company
Balance at December 31 2017	(49,888)	(47,769)
Reversal of provision for loss	2,072	1,897
Balance at March 31, 2018	(47,816)	(45,872)

11. Recoverable taxes

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
ICMS	13,880	14,837	6,110	5,591
IPI	4,466	4,099	4,152	3,153
PIS	1,456	3,482	1,437	3,387
COFINS	6,850	12,511	6,715	12,010
Income tax and social contribution	6,867	10,002	2,147	1,747
INSS	-	20	-	-
Total	33,519	44,951	20,561	25,888
Current	33,238	44,458	20,422	25,693
Non-current	281	493	139	195
Total	33,519	44,951	20,561	25,888

12. Other accounts receivable

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Advances to suppliers	2,227	3,384	1,136	1,946
Advances to employees	1,652	1,788	832	796
Judicial deposits (Note 23)	16,122	16,489	9,678	9,419
Receivables from insurance	-	82	-	-
Related party loans	-	-	22,624	19,367
Other receivables	5,874	731	691	644
	25,875	22,474	34,961	32,172
Current assets	9,753	5,985	25,283	22,753
Non-current assets	16,122	16,489	9,678	9,419

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

13. Income tax and social contribution

The income tax and social contribution of the year, both current and deferred, are calculated based on the nominal rate of 15% plus a surcharge of 10% on taxable income in excess of R\$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution, limited to 30% of the taxable income. For companies that calculate income tax and social contribution based on estimated profits, the same rates as above are used but on percentage of revenue of 32%. The rate of income tax is 21% for the US subsidiary.

a. Breakdown of assets and deferred tax liabilities

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
On temporary differences of assets, tax loss and negative basis	-	-	-	-
On temporary liability differences				
Equity valuation adjustment	(10,263)	(11,647)	(2,356)	(2,356)
Restated cost of property, plant and equipment	(9,460)	(9,641)	-	-
Goodwill allocation	(5,572)	(5,615)	-	-
Average interest rate	(1,499)	(1,499)	(1,370)	(1,370)
Derivative financial instruments	(2,353)	(2,353)	(2,353)	(2,353)
Other items	(1,726)	3,283	-	-
	(30,873)	(27,472)	(6,079)	(6,079)
Total assets and liabilities, net	(30,873)	(27,472)	(6,079)	(6,079)
Classified as noncurrent assets	-	3,465	-	-
Classified in the non-current liabilities	(30,873)	(30,937)	(6,079)	(6,079)

Current and deferred taxes are recognized in income (loss) unless they are related to the business combination, or items directly recognized in Shareholders' equity or in Other comprehensive income.

Deferred taxes are recognized in relation to the temporary differences between the book values of assets and liabilities for accounting purposes and the related amounts used for taxation purposes. A deferred income tax and social contribution asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets and liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred income and social contribution tax assets are reviewed at each reporting date and reduced when their realization is no longer probable.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Changes in deferred taxes:	Consolidated	Parent company
Opening balance of deferred taxes, net	(27,472)	(6,079)
Allocated in income (loss)	127	-
Allocated to shareholders' equity	(63)	-
Effect of Assets and Liabilities Earmarked for Sale		
Transfer to held for sale	(3,465)	-
Closing balance of deferred taxes, net	(30,873)	(6,079)

In 2018, the Company does not recognize deferred tax assets since it does not expect future taxable income.

The amount of tax losses and negative basis of social contribution on which deferred taxes are not recorded totaled R\$ 730,030 (R\$ 732,274 as of December 31, 2017) in the consolidated, and R\$ 293,781 (R\$ 294,077 as of December 31, 2017) in the parent company.

The main balances of tax loss carryforwards and negative basis are recorded in the parent company Forjas Taurus S.A. Tax credits arising from tax losses and negative social contribution basis not recognized totaled R\$ 99,886 (R\$ 99,986 as of December 31, 2017).

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Reconciliation of effective rate for income tax and social contribution (continued operations)

	Consolidated		Parent company	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Accounting loss before income tax and social contribution	2,937	(8,920)	1,465	(7,304)
Combined statutory rate:	34%	34%	34%	34%
Income tax and social contribution at the combined statutory rates	(999)	3,033	(498)	2,483
Permanent additions:				
Non-deductible expenses	(535)	(213)	(105)	(75)
Equity in net income of subsidiaries	-	-	2,434	(1,241)
Permanent exclusions:				
Reintegra	684	752	684	752
Effects of differentiated rate of deemed profit subsidiaries	482	91	-	-
Deferred formed on tax loss and negative basis of CSLL	763	(7,223)	101	(7,324)
Deferred not recorded on unrealized exchange-rate change	(1,463)	6,375	(1,426)	6,077
Deferred not formed on depreciation basis	(160)	(79)	(70)	(39)
Deferred not recorded on sales commissions	(639)	1,529	(646)	1,514
Deferred not recorded on provisions for contingencies	(1,417)	(1,929)	(1,317)	(1,196)
Deferred not recorded on provision for employee profit sharing	(162)	(547)	(59)	(370)
Deferred not formed on the effect of invoiced and unshipped items	79	(120)	49	(188)
Deferred not recorded on provision for tax expenses	(761)	(261)	(670)	(199)
Deferred not recorded on allowance for doubtful accounts	542	455	548	473
Deferred not recorded on provision for guarantees	-	(667)	-	(667)
Deferred not formed on provision for inventory losses	705	-	645	-
Deferred not recorded on other items	924	848	59	-
Income tax and social contribution in income (loss) for the year	(1,957)	2,044	(271)	-
Current	(2,084)	1,634	(271)	-
Deferred assets	127	410	-	-
	(1,957)	2,044	(271)	-
Effective rate	(66.60%)	(22.90%)	(18.50%)	0.00%

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Reconciliation of effective rate for income tax and social contribution (continued operations)

	03/31/2018	03/31/2017
Accounting loss before income tax and social contribution	1,332	955
Combined statutory rate:	34%	34%
Income tax and social contribution at the combined statutory rates	(453)	(325)
Permanent additions:		
Non-deductible expenses	(190)	(3)
Transfer pricing	112	428
Permanent exclusions:		
Reintegra	181	396
Offset of tax loss and negative basis in PRT (Tax Regularization Program) and PERT (Special Program for Tax Regularization)	129	(11)
Deferred formed on tax loss and negative basis of CSLL	(12)	28
Deferred not recorded on unrealized exchange-rate change	(34)	(12)
Deferred not formed on depreciation basis	6	(30)
Deferred not recorded on sales commissions	-	(14)
Deferred not recorded on provision for employee profit sharing	(136)	(289)
Deferred not formed on the effect of invoiced and unshipped items	(419)	(194)
Deferred not recorded on provision for tax expenses	(3)	(136)
Deferred not formed on provision for inventory losses	30	59
Income tax and social contribution in income (loss) for the year	(789)	(103)
Current	(789)	(103)
Deferred assets	-	-
	(789)	(103)

As shown above, the Company recorded its deferred tax assets only in the amount considered realizable by means of future taxable income. If the expectation of future taxable income was greater, the amount to be recorded related to deferred taxes would also be higher.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

The table below shows the breakdown of the total calculation bases and the respective deferred tax assets that could be recorded in the Consolidated:

	03/31/2018				12/31/2017			
	Base	25%	9%	Total	Base	25%	9%	Total
Provision for sales commissions	(5,924)	(1,481)	(533)	(2,014)	(4,045)	(1,011)	(364)	(1,375)
Provision of labor proceedings	(68,780)	(17,195)	(6,190)	(23,385)	(64,661)	(16,165)	(5,819)	(21,984)
Allowance for doubtful accounts	(29,593)	(7,398)	(2,663)	(10,061)	(31,187)	(7,797)	(2,807)	(10,604)
Provision for product warranty	(16,720)	(4,180)	(1,505)	(5,685)	(16,720)	(4,180)	(1,505)	(5,685)
Provision for legal risks	(37,919)	(9,480)	(3,413)	(12,893)	(37,870)	(9,468)	(3,408)	(12,876)
Provision for inventory loss	(47,814)	(11,954)	(4,303)	(16,257)	(49,888)	(12,472)	(4,490)	(16,962)
Tax loss and negative basis of social contribution on net income	(589,099)	(147,275)	(53,019)	(200,294)	(584,965)	(146,241)	(52,647)	(198,888)
Fair value of investment property AAP	30,186	7,547	2,717	10,263	34,255	8,564	3,083	11,647
Restated cost of property, plant and equipment	27,822	6,956	2,504	9,460	28,354	7,089	2,552	9,641
Allocation of Heritage goodwill	16,387	4,097	1,475	5,572	16,514	4,129	1,486	5,615
Average interest rate	4,409	1,102	397	1,499	4,409	1,102	397	1,499
Derivative financial instruments	6,921	1,730	623	2,353	6,921	1,730	623	2,353
Unshipped notes	(2,859)	(715)	(257)	(972)	(3,091)	(773)	(278)	(1,051)
Difference for depreciation base	(471)	(118)	(42)	(160)	-	-	-	-
Provision for tax expenses	(8,589)	(2,147)	(773)	(2,920)	(6,351)	(1,588)	(572)	(2,160)
Recognition base difference Exchange rate change	(23,005)	(5,751)	(2,070)	(7,821)	(18,702)	(4,676)	(1,683)	(6,359)
Provision for profit sharing	(2,631)	(658)	(237)	(895)	(2,155)	(539)	(194)	(733)
Provision for other items	5,076	1,269	457	1,726	(9,656)	(2,414)	(869)	(3,283)
	(742,603)	(185,651)	(66,832)	(252,484)	(738,839)	(184,710)	(66,495)	(251,205)

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

The table below shows the breakdown of the total calculation bases and the respective deferred tax assets that could be recorded in the Parent Company:

	03/31/2018				Parent company 12/31/2017			
	Base	25%	9%	Total	Base	25%	9%	Total
Provision for sales commissions	(4,743)	(1,186)	(427)	(1,613)	(2,842)	(711)	(256)	(967)
Provision of labor proceedings	(47,184)	(11,796)	(4,247)	(16,043)	(43,310)	(10,828)	(3,898)	(14,726)
Allowance for doubtful accounts	(12,817)	(3,204)	(1,154)	(4,358)	(14,430)	(3,608)	(1,299)	(4,907)
Provision for product warranty	(6,764)	(1,691)	(609)	(2,300)	(6,764)	(1,691)	(609)	(2,300)
Provision for legal risks	(32,726)	(8,182)	(2,945)	(11,127)	(28,852)	(7,213)	(2,597)	(9,810)
Provision for inventory loss	(45,872)	(11,468)	(4,129)	(15,597)	(47,769)	(11,942)	(4,299)	(16,241)
Tax loss and negative basis of social contribution on net income	(197,035)	(49,259)	(17,733)	(66,992)	(200,950)	(50,238)	(18,086)	(68,324)
Fair value of investment property AAP	6,929	1,732	624	2,356	6,929	1,732	624	2,356
Average interest rate	4,029	1,007	363	1,370	4,029	1,007	363	1,370
Derivative financial instruments	6,921	1,730	623	2,353	6,921	1,730	623	2,353
Unshipped notes	(2,394)	(598)	(215)	(813)	(2,538)	(635)	(228)	(863)
Difference for depreciation base	(1,841)	(460)	(166)	(626)	(1,635)	(409)	(147)	(556)
Provision for tax expenses	(6,146)	(1,537)	(553)	(2,090)	(4,176)	(1,044)	(376)	(1,420)
Recognition base difference Exchange rate change	(22,657)	(5,664)	(2,039)	(7,703)	(18,463)	(4,616)	(1,662)	(6,278)
Provision for profit sharing	(863)	(216)	(78)	(294)	(690)	(173)	(62)	(235)
	(363,163)	(90,792)	(32,685)	(123,477)	(354,540)	(88,639)	(31,909)	(120,548)

The portion of the amounts not constituted is represented by the assets, since there is no grounded expectation of generation of taxable profits.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

14. Assets held for sale

Non-current assets or groups (containing assets and liabilities) held for sale are classified as “held for sale” if it is highly probable that they will be primarily recovered through sales instead of the continuous use.

Assets or group of assets held for sale are generally stated at the lowest value between their book and the fair value less selling expenses.

Any impairment loss on assets over a group of assets held for sale is initially allocated to goodwill, and then to remaining assets and liabilities on a prorated basis. No loss should be allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property and biological assets, which continue to be measured under the other accounting policies of the Group. Impairment losses determined in the initial classification as held for sale or distribution, and gains and losses from subsequent remeasurements, are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any investment measured under the equity method is no longer subject to the application of the method.

a. Reconciliation of book value

<i>In thousands of reais</i>	Consolidated	Consolidated
	<u>03/31/2018</u>	<u>12/31/2017</u>
Buildings, land and improvements	51,390	51,390
Helmets' operations - Non-current assets held for sale	79,636	-
Total non-current assets held for sale	131,026	51,390
Helmets' operation - Liabilities held for sale	48,555	-
Total liabilities held for sale	48,555	-

Assets held for sale - Buildings, land and improvements

In 2016, Forjas Taurus S.A. transferred the operation from the Industrial Plant located in the city of Porto Alegre/RS to the Industrial Plant located in the city of São Leopoldo/RS. In view of the foregoing and considering the terms of CPC 28 - Investment Property, the Company, at the level of the quarterly information, reclassified the items formerly classified as Property, plant and equipment to Investment Property.

In 2017, through approval of the Board of Directors, the sale and the availability for intermediation by market specialists were approved. Accordingly, these properties were reclassified to “Assets held for sale”.

The fair value for the purpose of evaluating impairment loss was determined by independent external real estate appraisers, with appropriate and recognized professional qualification, and recent experience in the property location and category that is being appraised.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Location: Avenida do Forte, n° 511 - Porto Alegre (RS)
Industrial complex, not occupied, with 18,600.00 m² of built area in urban land of 29.900.00 m² of area.

Assets held for sale - Helmets' operation

On March 27, 2018, the Board of Directors unanimously authorized the offer of the HELMETS business – represented by Taurus Blindagens Ltda and Taurus Blindagens Nordeste Ltda. – to the market.

The preparation of a schedule and sales efforts were the responsibility of a specialized firm, according to the proposal already accepted by the Company.

(b) Assets and liabilities held for sale

On March 31, 2018, the group of assets and liabilities held for sale was presented as the chart below and comprised the following assets and liabilities:

property, plant and equipment / intangible asset	24,176
Inventories	20,485
Trade accounts receivable and other receivables	34,975
Assets held for sale	79,636
Suppliers and other accounts payable	48,555
Liabilities held for sale	48,555

The company did not identify any loss amounts to be recognized.

(c) Accumulated gains and losses included in OCI

There is no accumulated gain or losses included in other comprehensive income related to this group held for sale.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

15. Investments (parent company)

	Parent company									
	Taurus Blindagens Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Plásticos Ltda.	Taurus Holdings, Inc.	T. Investments Co. Inc.	Taurus Investimentos Imobiliários Ltda.	Polimet Metalurgia e Plásticos Ltda.	Taurus Máquinas- Ferramenta Ltda. (1)	03/31/2018	12/31/2017
Current assets	47,907	24,190	3,713	197,901	34,135	62,363	205,110	361		
Non-current assets	96,744	57,486	1,764	120,149	-	45,719	96,638	2,689		
Current liabilities	32,204	29,969	1,915	65,332	-	2,511	77,451	39,956		
Non-current liabilities	6,174	1,136	27	107,678	-	21,541	37,859	19,075		
Capital	73,855	9,400	6,355	1,013	36,562	53,292	304,780	293,639		
Shareholders' equity	106,273	50,571	3,535	145,040	34,139	84,030	186,438	(55,981)		
Net revenue	13,890	10,099	842	167,770	-	583	41,733	-		
Net income (loss) for the year	543	59	(158)	(1,061)	-	1,819	4,561	(871)		
Number of shares/quotas	14	9,400	636	302,505	11,000,000	43,623,159	304,779,837	185,007,117		
Direct ownership interest (%)	0.01%	0.10%	0.01%	100%	100%	81.86%	100%	63.00%		
Opening balances	1	50	1	131,345	33,975	70,910	181,151	-	417,433	521,562
Equity in income of subsidiaries and associated companies	-	-	-	4,197	-	1,489	2,021	(549)	7,158	(104,490)
Exchange rate change over investments	-	-	-	704	163	-	-	-	867	2,349
Reclassified for provision for unsecured liability (1)	-	-	-	-	-	-	-	549	549	(1,988)
Closing balances (2)	1	50	1	136,246	34,138	72,399	183,172	-	426,007	417,433

(1) The unsecured liability of the subsidiary Taurus Máquinas-Ferramenta Ltda., in the amount of R\$ 35,271, is recorded in "Provision for unsecured liability" in non-current liabilities.

(2) In order to determine the investment amounts, the value of shareholders' equity and of income (loss) of each investee is adjusted for unrealized profits in intercompany transactions.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Foreign operation

Taurus Holdings, Inc., a subsidiary located in the United States, is the parent company of Taurus International Manufacturing Inc., of Braztech International L.L.C., and of other subsidiaries also located in the US territory, mainly carrying out the resale of firearms imported from Forjas Taurus S.A., aimed at wholesalers in that market. The main accounting balances of the subsidiary are shown below:

	Taurus Holdings, Inc.	
	Consolidated	
	03/31/2018	12/31/2017
Assets	318,050	339,379
Liabilities	173,010	170,357
Net revenue	167,770	541,270
Income (loss) for the period/year	(1,061)	(46,262)

16. Property, plant and equipment

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

The Company chose to revalue the fixed asset items for their deemed cost on the year opening date of the year 2009. The effects of the deemed cost, net of tax effects, increased fixed assets with a contra entry in shareholders' equity.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the Company includes materials and labor, as well as any other costs attributable to bringing the assets to the location and condition requires for them to operate in the manner intended by management, costs for dismantling and restoration of the site where they are located, and loan costs on qualifiable assets for which their start capitalization date is January 1, 2009 or later.

Gains and losses on disposal of a property, plant and equipment item are determined by comparing the proceeds from disposal with the book value of Property, plant and equipment and are recognized net within "Other income" in the income (loss).

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

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Group	Useful life (days)
Buildings	27
Machinery and equipment	15–20
Dies and tools	5
Furniture	15
Other components	5–6

The depreciation methods, useful lives and residual values are reviewed at each year end and potential adjustments are recognized as a change in accounting estimates.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Cost or deemed cost	Consolidated								Total
	Land	Buildings	Machinery and facilities	Furniture and computers	Vehicles	Other	Property, plant and equipment in progress	Advances to suppliers	
Balance at December 31, 2016	18,217	127,557	241,953	23,243	1,020	40	18,222	297	430,549
Additions	-	1,662	13,054	924	-	-	4,730	112	20,482
Disposals	(2,386)	(1)	(4,955)	(555)	(113)	(40)	(153)	-	(8,203)
Transfers	(370)	11,409	6,931	916	18	-	(18,904)	-	-
Effect of exchange rate changes	137	658	724	125	3	-	-	-	1,647
Balance at December 31, 2017	15,598	141,285	257,707	24,653	928	-	3,895	409	444,475
Additions	-	-	719	88	-	-	1,002	-	1,809
Disposals	(1,336)	(3,734)	(7,843)	(31)	(92)	-	(52)	(124)	(13,212)
Transfers	-	2,122	1,278	204	-	-	(3,604)	-	-
Effect of exchange rate changes	31	213	261	40	1	-	-	-	546
Effect of Discontinued Operations:									
Net changes in the year	-	-	(1,355)	5	(37)	-	941	-	(446)
Transfer to held for sale	(76)	(12,311)	(29,415)	(2,273)	(549)	-	(1,498)	(150)	(46,272)
Balance at March 31, 2018	14,217	127,575	221,352	22,686	251	-	684	135	386,900
Depreciation									
Balance at December 31, 2016	(194)	(26,912)	(149,549)	(14,399)	(845)	-	-	-	(191,899)
Depreciation for the year	-	(7,469)	(24,992)	(2,158)	(57)	-	-	-	(34,676)
Disposals	194	-	4,663	555	106	-	-	-	5,518
Transfers	-	-	-	-	-	-	-	-	-
Effect of exchange rate changes	-	(179)	(446)	(104)	(3)	-	-	-	(732)
Balance at December 31, 2017	-	(34,560)	(170,324)	(16,106)	(799)	-	-	-	(221,789)
Depreciation for the year	-	(1,637)	(5,298)	(392)	(2)	-	-	-	(7,329)
Disposals	-	824	6,561	30	55	-	-	-	7,470
Transfers	-	-	-	-	-	-	-	-	-
Effect of exchange rate changes	-	(63)	(154)	(35)	(1)	-	-	-	(253)
Effect of Discontinued Operations:									
Net changes in the year	-	(137)	(112)	(29)	9	-	-	-	(269)
Transfer to held for sale	-	3,311	19,253	1,678	487	-	-	-	24,729
Balance at March 31, 2018	-	(32,262)	(150,074)	(14,854)	(251)	-	-	-	(197,441)
Book value									
December 2017	15,598	106,725	87,383	8,547	129	-	3,895	409	222,686
March 2018	14,217	95,313	71,278	7,832	-	-	684	135	189,459

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Cost or deemed cost	Parent company								
	Land	Buildings	Machinery and facilities	Furniture and computers	Vehicles	Other	Property, plant and equipment in progress	Advances to suppliers	Total
Balance at December 31, 2016	-	10,110	60,514	5,978	134	-	8,728	-	85,464
Additions	-	606	1,520	551	-	-	2,753	2	5,432
Disposals	-	-	(643)	-	(9)	-	(83)	-	(735)
Transfers	-	6,363	1,419	549	-	-	(8,331)	-	-
Effect of exchange rate changes	-	-	-	-	-	-	-	-	-
Balance at December 31, 2017	-	17,079	62,810	7,078	125	-	3,067	2	90,161
Additions	-	-	-	-	-	-	453	-	453
Disposals	-	-	-	-	(92)	-	(35)	(2)	(129)
Transfers	-	1,066	892	188	-	-	(2,146)	-	-
Effect of exchange rate changes	-	-	-	-	-	-	-	-	-
Balance at March 31, 2018	-	18,145	63,702	7,266	33	-	1,339	-	90,485
Depreciation									
Balance at December 31, 2016	-	(1,796)	(41,421)	(3,779)	(70)	-	-	-	(47,066)
Depreciation for the year	-	(1,517)	(5,266)	(642)	(18)	-	-	-	(7,443)
Disposals	-	-	518	-	2	-	-	-	520
Transfers	-	-	-	-	-	-	-	-	-
Effect of exchange rate changes	-	-	-	-	-	-	-	-	-
Balance at December 31, 2017	-	(3,313)	(46,169)	(4,421)	(86)	-	-	-	(53,989)
Depreciation for the year	-	(366)	(1,162)	(168)	(2)	-	-	-	(1,698)
Disposals	-	-	-	-	55	-	-	-	55
Transfers	-	-	-	-	-	-	-	-	-
Effect of exchange rate changes	-	-	-	-	-	-	-	-	-
Balance at March 31, 2018	-	(3,679)	(47,331)	(4,589)	(33)	-	-	-	(55,632)
Book value									
December 2017	-	13,766	16,641	2,657	39	-	3,067	2	36,172
March 2018	-	14,466	16,371	2,677	-	-	1,339	-	34,853

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Property, plant and equipment in progress

The balance of constructions is related to machinery and equipment still in the implementation phase and constructions in progress. These assets should come into operation during 2018.

Guarantee

The Company uses its assets as guarantees for the funds obtained from financial institutions. Although much of the fixed assets is guaranteeing loans and financing, the Company has been historically settling its obligations in the contractual terms, and the guarantees with assets have never been used. In 2018, the Company used the amount of R\$ 65,356 in guarantees (R\$ 70,763 as of December 31, 2017).

17. Intangible assets

Goodwill

The goodwill resulting from the acquisition of investments, after appropriate allocations, is included in intangible assets. They are presented in the parent company statement under the investment group.

Goodwill generated in business combinations are recorded in intangible assets and were determined in accordance with accounting practices in force at the time of each business combination, adjusted for the reclassification of certain intangibles. Goodwill is measured at cost, less impairment losses.

Other intangible assets

Separately acquired intangible assets are measured at cost upon initial recognition, while the cost of intangible assets acquired in a business combination is the fair value at the acquisition date. The balances are presented net of accumulated amortization and impairment losses.

Development expenditures involving a plan or project aiming at the production of new products or substantially enhanced are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and use or sell the asset.

The amortization of intangible assets, other than goodwill, is based on their estimated useful lives and is recognized in profit or loss under the straight-line method. The estimated useful lives for the current and comparative periods are approximately 5 years for system development and deployment costs.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

We also clarify that the recovery of the book value of goodwill and intangible assets with indefinite useful life is assessed annually using the concept of "value in use" through discounted cash flow models of cash generating units.

	Consolidated					
	Software	Trademarks and patents	Client Relationship	Goodwill	Product development	Total
Cost						
Balance at December 31, 2016	4,924	21,591	14,339	42,680	6,425	89,959
Acquisitions	117	-	-	-	578	695
Transfers	1,305	-	-	-	(1,305)	-
Effects of exchange-rate change	-	155	207	151	59	572
Balance at December 31, 2017	6,346	21,746	14,546	42,831	5,757	91,226
Acquisitions	-	-	-	-	74	74
Effects of exchange-rate change	-	50	67	49	(358)	(192)
Effect of Discontinued Operations:						
Net changes in the year	-	18	-	-	-	18
Transfer to held for sale	(1,305)	(1,284)	-	-	-	(2,589)
Balance at March 31, 2018	5,041	20,530	14,613	42,880	5,473	88,537
Amortization						
Balance at December 31, 2016	(1,666)	(7,297)	(6,680)	-	(102)	(15,745)
Amortization for the year	(822)	(91)	(1,460)	-	(2)	(2,375)
Transfers	(102)	-	-	-	102	-
Effects of exchange-rate change	-	-	(97)	-	-	(97)
Balance at December 31, 2017	(2,590)	(7,388)	(8,237)	-	(2)	(18,217)
Amortization for the year	(202)	-	(367)	-	(58)	(627)
Effects of exchange-rate change	-	-	(39)	-	(248)	(287)
Effect of Discontinued Operations:						
Transfer to held for sale	112	-	-	-	-	112
Balance at March 31, 2018	(2,680)	(7,388)	(8,643)	-	(308)	(19,019)
Book value						
December 2017	3,756	14,358	6,309	42,831	5,755	73,009
March 2018	2,361	13,142	5,970	42,880	5,165	69,518

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Impairment test for cash generating units containing goodwill

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

Cash-generating unit	2017
Firearms	42,831

The recoverability test for CGUs mentioned above is performed annually based on the fair value net of sales expenses, which is estimated based on discounted cash flows. On December 31, 2017, the tests performed did not indicate the need of forming a provision for impairment losses on goodwill and intangible assets with indefinite useful lives.

Main assumptions used for forecasting the discounted cash flows

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

Cash-generating unit	Discount Rate WACC	Average growth rate
	2017	2017
Firearms	16.1%	5.5%

Discount rate

The discount rate for CGU is represented by a post-tax rate based on US Treasury Bonds for 20 years, adjusted for a risk premium that reflects the risks of investments in equity securities and the systematic risk of the unit in question. The company estimated, based on management's experience with assets of this CGU, the weighted average of the capital cost of the industry in which such CGU operates, which was calculated based on a possible debt/shareholders' equity ratio of 15.6% for Firearms CGU at the market interest rate of 14%.

Growth rate and perpetuity

The forecasts are in line with the Business Plan prepared by the Company's management. It is expected that the projected sales growth is in line with the curve observed in previous years, and in line with the economic growth of the country. After the projection period, we considered the growth and constant percentage of economic growth (growth in perpetuity).

In order to calculate the perpetuity, a nominal growth rate of 4.5% was used, in line with the long-term inflation expectation projected by the Brazilian Central Bank (BACEN) and macroeconomic indicators published in Focus report of BACEN, and in the Country Forecast report of Economist Intelligence Unit (EIU).

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

18. Loans and financing

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	Consolidated			
				03/31/2018		12/31/2017	
				Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R\$	CDI + 6.15%	2018	2,500	-	2,500	993
FINAME	R\$	2.50–8.70% p.a.	2021	5,879	675	7,681	1,014
FINEP	R\$	4%–5.25% p.a.	2020	-	-	14,095	5,564
BNDES	R\$	3.50% p.a.	2020	9,995	5,197	9,995	5,672
FNE	R\$	9.50% p.a.	2019	-	-	9,806	2,821
Advance from receivables	R\$	23.9% p.a.	2018	6,136	1,535	6,136	15,422
Foreign exchange advance	USD	9.80% p.a.	2018	28,065	25,525	28,065	24,193
Working capital	USD	Libor + 1.55% to 5.6% p.a.	2021	499,162	522,376	499,162	528,709
Working capital	USD	80–100% CDI p.a.	2019	65,072	54,069	65,072	53,526
Investments	USD	5.33% p.a.	2021	6,035	14,874	6,035	15,028
Investments	USD	Libor + 2.25% p.a.	2022	1,731	3,543	1,731	3,585
				Total	627,794		656,527
				Current liabilities	497,160		498,557
				Non-current liabilities	130,634		157,970
	Currency	Nominal interest rate	Year of maturity	Parent company			
				03/31/2018		12/31/2017	
				Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R\$	CDI + 6.15%	2018	2,500	-	2,500	993
FINAME	R\$	2.50–5.50%	2021	2,304	669	2,304	746
BNDES	R\$	3.50%	2020	9,995	5,197	9,995	5,672
Advance from receivables	R\$	24.60%	2018	6,136	1,535	6,136	1,535
Foreign exchange advances	USD	9.80%	2018	28,065	25,525	28,065	24,193
Working capital	USD	Libor + 3.41–5.60%	2021	424,162	450,514	424,162	439,582
Working capital	USD	85–100% CDI	2019	65,072	54,069	65,072	53,526
				Total	537,509		526,247
				Current liabilities	495,991		479,144
				Non-current liabilities	41,518		47,103

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Schedule of maturities of non-current liabilities:

Year of maturity	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
2018	-	50,673	-	45,227
2019	40,854	92,259	39,641	1,861
2020	74,994	1,320	1,862	15
2021	1,340	13,718	15	-
>2022	13,446	-	-	-
	130,634	157,970	41,518	47,103

Loans and financing are guaranteed by promissory notes, interest earning bank deposits, lien of machinery and equipment, and real estate mortgages, quotas and collateral of subsidiaries. The sureties granted by the parent company and its subsidiaries are shown in Note 25 - Related parties.

Certain loans and financing agreements entered into by the Company and its subsidiaries contain restrictive covenants that limit certain corporate amendments, including: changes in the Company's direct or indirect control, reduction of the capital of the Company and/or its parent company, distribution of dividends, payment of interest on own capital, or any other payments to shareholders by the Company and/or its parent company in the event of default of any of the obligations and reduction of the Company's equity capital. If the restrictions are not met, creditors may anticipate maturity.

In December 2016, it was realized the rescheduling of part of the debt with Banco do Brasil S.A., Banco Bradesco S.A., Banco Itaú S.A., Banco Santander S.A. and Banco Haitong S.A. through PPe and Debentures, which are collateralized by: guarantee, lien, mortgages, fiduciary assignment and external pledge that will be shared with the creditors of the operation of international guarantee and creditor of debentures.

The interest payment schedule began on January 4, 2017, payable on semi-annual basis to June 21, 2018, and as of this date the principal and quarterly charges will be paid to June 14, 2021.

Covenants

The instrument, which was included in re-profile of debt process signed in December/2016, provides for the early maturity in cases of non-compliance of covenants that define, among other obligations: the maintenance of certain financial ratios, such as: net debt/EBITDA equal to or less than 3.5 in 2017 and 3x as from 2018 and EBITDA/net financial expenses equal to or greater than 1.10x in 2017 and 1.20x as from 2018 where: net debt is equal to the total debt (including sureties and guarantees) minus cash and cash equivalents, EBITDA is equal to earnings before taxes, interest, taxes, depreciation and amortization in the last 12 months and net financial expenses correspond to total financial income less financial expenses in the last 12 months, adjusted for non-recurring items and guaranteed as: surety, lien, mortgage, lien and external pledge that will be shared with international guarantee and debenture operation creditors. These indices are monitored by Management, and the PPE and Debentures contracts determine that the indices must be measured on an annual basis. These indexes were not met in the fiscal year ended December 31, 2017, reason why the loans and financing under these agreements were automatically reclassified to short term.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

19. Debentures

The debentures issued by the Company in a single series, not convertible into shares, distributed in the secondary market through the National Debenture System, with restricted placement efforts aimed at 3rd issue aimed at banking institutions.

Debentures	Principal (R\$)	Issuing Date	Securities in the market	Financial charges	03/31/2018	12/31/2017
3rd issuance (a)	100,000	06/13/2014	10,000	DI rate + 10.30%	77,890	75,771
				Grand total	77,890	75,771
				Current liabilities	77,890	75,771
				Total	77,890	75,771
				Incurred cost transactions	3,584	3,584
				Appropriate cost transactions	3,584	3,544
				Unearned transaction costs	-	40

Covenants

The instrument, which was included in re-profile of debt process signed in December/2016, provides for the early maturity in cases of non-compliance of covenants that define, among other obligations: the maintenance of certain financial ratios, such as: (net debt/EBITDA) equal to or less than 3.5 in 2017 and 3x as from 2018 and EBITDA/net financial expenses equal to or greater than 1.10x in 2017 and 1.20x as from 2018 where: net debt is equal to the total debt (including sureties and guarantees) minus cash and cash equivalents, EBITDA is equal to earnings before taxes, interest, taxes, depreciation and amortization in the last 12 months and net financial expenses correspond to total financial income less financial expenses in the last 12 months, adjusted for non-recurring items and guaranteed as: surety, lien, mortgage, fiduciary assignment and external pledge that will be shared with international guarantee and debenture operation creditors.

Such indices are monitored by Management, as the contracts determine that the indices be measured annually. These indexes were not met in the fiscal year ended December 31, 2017, reason why the debentures under these agreements were automatically reclassified to short term.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

20. Other accounts payable

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Performance bonus	5,158	4,463	-	-
Sales commissions	4,514	3,540	4,452	2,491
Accrued interest	306	1,036	-	-
Royalties	3,717	3,730	3,717	3,730
Insurance and freight	1,582	2,186	1,055	1,262
Banking Union Fees	989	5,602	989	5,602
Accounts payable CBC Participações	67,652	67,740	67,652	67,740
Provision for unsecured liability	-	-	35,271	34,722
Other	10,122	6,521	4,147	2,398
	94,040	94,818	117,283	117,945
Current	91,187	91,952	79,159	80,357
Non-current	2,853	2,866	38,124	37,588

21. Salaries and social security charges

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Salaries	2,192	1,413	953	883
Social security charges	11,156	20,458	5,060	8,443
Provisions for vacation and 13th salary	15,949	20,055	6,881	8,092
	29,297	41,926	12,894	17,418

22. Taxes, duties and contributions

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
ICMS	1,639	5,376	1,637	2,402
IPI	7,976	3,909	7,974	3,849
PIS	91	69	10	10
COFINS	420	325	47	47
SPECIAL TAX - FAET (USA)	15,663	14,567	-	-
IRRF	402	1,113	258	262
INCOME TAX AND SOCIAL CONTRIBUTION	4,021	3,740	271	276
INSTALLMENT PAYMENT OF PRT	7,733	7,192	6,529	6,645
OTHER PAYMENTS IN INSTALLMENTS	1,555	1,446	1,459	1,485
OTHER	7,572	7,042	5,848	5,954

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

	47,072	44,779	24,033	20,930
Current	45,612	40,031	22,731	17,944
Non-current	1,460	4,748	1,302	2,986

The Company formalized its adhesion to the Tax Regularization Program (PRT), published by Provisional Measure 766/2017 and regulated by IN 1687/2017, on May 26, 2017. This program allowed the consolidation of federal tax debts and offsetting of 76% of the amount using credits of tax losses and negative basis of social contribution. The balance of 24% was paid in 24 months. The consolidation of these debts is shown in the tables below:

	Consolidated							
	IPI	IRPJ/CSLL	PIS/COFINS	IOF	IRRF/PCC	AFRMM/II	INSS	Total
Value Principal	30,103	2,149	7,492	342	1,095	497	307	41,984
Fine	6,021	531	2,512	68	219	99	230	9,680
Interest	3,909	1,214	2,329	42	123	81	125	7,823
	40,033	3,893	12,333	452	1,436	677	662	59,487
Offset of tax loss and negative basis of social contribution on net income	30,542	2,959	9,256	344	1,092	515	503	45,210
Balance - Payment in 13 installments	9,491	934	3,077	108	344	162	159	14,277
Payments	(4,404)	(428)	(1,357)	(50)	(158)	(74)	(73)	(6,544)
Balance payable	5,087	506	1,720	58	186	88	86	7,733

	Parent company							
	IPI	IRPJ/CSLL	PIS/COFINS	IOF	IRRF/PCC	AFRMM/II	INSS	Total
Value Principal	30,103	-	5,594	342	711	497	307	37,553
Fine	6,021	-	1,088	68	142	99	230	7,649
Interest	3,909	-	778	42	83	81	125	5,018
	40,033	-	7,460	452	936	677	662	50,220
Offset of tax loss and negative basis of social contribution on net income	30,542	-	5,553	344	711	515	503	38,167
Balance - Payment in 13 installments	9,491	-	1,907	108	225	162	159	12,053
Payments	(4,403)	-	(821)	(50)	(103)	(74)	(73)	(5,524)
Balance payable	5,088	-	1,086	58	122	88	86	6,529

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

23. Provisions for civil, labor and tax risks

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

Based on information from its legal advisors and analysis of pending legal proceedings, the Company recorded provision in an amount considered sufficient to cover estimated losses as follow:

	Consolidated			
			03/31/2018	12/31/2017
	Provision	Judicial deposit (1)	Net	Net
Labor	57,962	(15,382)	42,580	49,230
Civil	17,153	-	17,153	9,863
Tax	27,689	(740)	26,949	26,949
	102,804	(16,122)	86,682	86,042
Classified in current liabilities	55,778			
Classified in the non-current liabilities	47,026			

	Parent company			
			03/31/2018	12/31/2017
	Provision	Judicial deposit (1)	Net	Net
Labor	37,053	(8,938)	28,115	34,631
Civil	10,974	-	10,974	27,689
Tax	27,689	(740)	26,949	424
	75,716	(9,678)	66,038	62,744
Classified in current liabilities	32,957			
Classified in the non-current liabilities	42,759			

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

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Changes in provisions are as follows:

	Consolidated		
	Civil and labor	Tax	Total
Balance at December 31, 2017	74,524	28,007	102,531
Provisions formed during the year	17,109	-	17,109
Provisions used during the year	(856)	-	(856)
Write-off of provision	(12,105)	-	(12,105)
Effect of changes	25	-	25
Effect of discontinued operations and assets and liabilities held for sale			
Transfer of Assets held for sale	(3,582)	(318)	(3,900)
Balance at December 31, 2018	75,115	27,689	102,804

	Parent company		
	Civil and labor	Tax	Total
Balance at December 31, 2017	44,473	27,689	72,162
Provisions formed during the year	13,714	-	13,714
Provisions used during the year	(320)	-	(320)
Write-off of provision	(9,840)	-	(9,840)
Balance at December 31, 2018	48,027	27,689	75,716

The Company and its subsidiaries have other processes that have been assessed by the Company's legal advisors as being a possible or remote risk of loss which cannot be determined with certainty, for which no provision has been recorded in view of the fact that the accounting practices adopted in Brazil do not require their calculation as shown below:

	Consolidated				Parent company			
	03/31/2018		12/31/2017		03/31/2018		12/31/2017	
	Possible	Remote	Possible	Remote	Possible	Remote	Possible	Remote
Tax	11,645	-	12,951	-	4,408	-	4,408	
Civil	55,185	-	57,676	493	54,188	-	54,188	
Labor	60,008	7,920	59,469	8,176	41,477	5,833	40,613	5,341
Other	10,104	-	10,104	-	10,104	-	10,104	
	136,942	7,920	140,200	8,669	110,177	5,833	109,313	5,341

Hunter Douglas

The subsidiary Taurus Máquinas-Ferramenta Ltda. was party to a lawsuit filed by the company Hunter Douglas N.V. (a company organized under the laws of Curacao, headquartered in Rotterdam, the Netherlands) against the company Wotan Máquinas Ltda. on the collection originated from export financing loan agreement signed between the two in 2001. Defendant due to the supervening location of the industrial park held with Wotan Máquinas Ltda. in 2004 by that subsidiary.

By means of a signing of a Definitive Purchase and Sale and Credit Assignment Agreement, entered into on June 26, 2015, in which T. Investments Co. Inc., a company belonging to Taurus Group, a corporation headquartered in the city of Panama, acquired the credit of Hunter Douglas N.V. against Wotan Máquinas Ltda. and other rights in the equivalent amount of US\$ 10,250,000.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

The fulfillment of this commitment resulted in the acquisition of the following by the Company: i) credit of Hunter Douglas N.V. before Wotan Máquinas Ltda.; ii) all rights linked or ancillary to the credit, especially mortgages, and iii) all rights arising from the proceeding, directly linked to credit or not.

On April 29, 2016, the parties signed in the aforementioned agreement to close the dispute, which was homologated on June 30, 2016. In the homologated agreement, Wotan Máquinas Ltda. agreed to transfer the real estate properties recorded under enrollment numbers 63.714 and 11.400 of the registry of real estate properties of the city of Gravataí (RS), to T INVESTMENTS, as settlement of the liability.

Real estate properties were evaluated at R\$ 14,000 (real estate 11,400) and R\$ 15,800 (real estate 63,714) totaling R\$ 29,800.

The transfer was not made in the term established in the agreement, since WOTAN MÁQUINAS LTDA. failed to meet the precedent conditions to make the transfer, remaining T INVESTMENTS as assignee of the mortgage according to registrations contained in the enrollment numbers informed. T INVESTMENTS CO. INC should promote the execution of the agreement homologated so as to obtain in court the transfer of real estate.

Carter Case

The main proceeding which Taurus is party, is related to the signing of a agreement to end the lawsuit filed in US Court for the Southern District of Florida against Taurus and its subsidiaries in the United States, Taurus Holdings, Inc. and Taurus International Manufacturing, Inc. (together, the "Companies"). Said agreement resulted from individual lawsuit, Chris Carter vs. Forjas Taurus, S.A. et. al., on alleged defects presented in certain models of the Companies' pistols, classified as a possible risk of loss by its legal advisors. However, the possible consequences of this lawsuit led to the decision, in April 2015, to enter into said agreement, which aimed to minimize potential future risks to the Company, related to a possible change in the level of the lawsuit and considering the specific features of the North-American legal environment, even with a historically low number of defects reported by the Company's customers.

On July 18, 2016, the Judge of the U.S. District Court for the Southern District of Florida granted final approval. This decision also recognized the value of USD 9,000 thousand as lawyers' fees payable in 03 (three) annual installments.

However, the parties negotiated and on August 26, 2016 they filed a joint request to change the terms of the agreement, solely with respect to the payment of legal fees. In the proposal submitted to the Judge, the value was reduced from USD 9,000 thousand to USD 8,300 thousand, in single payment.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

On October 18, 2016, the Judge of the U.S. District Court for the Southern District of Florida homologated the request of amendment mentioned and such amount was deposited in court by Taurus by means of a secured account and judgment of appeals is being awaited.

On June 29, 2017, the Eleventh Circuit Court of Appeals confirmed the approval of the master agreement. After the term for appeal has elapsed, the decision became definitive and the value related to legal fees was released. The agreement is at execution phase.

Other payments related to the agreement, in the total value of USD 12,438 thousand, were made in 2015.

Sanctioning Administrative Processes - PMESP

The Company was summoned to present defense in two (02) administrative processes filed by the Military Police of the State of São Paulo (Sanctioning Process CSMAM-002/30/16 and Sanctioning Process 003/30/2016 in addendum to Process CSMAM 01/30/14) which challenges the possibility or not of partial or total non-compliance with the agreements for acquisition and supply of 98,465 (ninety-eight thousand, four hundred and sixty-five) firearms, type pistol, models 24/7 and 640, between years 2007 and 2011, in the first process and also agreements for acquisition and supply of 5,931 (five thousand, nine hundred and thirty-one) firearms, type submachine gun, model SMT 40 in year 2011 in the second process and its addendum, in the total amount of R\$ 22,681.

In relation to Sanctioning Process CSMAM-002/30/16, the Company considers possible some monetary loss, but since it is an administrative process and is at initial phase, we are presently unable to estimate the values, and the sanctions to which the Company is subject are provided for in article 87, Federal Law 8666/93, combined with article 81, State Law (SP) 6544/89.

Sanctioning Process No. CSMAM 01/30/14 was closed with the decision that suspended the Company's right to contract with the public management of the State of São Paulo for a period of 02 (twos) years from October 2016, not subject to any monetary fine.

Also, on December 19, 2017, the Company received service of judicial process where the State of São Paulo requires the rescission of agreements of supply of submachine guns entered into in 2011 with the Military Police of the State of São Paulo and the return of the value paid at the time, of R\$ 21.7 million, plus inflation adjustment and other legal consequences.

In a preliminary analysis performed by the Company's legal advisers, this lawsuit was classified as possible loss.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

On December 31, 2017, the Company provisioned part of the value of the share, corresponding to its best estimate of the probable outlay of resources to resolve this demand.

Djibouti

There is a prosecution in secrecy of Justice at the 11st Federal Court of Porto Alegre, against two former employees of the Company and one citizen from Yemen, due to alleged irregular sale of firearms in year 2013 to the Government of Djibouti, whose final destination would be Yemen. Although the Company and its officers are not parties to the process, as soon as the Company became aware of the prosecution, potentially harmful to its reputation, required and had deferred its qualification in the process, as interest party, with the purpose of clarifying to the Judge the facts known by it and providing the necessary support to the investigations. There are no estimated effects or provisions concerning the subject that are or should be duly reflected in the quarterly information of the Company on this date.

Public Civil Action - Attorney General of Sergipe for the Federal Public Ministry

The Company became aware of the filing by the Attorney General of Sergipe for the Federal Public Ministry of a Public Civil Action against Taurus and also against the Federal Government (Brazilian Army), before the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe. The requests are related to alleged defects in a few models of firearms produced by Taurus.

In the Public Civil Action, the Federal Public Ministry pleads that i) Taurus be prevented from trading a few models of firearms in Brazil; ii) Taurus make a national recall for replacement and/or indemnity according to the market value of these models of firearms and iii) the Federal Government be prohibited from applying the restriction of import of models that have local similar products, under penalty of daily fine of R\$ 10,000.00.

Finally, the Federal Public Ministry pleads i) the conviction of the Federal Government to the obligation to modify R-105 or to issue a new substitutive regulation that does not create regime of monopoly of sales of firearms in Brazil, which adversely affects the free competition; ii) the conviction of Taurus to the obligation to make a national recall within 20 days, for the repair, replacement and/or indemnity according to the market value of these models of firearm; (iii) the conviction of the Federal Government and Taurus to the payment of collective moral damages in amount to be defined by the judge, not below R\$ 40 million.

In preliminary injunction, the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe determined the obligation by Taurus to submit a detailed plan of recall of the supposedly defective models of firearms within 90 days. The preliminary injunctions for suspension of the trading of the models allegedly defective and prohibition of restriction of import of firearms by the Federal Government were rejected by the Judge.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

In the judgment of the bill of review filed by Taurus, The Federal Court of the 5th Region suspended the effectiveness of the decision granted by the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe, with respect to the part that establishes the submission, by Taurus, of a plan of recall within 90 (ninety) days.

In the opinion of Taurus' legal advisors, the present lawsuit is classified as risk of possible loss.

Punitive action - State of Goiás

The State of Goiás filed a lawsuit against Taurus due to alleged breach of contract derived from the sale by Taurus of 2,500 firearms manufactured by it, model pistol PT 24/7 PRO D, in the total amount of R\$ 4.873, firearms allegedly defective and that these defects would have not been solved by Taurus.

After the objection submitted by Taurus, the Judge of the lower court partially accepted the request for preliminary injunction by the State of Goiás and determined the full replacement of the firearms supplied and allegedly defective. Against this decision, Taurus filed bill of review, seeking the concession of suspension effect, which was rejected in monocratic decision of the Reporting Judge. The decision is not final and the appeal filed by Taurus is pending judgment.

24. Financial instruments

Company Management determines the classification of its non-derivative financial assets and liabilities at the time of their initial recognition, pursuant to the criteria set forth in CPC 48 / IFRS 9 when the characteristics of the Company's cash flows and business model in the management of financial assets. Financial liabilities are measured according to their nature and purpose.

a) Derivatives

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

We summarize below our positions with derivative financial instruments:

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Derivative financial instruments - assets	-	-	-	-
Derivative financial instruments - liabilities	(101)	(242)	-	-
	(101)	(242)	-	-

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

All the transactions involving derivative financial instruments are recognized in the Company's quarterly information, as shown in the table below:

Instrument	Contracting currency referring to the notional amount	Consolidated		Consolidated	
		03/31/2018		12/31/2017	
		Notional in thousands	Fair value	Notional in thousands	Fair value
Swap Fixed x Libor (i)	US Dollars - USD	5,711	(101)	5,711	(242)
		5,711	(101)	5,711	(242)

(i) Conventional currency swaps of Libor 6m x CDI in order to determine a debt payment flow linked to a post-fixed rate to a post-fixed rate in the domestic market.

The fair value does not represent the obligation of an immediate disbursement or cash receipt, as this effect will only occur on the contractual verification dates or on the maturity dates of each transaction.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

b) Fair value vs. book value

The fair values of the financial assets and liabilities, together with the book values presented in the balance sheet, are as follows:

	03/31/2018			Consolidated 12/31/2017		
	Amortized cost	Fair value	Other financial liabilities	Amortized cost	Fair value	Other financial liabilities
Assets measured at amortized cost						
Cash and cash equivalents (ii)	24,839	-	-	6,679	-	-
Interest earning bank deposits (ii)	2,873	2,873	-	2,785	2,785	-
Accounts receivable (iii)	114,135	-	-	122,611	-	-
	141,847	2,873	-	132,075	2,785	-
Liabilities measured at fair value						
Forward exchange contracts and interest rate swap used to hedge transactions (i)	101	101	-	242	242	-
Liabilities measured by the amortized cost						
Loans and financing (iv)	600,734	709,164	-	616,912	656,443	-
Debentures (iv)	77,890	77,890	-	75,771	75,771	-
Foreign exchange advances (iv)	25,525	25,525	-	24,193	24,193	-
Suppliers and advance from receivables (ii)	-	-	85,915	-	-	115,376
	704,149	812,579	85,915	716,876	756,407	115,376
Parent company						
	03/31/2018			12/31/2017		
	Amortized cost	Fair value	Other financial liabilities	Amortized cost	Fair value	Other financial liabilities
Assets measured at amortized cost						
Cash and cash equivalents	-	10,027	-	-	2,543	-
Interest earnings bank deposits	-	2,605	-	-	2,530	-
Accounts receivable	78,517	-	-	69,008	-	-
	91,149	2,605	-	74,081	2,530	-
Liabilities measured by the amortized cost						
Loans and financing	510,449	-	-	500,519	-	-
Debentures	77,890	-	-	75,771	-	-
Foreign exchange advances)	25,525	-	-	24,193	-	-
Suppliers and advance from receivables	-	-	133,434	-	-	136,367
	613,864	655,558	133,434	600,483	604,850	136,367

Due to the short-term cycle, it is assumed that the fair value of cash and cash equivalents, receivables, suppliers, other accounts payable and advances from receivables are close to its book values.

The fair value that is determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on the date of presentation of the quarterly information.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

According to the hierarchical classification criteria for determining fair value: Level 1: prices quoted (not adjusted) in active markets, net and visible to identical assets and liabilities and identical which are accessible at the measurement date; Level 2: prices quoted (that can be adjusted or not) for similar assets or liabilities in active markets; and Level 3: assets and liabilities that are not based on observable market data (unobservable inputs); the Company classified the fair values of financial instruments as Level 2.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

25. Related parties

				Balances of subsidiaries outstanding with the parent company			Effect on the result of transactions of subsidiaries with parent company	
	Current assets (ii)	Non-current assets (credits with related parties) (iii)	Total assets	Current liabilities (i)	Non-current liabilities	Total liabilities	Income	Expense
December 31, 2017								
Taurus Blindagens Ltda.	731	-	731	997	19,074 ^(iv)	20,071	-	-
Taurus Blindagens Nordeste Ltda.	26	-	26	775	28,015 ^(iv)	28,790	-	-
Taurus Holdings, Inc.	23,252	-	23,252	63,901	5,329 ^(v)	69,230	420,535	-
Taurus Investimentos Imobiliários Ltda.	421	-	421	1,681	-	1,681	-	-
Taurus Máquinas-Ferramenta Ltda.	-	14,044	14,044	-	-	-	-	1,523
Taurus Plásticos Ltda.	46	-	46	-	-	-	-	-
Polimetal Metalurgia e Plásticos Ltda.	18,745	-	18,745	68,411	-	68,411	546	178,416
	43,221	14,044	57,265	135,765	52,418	188,183	421,081	179,939
March 31, 2018								
Taurus Blindagens Ltda.	265	-	265	1,001	12,750 ^(iv)	13,751	-	235
Taurus Blindagens Nordeste Ltda.	523	-	523	807	24,393 ^(iv)	25,200	-	396
Taurus Holdings, Inc.	25,798	-	25,798	60,390	5,354 ^(v)	65,744	93,019	-
Taurus Investimentos Imobiliários Ltda.	1,006	-	1,006	1,966	8,083 ^(iv)	10,049	-	-
Taurus Máquinas-Ferramenta Ltda.	-	14,930	14,931	-	-	-	228	-
Taurus Plásticos Ltda.	47	-	47	-	-	-	-	-
Polimetal Metalurgia e Plásticos Ltda.	21,068	-	21,068	69,754	-	69,754	85	-
	48,707	14,930	63,638	133,918	50,580	184,498	93,332	631

(i) Refers to amounts recorded under Suppliers caption - R\$ 133,918.

(ii) Refers to amounts recorded under Trade accounts receivable caption, R\$ 48,707.

(iii) Refers to values recorded under the captions financial loans R\$ 14,930 with the parent company Forjas Taurus S.A. which are updated at 100% of CDI (Interbank Deposit Certificate).

(iv) Represent loan agreements totaling R\$ 45,226 with subsidiary Taurus Blindagens Ltda., Taurus Blindagens Nordeste Ltda. and Taurus Investimentos Imobiliários Ltda which are restated to 100% of the CDI (Interbank Deposit Certificate).

(v) Refers to advances received from clients

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Operations involving the Company and the subsidiary Taurus Holdings, Inc., refer to sales of firearms to be marketed by the subsidiary in the US market.

In relation to transactions involving the Company and the subsidiary Polimetal Metalurgia e Plásticos Ltda., refer to the purchase of products in the process, since the subsidiary carries out a part of the production process in the firearms' segment.

The transactions carried out with related parties follow the price conditions and terms agreed between the parties and cannot be compared to those practiced with other non-related parties.

As of March 31, 2018, operations involving Forjas Taurus S.A. and CBC refer mainly to sales of firearms for trading, and purchase of ammunition. The amount of these operations is shown below:

	Current assets	Current liabilities	Non-current liabilities	Income	Expense
Companhia Brasileira de Cartuchos	1,978	5,232	-	18,721	9,656
CBC Participações	-	-	67,652	-	-

Remuneration of Directors and Board Members

The remuneration of directors and board members includes salaries, fees and benefits:

	Consolidated		Parent company	
	2018	2017	2018	2017
Salaries and benefits of statutory directors	530	737	530	737
Remuneration and benefits of the Board of Directors	42	73	42	73
Remuneration and benefits of the Tax Council	117	122	117	122
Total	689	932	689	932

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

Operations of directors and board members

Directors and board members hold a non-material percentage of Company's voting shares.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Sureties among related parties

Loans and financing are guaranteed by promissory notes, lien of machinery and equipment, and real estate mortgages. The sureties granted between subsidiaries and parent company are as follows:

	03/31/2018	12/31/2017
Forjas Taurus S.A.	90,380	113,581
Taurus Blindagens Ltda	-	575,690
	90,380	689,271

26. Discontinued operations

A discontinued operation is an item of the Group's business including operations and cash flows that can be clearly distinguished from the rest of the Group and that:

- represents an important separate business line or geographical operation area;
- is part of an individual coordinated plan to sell an important separate business line or geographical operation area; or
- is a subsidiary acquired exclusively to be resold.

The classification as a discontinued operation is made upon its disposal or when the operation fails to meet the criteria for being held for sale, if this occurs before.

When an operation is classified as a discontinued operation, the comparative statements of operations and the statement of comprehensive income are reissued as if the operation had been discontinued since the beginning of the comparative period.

In March 2018, the Board of Directors unanimously authorized the offer of the HELMETS business – represented by Taurus Blindagens Ltda and Taurus Blindagens Nordeste Ltda. – to the market. The preparation of the schedule and M&N per se is under the responsibility of a specialized firm according to the proposal already accepted by the Company.

The Helmets' segment was not classified as a discontinued operation or classified as held-for-sale before. Statement of income for comparative period is being restated in order to present discontinued operation separately from continued operations.

Although intra-group transactions were completely eliminated from consolidated income, Company Management chose to attribute the elimination of transactions between continued and discontinued operations prior to disposal in order to reflect the continuity of these transactions after disposal, since Management believes that the information is useful to users of the financial statements. To achieve this presentation, Company Management – starting from the results of discontinued operations – eliminated inter-segment sales (and costs resulting from these sales, less unrealized profits) made prior to its disposal.

(a) Net income (loss) from discontinued operations

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

<u>Income (loss) from discontinued operation</u>	03/31/2018	03/31/2017
Net sales	23,989	23,583
Elimination of inter-segment income	(3,137)	(3,471)
External income	<u>20,852</u>	<u>20,112</u>
Expenses / costs / net financial income (loss)	(22,987)	(23,057)
Elimination of inter-segment expenses	3,137	3,471
Foreign expenses	<u>(19,850)</u>	<u>(19,586)</u>
Income (loss) from operating activities	<u>1,002</u>	<u>526</u>
Taxes on profits	(789)	(103)
Net income (loss) of discontinued operations	<u>213</u>	<u>423</u>
Earnings per share - Basic (in R\$)	<u>0,001,131</u>	<u>0,002,847</u>

The result of discontinued operations of R\$ 213 thousand (R\$ 851 thousand in 2017) is totally attributed to the controlling shareholders.

(b) Cash flow from discontinued operations

	<u>03/31/2018</u>	<u>03/31/2017</u>
Net cash generated by operating activities	<u>(2,583)</u>	4,628
Net cash generated in investment activities	<u>(3,967)</u>	(324)
Net cash invested in financing activities	<u>(2,783)</u>	5,884
Net cash generated by discontinued operations	<u>(9,333)</u>	<u>10,188</u>

27. Shareholders' equity / Unsecured liability (parent company)**a) Capital**

On March 31, 2018, the Company's capital was R\$ 404,489, represented by 64,688,212 shares, of which 46,445,314 common shares and 18,242,898 preferred shares, all nominative, book entry and without par value.

Preferred shares

Preferred shares do not entitle to differentiated dividends and takes priority in the settlement of their share of capital.

According to the Company's Bylaws, in its Article 5, paragraph 4, the preferred shares will be entitled to vote at any General Meeting deliberations on the matters listed below, in which case each preferred share correspond to one vote:

- (i) Transformation, Take-over, Merger or Spin-off of the Company;
- (ii) approval of agreements entered into between the Company and its Controlling Shareholder, as defined in Level 2 Regulation, directly or by means of third parties, as well as other companies in which the Controlling Shareholder holds interests, whenever, pursuant to law or statutory provision, such matters should be submitted to the General Meeting;
- (iii) appraisal of assets earmarked for the capital increase subscription of the Company;

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

- (iv) choice of a specialized company for determination of the Company's Economic Value; under Chapter VII hereof; and
- (v) change or revocation of statutory provisions which change or modify any of the requirements established in item 4.1 Regulations of the Level 2, excepting that this voting right shall prevail only while the Contract of Participation of Level 2 Corporate Governance is in force.

Authorized shares (in thousands of shares)

	03/31/2018	03/31/2017
Common shares	51,851	51,851
Preferred shares	103,702	103,702
	155,553	155,553

Shares issued and fully paid-in

	Common		Preferred	
	Amount in thousands	Amount in R\$ thousand	Amount in thousands	Amount in R\$ thousand
March 31, 2017				
C.Shares: R\$ 1.68; P.Shares: R\$ 1,81*	46,445	78,028	18,243	33,020
March 31, 2018				
C.Shares: R\$ 2.07; P.Shares: R\$ 2,19*	46,445	96,142	18,243	39,952

*Share closing quotation on the date indicated, multiplied by the total shares outstanding on that date.

b) Equity valuation adjustments

Deemed cost

The equity valuation adjustments' caption in shareholders' equity includes adjustments for the adoption of deemed cost of fixed assets on the transition date for IFRS. Amounts recorded in equity valuation adjustments are totally or partially reclassified to full or partial income (loss) for the year upon depreciation of items related to or disposal of assets.

Fair value of property investments

As described in note 14, in 2016 the Company recognized the fair value of investment property, according to the Brazilian accounting practices (BR GAAP) and international accounting practices (IFRS). The initial recognition of investment property at fair value is made in the shareholders' equity. After the initial recognition, the fair value should be reviewed on annual basis and the changes in fair value are recognized directly in the result for the year.

Accumulated translation adjustments

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

c) Earnings per share

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

Basic earnings per share - Continued operations	03/31/2018	03/31/2017
Income/(loss) attributable to shareholders (in thousands of R\$)	980	(6,876)
Balance of shares at the end of the year	64,688,212	64,688,212
Total shares according to CPC 41 – weighted average	64,688,212	64,087,260
Earnings per share - Basic (in R\$)	0.01515	(0.10729)

Basic earnings per share - Discontinued operations	03/31/2018	03/31/2017
Income attributable to shareholders (in thousands of R\$)	213	423
Balance of shares at the end of the year	64,688,212	64,688,212
Total shares according to CPC 41 – weighted average	64,688,212	64,087,260
Earnings per share - Basic (in R\$)	0.00329	0.00660

Basic earnings per share	03/31/2018	03/31/2017
Income/(loss) attributable to shareholders (in thousands of R\$)	1,193	(6,453)
Balance of shares at the end of the year	64,688,212	64,688,212
Total shares according to CPC 41 – weighted average	64,688,212	64,087,260
Earnings per share - Basic (in R\$)	0.01844	(0.10069)

d) Capital transactions

The corporate restructuring in May 27, 2011 involving the subsidiary Polimetall Metalurgia e Plásticos Ltda. and the Company resulted in changes in ownership interest between the parties involved in the amount of R\$ 40,996, which was recognized in unsecured liability in the capital transaction account.

28. Net operating revenue

According to CPC 47 / IFRS 15, income is recognized when the client obtains control of the products. If a reasonable estimate of potential return of goods cannot be made, when allowed, income recognition is deferred until the return period expires or until a reasonable estimate of the returns can be made.

Pursuant to CPC 47 / IFRS 15, income for these contracts will be recognized to the extent that it is probable that there will be no significant reversal in the amount of accumulated income. Consequently, for agreements in which the Company is unable to make a reasonable estimate of the returns, income is expected to be recognized prior to the expiry of the period of return or before it is possible to make a reasonable estimate. A reimbursement liability and an asset for recovery will be recognized for these contracts and will be reported separately on the balance sheet.

The Company adopted CPC 47/IFRS 15 using the cumulative effect method (with no practical expedients), with initial application of the standard recognized on initial date (that is, January 1, 2018). Consequently, the information presented for 2017 was not restated and, accordingly, it was presented as formerly reported according to CPC 30 / IAS 18 and related interpretations.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

No amount was determined to be adjusted on January 01, 2018 as a result of adopting this pronouncement.

Sales tax

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

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

	Consolidated		Parent company	
	2018	2017	2018	2017
Sales of goods	264,225	222,980	169,449	140,206
Rendering of services	3	3	3	3
Total gross income	264,228	222,983	169,452	142,174
Sales tax	(27,060)	(26,379)	(11,194)	(9,237)
Refunds and rebates	(6,125)	(3,880)	(5,852)	(3,413)
Total net operating revenue	231,043	192,724	152,406	129,524

Because the Company's sales have short-term maturity, and the effects of the calculation of adjustment to present value are immaterial, the Company no longer presents the calculation of present value in its financial statements.

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

29. Expenses per type

	Consolidated		Parent company	
	03/31/2018	03/31/2017 *Restated	03/31/2018	03/31/2017
Expenses according to the role				
Cost of products sold	(151,331)	(140,064)	(107,514)	(100,929)
Sales expenses	(23,174)	(24,150)	(9,458)	(9,428)
General and administrative expenses	(30,764)	(30,413)	(15,056)	(16,594)
Other operating expenses	(7,825)	(3,721)	(2,060)	(1,598)
	(213,094)	(198,348)	(134,088)	(128,549)
Expenses per type				
Depreciation and amortization	(8,795)	(7,642)	(1,847)	(1,846)
Personnel expenses	(56,132)	(62,180)	(15,977)	(18,698)
Tax expenses	(268)	(766)	-	(586)
Raw materials and use and consumption materials	(90,851)	(76,476)	(94,889)	(88,343)
Freight and insurance	(7,348)	(6,258)	(4,557)	(5,445)
Third party services	(8,840)	(10,791)	(3,851)	(5,235)
Advertising and publicity	(4,553)	(4,460)	(489)	(392)
Expenses with product warranty	(901)	(3,046)	(505)	(2,680)
Water and electricity	(3,127)	(3,886)	(436)	(1,062)
Travel and accommodation	(959)	(1,276)	(487)	(712)
Commission expenses	(7,324)	(3,656)	(3,874)	1,257
Cost of write-off property, plant and equipment	(6,622)	(4,136)	(74)	(55)
Provision for contingencies	(5,458)	(6,465)	(4,368)	(3,921)
Rentals	(539)	(378)	(131)	(219)
Other expenses	(11,377)	(6,932)	(2,603)	(612)
	(213,094)	(198,348)	(134,088)	(128,549)

30. Net financial income (loss)

Financial income (loss) mainly includes income from interest on investment funds, changes in fair value of assets measured at fair value through profit or loss and gains on hedge instruments. The financial income (loss) is recognized within the accrual period.

	Consolidated		Parent company	
	03/31/2018	03/31/2017 *Restated	03/31/2018	03/31/2017
Financial expenses				
Interest	(17,987)	(23,059)	(17,236)	(21,083)
Exchange-rate changes	(6,808)	(2,274)	(6,625)	(2,197)
IOF	(689)	(377)	(1,381)	(310)
Other expenses	(2,903)	(794)	(1,366)	(740)
	(28,387)	(26,504)	(26,608)	(24,330)
Financial income				
Interest	894	328	305	633
Exchange-rate changes	1,277	18,399	1,199	17,469
Swap on financial operations	-	-	-	-
Other income	41	349	41	160
	2,213	19,076	1,545	18,262
Net financial income (loss)	(26,174)	(7,428)	(25,063)	(6,068)

Notes to the financial statements

Forjas laurus S.A.
quarterly information
March 31, 2018

31. Insurance coverage

The Company adopts the policy of contracting insurance coverage for assets subject to risks to cover eventual claims, considering the nature of its activity. The adequacy of insurance coverage is determined by the Company's management, which considers it sufficient to cover any losses.

In 2018, insurance coverage for the Company was as follows:

	03/31/2018	
	Consolidated	Parent company
Material damages	410,680	80,000
Civil liability	203,060	15,000
Loss of profits	161,993	161,993

32. Provision for product warranty

The Company quantifies and records an estimate for the costs related to the warranty, according to historical and current repair costs. The provision for product warranty ensures that the repair costs in case of replacement or repair do not affect the operating results for the periods in which these additional costs occurred. Therefore, amounts are recorded for the accrual basis of accounting. At March 31, 2018 and 2017, the balances are shown as follow:

	Consolidated		Parent company	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Domestic market	8,232	8,232	6,764	5,122
Foreign market	8,528	8,488	-	-
Total	16,760	16,720	6,764	5,122
Current liabilities	11,992	11,974	6,764	5,122
Non-current liabilities	4,768	4,746	-	-

Opinions and Statements / Special Review Report - Unqualified

Report on the review of quarterly information-ITR

To the Shareholders, Board Members and Directors of

Forjas Taurus S.A.

São Leopoldo - RS

Introduction

We have reviewed the interim, individual and consolidated accounting information of Forjas Taurus S.A. ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended March 31, 2018, which comprise the balance sheet on March 31, 2018 and related statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the quarter then ended, including explanatory notes.

Management is responsible for the preparation of the interim accounting information in accordance with Technical Pronouncement CPC 21 (R1) and with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

Our review was carried out in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and 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 and consolidated interim information

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB and applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Material going concern uncertainty

We call the attention to note 1 to Company's financial statements, which indicates that as of March 31, 2018, the consolidated current liabilities exceeded the consolidated current assets by R\$ 503,585 thousand, and shareholders' deficit of R\$ 444,808 thousand. As mentioned in note 1, these events or conditions, together with other issues described in that note, indicate the existence of relevant uncertainty that may raise significant doubt as to the Company's ability to continue as a going concern. Our opinion is not qualified in this respect.

Other issues - Statements of added value

The individual and consolidated interim financial information related to statements of added value (DVA) for the three-month period ended March 31, 2018, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes, was submitted to review procedures carried out jointly with the audit of Company's quarterly information. To form a conclusion, we evaluated whether these statements are reconciled with interim financial information and accounting records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

Porto Alegre, May 15, 2018

KPMG Auditores Independentes

CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

Opinions and Statements / Tax Council opinion or equivalent body

Fiscal council opinion

The Tax Council of Inspectors of Forjas Taurus S.A. In compliance with legal and statutory provisions, reviewed the information regarding the first quarter of 2018. Based on this review and on information contained in the Quarterly Information Review Report, issued without qualifications by KPMG Auditores Independentes and dated May 15, 2018, in addition to information and explanations received from the Company's management, it represents that the mentioned documents are appropriate for disclosure.

São Leopoldo, May 15, 2018.

Haroldo Zago

President

Mauro César Medeiros de Mello

Board Member

Amoreti Franco Gibbon

Board Member

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

REPRESENTATION BY THE DIRECTORS OF FORJAS TAURUS S.A. ON THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2018

Mr. Salesio Nuhs, Mr. Sergio Castilho Sgrillo Filho, Mr. Eduardo Minghelli and Mr. Ricardo Machado, Executive Officers of Forjas Taurus S.A., company with head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the EIN 92.781.335/0001-02, as provided in sections V and VI, article 25, CVM Instruction 480, dated December 7, 2009, hereby represent that they reviewed, discussed and agreed with the Financial Statement of Forjas Taurus S.A. and consolidated companies, for the period from January 1, 2018 to March 31, 2018.

São Leopoldo, May 15, 2018.

Salesio Nuhs

CEO

Sergio Castilho Sgrillo Filho

Administrative and Financial Director

Investor Relations Director

Eduardo Minghelli

Executive Officer without specific designation

Ricardo Machado

Executive Officer without specific designation

Opinions and Statements / Statement of the Executive Officers on Independent Auditor's Report

STATEMENT OF THE EXECUTIVE BOARD OF FORJAS TAURUS S.A. ON THE INDEPENDENT AUDITORS' REPORT

Mr. Salesio Nuhs, Mr. Sergio Castilho Sgrillo Filho, Mr. Eduardo Minghelli and Mr. Ricardo Machado, Executive Officers of Forjas Taurus S.A., company with head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the CNPJ [EIN] 92.781.335/0001-02, as provided in sections V and VI, article 25, CVM Instruction 480, dated December 07, 2009, hereby represent that they reviewed, discussed and agreed with the opinions expressed KPMG Auditores Independentes, contained in the Independent Auditors' Review Report with regard to the Financial Statement for the period from January 01, 2018 to March 31, 2018, issued on May 15, 2018.

São Leopoldo, May 15, 2018.

Salesio Nuhs

CEO

Sergio Castilho Sgrillo Filho

Administrative and Financial Director

Investor Relations Director

Eduardo Minghelli

Executive Officer without specific designation

Ricardo Machado

Executive Officer without specific designation