Contents

Company information / Capital composition

Quantity of shares (Units)	Current quarter 03/31/2016
Paid-in capital	
Common	34,581,630
Preferred	13,001,621
Total	47,583,251
Treasury	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2016	Prior year 12/31/2015
1	Assets Total	839,131	888,338
1.01	Current assets	246,090	244,727
1.01.01	Cash and cash equivalents	2,176	15,822
1.01.01.01	Cash and banks	1,888	15,822
1.01.01.02	Interbank funds applied	288	0
1.01.02	Interest earning bank deposits	1,262	3,495
1.01.03	Accounts receivable	60,252	71,152
1.01.03.01	Trade accounts receivable	60,252	71,152
1.01.04	Inventories	138,224	106,345
1.01.06	Recoverable taxes	20,904	16,031
1.01.06.01	Current taxes recoverable	20,904	16,031
1.01.07	Prepaid expenses	14,611	13,191
1.01.08	Other current assets	8,661	18,691
1.01.08.03	Others	8,661	18,691
1.01.08.03.01	Financial instruments	554	6,920
1.01.08.03.03	Related parties	1,819	81
1.01.08.03.04	Other accounts receivable	6,288	11,690
1.02	Non-current assets	593,041	643,611
1.02.01	Long term assets	19,399	86,204
1.02.01.01	Interest earning bank deposits measured at fair value	5,449	12,586
1.02.01.01.01	Trading securities	5,449	12,586
1.02.01.06	Deferred taxes	9,149	9,149
1.02.01.06.01	Deferred income and social contribution taxes	9,149	9,149
1.02.01.08	Related party credits	716	62,602
1.02.01.08.04	Other related party credits	716	62,602
1.02.01.09	Other non-current assets	4,085	1,867
1.02.01.09.03	Recoverable taxes	293	293
1.02.01.09.04	Others	3,792	1,574
1.02.02	Investments	531,950	518,257
1.02.02.01	Equity interest	531,950	518,257
1.02.02.01.02	Interest in subsidiaries	531,828	518,067
1.02.02.01.04	Other equity interest	122	190
1.02.03	Property, plant and equipment	35,042	34,338
1.02.03.01	Fixed assets in operation	23,788	26,753
1.02.03.03	Constructions in progress	11,254	7,585
1.02.04	Intangible assets	6,650	4,812
1.02.04.01	Intangible assets	6,650	4,812

Individual financial statements/ Balance sheet – Liabilities
(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2016	Prior year 12/31/2015
2	Total liabilities	839,131	888,338
2.01	Current liabilities	752,533	720,243
2.01.01	Social and labor obligations	12,768	19,532
2.01.01.01	Social charges	3,389	3,844
2.01.01.02	Labor obligations	9,379	15,688
2.01.02	Suppliers	79,172	119,075
2.01.02.01	Domestic suppliers	72,058	112,017
2.01.02.02	Foreign suppliers	7,114	7,058
2.01.03	Tax liabilities	2,775	1,673
2.01.03.01	Federal tax liabilities	1,523	919
2.01.03.01.01	Income and social contribution tax payable	337	728
2.01.03.01.02	Other taxes	1,186	191
2.01.03.02	State tax liabilities	1,221	745
2.01.03.03	Municipal tax liabilities	31	9
2.01.04	Loans and financing	302,613	288,058
2.01.04.01	Loans and financing	206,811	193,168
2.01.04.01.01	In domestic currency	26,347	13,537
2.01.04.01.02	In foreign currency	180,464	179,631
2.01.04.02	Debentures	95,802	94,890
2.01.05	Other liabilities	331,395	271,528
2.01.05.02	Others	331,395	271,528
2.01.05.02.01	Dividends and interest on own capital	3	4
2.01.05.02.04	Related parties	27,253	25,120
2.01.05.02.05	Foreign exchange withdrawals	198,391	191,948
2.01.05.02.06	Derivative financial instruments	4,326	0
2.01.05.02.07	Advance from receivables	3,194	969
2.01.05.02.08	Other liabilities	98,228	53,487
2.01.06	Provisions	23,810	20,377
2.01.06.01	Tax, social security, labor and civil provisions	16,747	13,314
2.01.06.01.02	Social security and labor provisions	16,079	12,589
2.01.06.01.04	Civil provisions	668	725
2.01.06.02	Other provisions	7,063	7,063
2.01.06.02.01	Provision for guarantees	7,063	7,063
2.02	Non-current liabilities	173,108	228,211
2.02.01	Loans and financing	82,679	125,508
2.02.01.01	Loans and financing	49,544	92,535
2.02.01.01.01	In domestic currency	15,702	21,300
2.02.01.01.02	In foreign currency	33,842	71,235
2.02.01.02	Debentures	33,135	32,973
2.02.02	Other liabilities	87,657	99,910
2.02.02.01	Liabilities from Related parties	48,079	47,487
2.02.02.01.02	Debits with subsidiaries	8,071	6,290
2.02.02.01.04	Debts with other related parties	40,008	41,197
2.02.02.02	Others	39,578	52,423
2.02.02.02.03	Taxes payable	1,398	1,610
2.02.02.02.04	Provision for unsecured liability	36,298	46,704

Individual financial statements/ Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2016	Prior year 12/31/2015
2.02.02.02.05	Other liabilities	1,882	4,109
2.02.04	Provisions	2,772	2,793
2.02.04.01	Tax, social security, labor and civil provisions	2,772	2,793
2.02.04.01.02	Social security and labor provisions	2,772	2,793
2.03	Shareholders' equity	-86,510	-60,116
2.03.01	Realized capital	376,437	364,735
2.03.02	Capital reserves	-40,996	-29,295
2.03.02.06	Advance for future capital increase	0	11,701
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-569,302	-566,155
2.03.06	Equity valuation adjustments	31,618	31,739
2.03.07	Accumulated translation adjustments	115,733	138,860

Individual financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current accumulated Year 01/01/2016–03/31/2016	Accumulated for the year Previous 01/01/2015–03/31/2015
3.01	Income from sales of goods and/or services	77,289	84,419
3.02	Cost of goods and/or services sold	-47,380	-64,836
3.03	Gross income	29,909	19,583
3.04	Operating expenses/income	-52,270	-102,441
3.04.01	Sales expenses	-4,558	-7,817
3.04.02	General and administrative expenses	-20,792	-7,355
3.04.04	Other operating income	1,457	2,620
3.04.05	Other operating expenses	-1,481	-3,652
3.04.06	Equity income (loss)	-26,896	-86,237
3.05	Income (loss) before financial income and taxes	-22,361	-82,858
3.06	Financial income (loss)	19,094	-59,897
3.06.01	Financial income	41,837	35,564
3.06.02	Financial expenses	-22,743	-95,461
3.07	Income (loss) before income tax	-3,267	-142,755
3.08	Income and social contribution taxes	0	-7,138
3.08.02	Deferred assets	0	-7,138
3.09	Net income (loss) of continued operations	-3,267	-149,893
3.11	Income/loss for the period	-3,267	-149,893
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	ON	-0.06866	-9.28473
3.99.01.02	PN	-0.06866	-9.28473
3.99.02	Diluted earnings per share		
3.99.02.01	ON	-0.06858	-9.28473
3.99.02.02	PN	-0.06858	-9.28473

Individual financial statements / Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current accumulated Year 01/01/2016–03/31/2016	Accumulated for the year Previous 01/01/2015–03/31/2015
4.01	Net income for the period	-3,267	-149,893
4.02	Other comprehensive income	-23,127	41,395
4.02.01	Translation adjustments in the period	-23,127	41,395
4.03	Comprehensive income for the period	-26,394	-108,498

Individual financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Current accumulated Year 01/01/2016–03/31/2016	Accumulated of the prior year 01/01/2015–03/31/2015
6.01	Net cash from operational activities	10,765	-17,987
6.01.01	Cash generated in operations	29,239	-8,508
6.01.01.01	Net income (loss) before income and social contribution taxes	-3,267	-142,755
6.01.01.02	Depreciation and amortization	1,670	2,607
6.01.01.03	Cost of permanent asset written-off	1,460	2,502
6.01.01.04	Allowance for doubtful accounts	0	-1,028
6.01.01.05	Equity in net income of subsidiaries	26,896	86,237
6.01.01.07	Provision for Derivative financial instruments	3,989	-10,026
6.01.01.08	Provision for interest on loans and financing	18,043	13,840
6.01.01.09	Change in interest in subsidiaries	0	35
6.01.01.11	Provision for Legal Risks	3,412	-38
6.01.01.12	Provision for contingencies	0	2,043
6.01.01.13	Exchange variance on loans and financing	-22,964	38,075
6.01.02	Changes in assets and liabilities	-18,474	-9,479
6.01.02.01	(Increase) decrease in trade accounts receivable	10,900	-18,223
6.01.02.02	(Increase) in inventories	-31,879	3,566
6.01.02.03	(Increase) decrease in other accounts receivable	1,856	-16,245
6.01.02.04	(Decrease) increase in suppliers	-39,903	19,729
6.01.02.05	(Decrease) Accounts payable and provisions	40,552	1,694
6.02	Net cash used in investment activities	-8,537	12,694
6.02.01	Receivables with related companies	-12,305	-204
6.02.02	Other long-term credits	68	28
6.02.03	In investments	0	-514
6.02.04	In property, plant and equipment	-3,832	-939
6.02.05	In intangible assets	-1,838	-20
6.02.06	Interest earning bank deposits	9,370	14,343
6.03	Net cash from financing activities	-15,874	-5,895
6.03.01	Payment of Interest on Own Capital and Dividends	0	1
6.03.02	Loans obtained	137,216	128,634
6.03.03	Payments of loans	-146,638	-124,309
6.03.07	Payment of Interest on loans	-5,263	-10,809
6.03.10	Debts with related companies	-1,189	0
6.03.11	Others	0	588
6.05	Increase (decrease) in cash and cash equivalents	-13,646	-11,188
6.05.01	Opening balance of cash and cash equivalents	15,822	25,161
6.05.02	Closing balance of cash and cash equivalents	2,176	13,973

Individual financial statements / Statement of changes in shareholders' equity / DMPL – From 01/01/2016 to 03/31/2016

(In thousand of reais)

Code of account	Account description	Capital Paid-up	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	364,735	-29,295	0	-566,155	170,599	-60,116
5.03	Adjusted opening balances	364,735	-29,295	0	-566,155	170,599	-60,116
5.04	Capital transactions with partners	11,701	-11,701	0	0	0	0
5.04.08	Payment of advance for future capital increase	11,701	-11,701	0	0	0	0
5.05	Total comprehensive income	0	0	0	-3,146	-23,248	-26,394
5.05.01	Net income for the period	0	0	0	-3,267	0	-3,267
5.05.02	Other comprehensive income	0	0	0	121	-23,248	-23,127
5.05.02.04	Translation adjustments in the period	0	0	0	0	-23,127	-23,338
5.05.02.06	Realization of equity valuation adjustments	0	0	0	121	-121	211
5.07	Closing balances	376,436	-40,996	0	-569,301	147,351	-86,510

Individual financial statements / Statement of changes in shareholders' equity / DMPL – From 01/01/2015 to 03/31/2015

(In thousand of reais)

Code of account	Account description	Capital Paid-up	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	324,876	-40,996	0	-317,290	85,525	52,115
5.03	Adjusted opening balances	324,876	-40,996	0	-317,290	85,525	52,115
5.05	Total comprehensive income	0	0	0	-145,668	37,170	-108,498
5.05.01	Net income for the period	0	0	0	-149,893	0	-149,893
5.05.02	Other comprehensive income	0	0	0	4,225	37,170	41,395
5.05.02.04	Translation adjustments in the period	0	0	0	0	41,395	41,395
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	4,225	-4,225	0
5.07	Closing balances	324,876	-40,996	0	-462,958	122,695	-56,383

Individual financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Current accumulated Year 01/01/2016–03/31/2016	Accumulated for the year Previous 01/01/2015–03/31/2015
7.01	Income	82,809	106,936
7.01.01	Sale of merchandise, products and services	81,352	103,288
7.01.02	Other income	1,457	2,620
7.01.04	Formation/reversal of allowance for doubtful accounts	0	1,028
7.02	Inputs acquired from third parties	-60,057	-71,600
7.02.01	Cost of products, merchandise and services sold	-36,655	-32,086
7.02.02	Materials, Energy, Third-party services and other	-23,402	-39,514
7.03	Gross added value	22,752	35,336
7.04	Retentions	-1,669	-2,607
7.04.01	Depreciation, amortization and depletion	-1,669	-2,607
7.05	Net added value produced	21,083	32,729
7.06	Added value received as transfer	14,941	-50,673
7.06.01	Equity income (loss)	-26,896	-86,237
7.06.02	Financial income	41,837	35,564
7.07	Total added value payable	36,024	-17,944
7.08	Distribution of added value	36,024	-17,944
7.08.01	Personnel	14,976	18,551
7.08.01.01	Direct remuneration	12,795	15,184
7.08.01.02	Benefits	1,346	2,036
7.08.01.03	Severance Pay Fund (FGTS)	835	1,331
7.08.02	Taxes, rates and contributions	930	16,378
7.08.02.01	Federal	599	12,729
7.08.02.02	State	331	3,648
7.08.02.03	Municipal	0	1
7.08.03	Third-party capital remuneration	23,385	97,020
7.08.03.01	Interest	22,743	95,461
7.08.03.02	Rents	642	1,559
7.08.04	Remuneration of own capital	-3,267	-149,893
7.08.04.03	Retained earnings / Loss for the period	-3,267	-149,893

Consolidated financial statements or Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2016	Prior year 12/31/2015
1	Assets Total	924,245	1,022,340
1.01	Current assets	508,992	591,905
1.01.01	Cash and cash equivalents	32,881	60,312
1.01.01.01	Cash and banks	30,192	60,312
1.01.01.02	Marketable securities	2,689	0
1.01.02	Interest earning bank deposits	4,127	22,040
1.01.03	Accounts receivable	137,565	192,076
1.01.03.01	Trade accounts receivable	137,565	192,076
1.01.04	Inventories	233,378	221,861
1.01.06	Recoverable taxes	46,744	36,546
1.01.06.01	Current taxes recoverable	46,744	36,546
1.01.07	Prepaid expenses	26,178	19,239
1.01.08	Other current assets	28,119	39,831
1.01.08.01	Non-current assets held for sale	4,286	4,286
1.01.08.03	Others	23,833	35,545
1.01.08.03.01	Derivative financial instruments	554	6,920
1.01.08.03.02	Other accounts receivable	23,279	28,625
1.02	Non-current assets	415,253	430,435
1.02.01	Long term assets	59,670	63,796
1.02.01.01	Interest earning bank deposits measured at fair value	5,614	12,586
1.02.01.01.01	Trading securities	5,614	12,586
1.02.01.06	Deferred taxes	45,673	45,830
1.02.01.06.01	Deferred income and social contribution taxes	45,673	45,830
1.02.01.09	Other non-current assets	8,383	5,380
1.02.01.09.03	Recoverable taxes	870	870
1.02.01.09.04	Others	7,513	4,510
1.02.02	Investments	11,070	12,004
1.02.02.01	Equity interest	11,070	12,004
1.02.02.01.01	Interest in associated companies	10,789	11,655
1.02.02.01.04	Other equity interest	281	349
1.02.03	Property, plant and equipment	265,453	273,189
1.02.03.01	Fixed assets in operation	234,579	251,655
1.02.03.03	Constructions in progress	30,874	21,534
1.02.04	Intangible assets	79,060	81,446
1.02.04.01	Intangible assets	79,060	81,446

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2016	Prior year 12/31/2015
2	Total liabilities	924,245	1,022,340
2.01	Current liabilities	807,436	802,939
2.01.01	Social and labor obligations	29,592	33,075
2.01.01.01	Social charges	10,012	10,266
2.01.01.02	Labor obligations	19,580	22,809
2.01.02	Suppliers	85,431	81,224
2.01.02.01	Domestic suppliers	74,866	65,571
2.01.02.02	Foreign suppliers	10,565	15,653
2.01.03	Tax liabilities	19,542	26,562
2.01.03.01	Federal tax liabilities	15,154	22,564
2.01.03.01.01	Income and social contribution tax payable	12,983	19,763
2.01.03.01.02	Other taxes	2,171	2,801
2.01.03.02	State tax liabilities	4,312	3,947
2.01.03.03	Municipal tax liabilities	76	51
2.01.04	Loans and financing	319,493	307,546
2.01.04.01	Loans and financing	223,691	212,656
2.01.04.01.01	In domestic currency	37,966	27,118
2.01.04.01.02	In foreign currency	185,725	185,538
2.01.04.02	Debentures	95,802	94,890
2.01.05	Other liabilities	292,796	311,103
2.01.05.02	Others	292,796	311,103
2.01.05.02.01	Dividends and interest on own capital	3	4
2.01.05.02.04	Derivative financial instruments	5,452	956
2.01.05.02.05	Foreign exchange withdrawals	198,391	191,948
2.01.05.02.08	Advance from receivables	20,064	54,589
2.01.05.02.09	Other liabilities	68,886	63,606
2.01.06	Provisions	60,582	43,429
2.01.06.01	Tax, social security, labor and civil provisions	48,057	30,516
2.01.06.01.01	Tax provisions	318	318
2.01.06.01.02	Social security and labor provisions	34,194	29,262
2.01.06.01.04	Civil provisions	13,545	936
2.01.06.02	Other provisions	12,525	12,913
2.01.06.02.01	Provision for guarantees	12,525	12,913
2.02	Non-current liabilities	203,319	279,517
2.02.01	Loans and financing	157,411	232,159
2.02.01.01	Loans and financing	124,276	199,186
2.02.01.01.01	In domestic currency	32,129	39,065
2.02.01.01.02	In foreign currency	92,147	160,121
2.02.01.02	Debentures	33,135	32,973
2.02.02	Other liabilities	6,926	5,719
2.02.02.02	Others	6,926	5,719
2.02.02.02.04	Taxes payable	2,955	1,610
2.02.02.02.05	Other liabilities	3,971	4,109
2.02.03	Deferred taxes	472	717
2.02.03.01	Deferred income and social contribution taxes	472	717
2.02.04	Provisions	38,510	40,922

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2016	Prior year 12/31/2015
2.02.04.01	Tax, social security, labor and civil provisions	33,753	35,702
2.02.04.01.01	Tax provisions	6,279	6,133
2.02.04.01.02	Social security and labor provisions	3,226	3,245
2.02.04.01.04	Civil provisions	24,248	26,324
2.02.04.02	Other provisions	4,757	5,220
2.02.04.02.01	Provision for guarantees	4,757	5,220
2.03	Consolidated shareholders' equity	-86,510	-60,116
2.03.01	Realized capital	376,437	364,735
2.03.02	Capital reserves	-40,996	-29,295
2.03.02.06	Advance for future capital increase	0	11,701
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-569,302	-566,155
2.03.06	Equity valuation adjustments	31,618	31,739
2.03.07	Accumulated translation adjustments	115,733	138,860

Consolidated financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current accumulated Year 01/01/2016–03/31/2016	Accumulated for the year Previous 01/01/2015–03/31/2015
3.01	Income from sales of goods and/or services	185,538	173,538
3.02	Cost of goods and/or services sold	-139,235	-138,378
3.03	Gross income	46,303	35,160
3.04	Operating expenses/income	-70,829	-110,258
3.04.01	Sales expenses	-24,445	-22,245
3.04.02	General and administrative expenses	-40,941	-18,656
3.04.04	Other operating income	1,690	3,842
3.04.05	Other operating expenses	-6,267	-73,025
3.04.06	Equity income (loss)	-866	-174
3.05	Income (loss) before financial income and taxes	-24,526	-75,098
3.06	Financial income (loss)	19,835	-68,326
3.06.01	Financial income	45,137	38,284
3.06.02	Financial expenses	-25,302	-106,610
3.07	Income (loss) before income tax	-4,691	-143,424
3.08	Income and social contribution taxes	1,424	-6,469
3.08.01	Current	1,387	-383
3.08.02	Deferred assets	37	-6,086
3.09	Net income (loss) of continued operations	-3,267	-149,893
3.11	Consolidated income/loss for the period	-3,267	-149,893
3.11.01	Attributed to the Parent company's partners	-3,267	-149,893
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	ON	-0.06866	-9.28473
3.99.01.02	PN	-0.06866	-9.28473
3.99.02	Diluted earnings per share		
3.99.02.01	ON	-0.06858	-9.28473
3.99.02.02	PN	-0.06858	-9.28473

Consolidated financial statements or Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current accumulated Year 01/01/2016–03/31/2016	Accumulated of the prior year 01/01/2015–03/31/2015
4.01	Consolidated net income for the period	-3,267	-149,893
4.02	Other comprehensive income	-23,127	41,395
4.02.01	Translation adjustments in the period	-23,127	41,395
4.03	Consolidated comprehensive income for the period	-26,394	-108,498
4.03.01	Attributed to the Parent company's partners	-26,394	-108,498

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Current accumulated Year 01/01/2016–03/31/2016	Accumulated for the year Previous 01/01/2015–03/31/2015
6.01	Net cash from operational activities	54,593	-35,036
6.01.01	Cash generated in operations	15,038	-2,280
6.01.01.01	Net income (loss) before income and social contribution taxes	-4,691	-143,424
6.01.01.02	Depreciation and amortization	11,963	8,503
6.01.01.03	Cost of permanent assets written-off	9,075	859
6.01.01.05	Equity in net income of subsidiaries	866	174
6.01.01.06	Provision for Derivative financial instruments	4,159	-9,550
6.01.01.07	Allowance for doubtful accounts	0	-2,097
6.01.01.10	Provision for interest on loans and financing	20,376	16,238
6.01.01.18	Exchange variance on loans and financing	-28,782	49,510
6.01.01.19	Provision for contingencies	2,923	74,237
6.01.01.20	Provision for guarantees	-851	3,270
6.01.02	Changes in assets and liabilities	39,885	-29,953
6.01.02.01	(Increase) decrease in trade accounts receivable	56,827	-51,724
6.01.02.02	(Increase) decrease in inventories	-11,517	-1,071
6.01.02.03	Decrease (increase) in other accounts receivable	-11,818	2,724
6.01.02.04	(Decrease) increase in suppliers	3,651	5,991
6.01.02.05	Increase (Decrease) in accounts payable and provisions	2,742	14,127
6.01.03	Others	-330	-2,803
6.01.03.04	Payment of IRPJ (Corporate Income Tax) and CSLL (Social contribution tax)	-330	-2,803
6.02	Net cash used in investment activities	453	9,673
6.02.01	Receivables with related companies	1	0
6.02.02	Other receivables	68	-81
6.02.04	In property, plant and equipment	-17,968	-4,389
6.02.05	In intangible assets	-6,533	-200
6.02.06	Interest earning bank deposits	24,885	14,343
6.03	Net cash from financing activities	-82,477	-11,212
6.03.01	Payment of Interest on Own Capital and Dividends	0	1
6.03.02	Loans obtained	165,671	129,067
6.03.03	Payment of loans	-240,562	-128,029
6.03.10	Payment of Interest on loans	-7,586	-12,839
6.03.11	Others	0	588
6.05	Increase (decrease) in cash and cash equivalents	-27,431	-36,575
6.05.01	Opening balance of cash and cash equivalents	60,312	104,536
6.05.02	Closing balance of cash and cash equivalents	32,881	67,961

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL – From 01/01/2016 to 03/31/2016

(In thousand of reais)

Code of account	Account description	Capital Paid-up	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	364,735	-29,295	0	-566,155	170,599	-60,116	0	-60,116
5.03	Adjusted opening balances	364,735	-29,295	0	-566,155	170,599	-60,116	0	-60,116
5.04	Capital transactions with partners	11,701	-11,701	0	0	0	0	0	0
5.04.08	Payment of advance for future capital increase	11,701	-11,701	0	0	0	0	0	0
5.05	Total comprehensive income	0	0	0	-3,146	-23,248	-26,394	0	-26,394
5.05.01	Net income for the period	0	0	0	-3,267	0	-3,267	0	-3,267
5.05.02	Other comprehensive income	0	0	0	121	-23,248	-23,127	0	-23,127
5.05.02.04	Translation adjustments in the period	0	0	0	0	-23,127	-23,127	0	-23,127
5.05.02.06	Realization of equity valuation adjustments	0	0	0	121	-121	0	0	0
5.07	Closing balances	376,436	-40,996	0	-569,301	147,351	-86,510	0	-86,510

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL – From 01/01/2015 to 03/31/2015

(In thousand of reais)

Code of account	Account description	Capital Paid-up	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	324,876	-40,996	0	-317,290	85,525	52,115	0	52,115
5.03	Adjusted opening balances	324,876	-40,996	0	-317,290	85,525	52,115	0	52,115
5.05	Total comprehensive income	0	0	0	-145,668	37,170	-108,498	0	-108,498
5.05.01	Net income for the period	0	0	0	-149,893	0	-149,893	0	-149,893
5.05.02	Other comprehensive income	0	0	0	4,225	37,170	41,395	0	41,395
5.05.02.04	Translation adjustments in the period	0	0	0	0	41,395	41,395	0	41,395
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	4,225	-4,225	0	0	0
5.07	Closing balances	324,876	-40,996	0	-462,958	122,695	-56,383	0	-56,383

Consolidated financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2016–03/31/2016	Accumulated of the prior year - 01/01/2015 to 03/31/2015
7.01	Income	211,357	215,451
7.01.01	Sale of merchandise, products and services	209,667	210,466
7.01.02	Other income	1,690	2,888
7.01.04	Formation/reversal of allowance for doubtful accounts	0	2,097
7.02	Inputs acquired from third parties	-138,746	-205,610
7.02.01	Cost of products, merchandise and services sold	-88,098	-112,582
7.02.02	Materials, Energy, Third-party services and other	-50,648	-93,028
7.03	Gross added value	72,611	9,841
7.04	Retentions	-11,963	-8,503
7.04.01	Depreciation, amortization and depletion	-11,963	-8,503
7.05	Net added value produced	60,648	1,338
7.06	Added value received as transfer	46,003	38,110
7.06.01	Equity income (loss)	866	-174
7.06.02	Financial income	45,137	38,284
7.07	Total added value payable	106,651	39,448
7.08	Distribution of added value	106,651	39,448
7.08.01	Personnel	73,215	46,314
7.08.01.01	Direct remuneration	66,805	39,841
7.08.01.02	Benefits	4,247	4,218
7.08.01.03	Severance Pay Fund (FGTS)	2,163	2,255
7.08.02	Taxes, rates and contributions	9,265	33,071
7.08.02.01	Federal	6,481	27,163
7.08.02.02	State	2,784	5,885
7.08.02.03	Municipal	0	23
7.08.03	Third-party capital remuneration	27,438	109,956
7.08.03.01	Interest	25,302	106,610
7.08.03.02	Rents	2,136	3,346
7.08.04	Remuneration of own capital	-3,267	-149,893
7.08.04.03	Retained earnings / Loss for the period	-3,267	-149,893

Performance comment

Porto Alegre, May 13, 2016 - Forjas Taurus S.A., listed in the 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 areas involving Containers, Plastics and M.I.M. (Metal Injection Molding), discloses its income figures for the **1st quarter of 2016 (1Q16).**

1. Highlights of the 1Q16

Conference Call on Income Figures*

Tuesday, May 17, 2016

Time: 9am (Brazil)
8 am (US-EST)

Accesses in Portuguese:
+55 (11) 3193-1001
+55 11 2820-4001

Access in English:
+1 786 924-6977 (USA)
+44 20 3514 0445 (GBR)

Password: Taurus

*The conference call will be held in Portuguese only, with simultaneous translation into English.

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- ✓ **Transfer of operations from Porto Alegre to São Leopoldo and *"go live"* by the SAP system** effective January 2016.
- ✓ **Production in March 2016 signals expansion,** having exceeded the monthly average for 2015. January and February 2016 reflected lower production levels owing to the recent production site transfer;
- ✓ **Consolidated net revenue totaled R$ 185.5 million in 1Q16,** a 29.4% decline as compared to 4Q15, reflecting lower production levels for January and February 2016;
- ✓ **Consolidated gross margin for 1Q16 of 25.0%,** 4.1 p.p. below that for 4Q15, chiefly due to lower production during the quarter;
- ✓ **EBITDA negative by R$ 12.5 million for 1Q16,** chiefly related to lower production and sales levels for the quarter, and owing to R$ 4.1 million in fixed asset write-offs.

Performance comment

2. Economic and financial performance - consolidated

The table that follows reflects the Company's consolidated economic and financial performance for 1Q16 as compared to performance recorded for 4Q15 and 1Q15.

Consolidated Financial and Economic Summary

In millions of R$

Indicators	1Q16	4Q15	1Q15	Variation	
				1Q16/4Q15	1Q16/1Q15
Net revenue	185.5	262.6	173.5	-29.4%	6.9%
Domestic market	46.0	61.6	60.5	-25.4%	-24.0%
Foreign market	139.5	201.0	113.0	-30.6%	23.5%
CGS	139.2	186.1	138.4	-25.2%	0.6%
Gross income	46.3	76.4	35.2	-39.4%	31.7%
Gross margin - %	**25.0%**	**29.1%**	**20.3%**	**-4.1 p.p.**	**4.7 p.p.**
Operating expenses - SG&A	70.8	-84.8	-110.3	-16.5%	-35.8%
Operating income (EBIT)	-24.5	-8.3	-75.1	193.9%	-67.4%
EBIT Margin %	**-13.2%**	**-3.2%**	**43.3%**	**-10.0 p.p.**	**30.1 p.p.**
Net financial income (loss)	19.8	-14.9	-68.3	-	-
Depreciation and amortization	12.0	8.4	8.5	42.9%	41.1%
Consolidated income/loss	-3.3	-5.4	-149.9	-39.0%	-97.8%
Consolidated Net Margin - %	**+1.8%**	**-2.0%**	**-86.4%**	**0.3 p.p.**	**84.6 p.p.**
EBITDA	-12.5	0.1	-66.6		-31.2%
EBITDA margin - %	**-6.7%**	**0.0%**	**-38.4%**	**-6.8 p.p.**	**31.6 p.p.**
Total assets	924.2	1,022.3	1,000.9	-9.6%	-7.7%
Shareholders' equity	-86.5	-60.1	-56.4	43.9%	53.4%

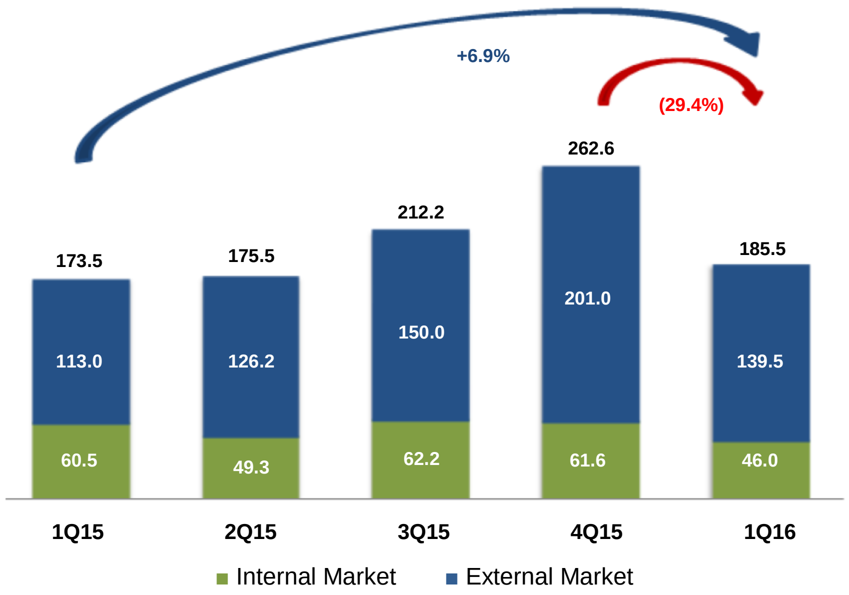
Net revenue

During 1Q16 the new São Leopoldo industrial site's stabilizing process, which as of January 2016 has concentrated firearm production in Brazil, caused production levels for January and February 2016 to decline, which in turn limited shipments for the quarter. Thus, the Company's consolidated net revenue totaled R$ 185.5 million, a decrease of 29.4% in relation to the R$262.6 million of 4Q15. March 2016, however, witnessed a rise in production, with a level in excess of the 2015 monthly average. As compared to 1Q15, net income grew 6.9% in 1Q16.

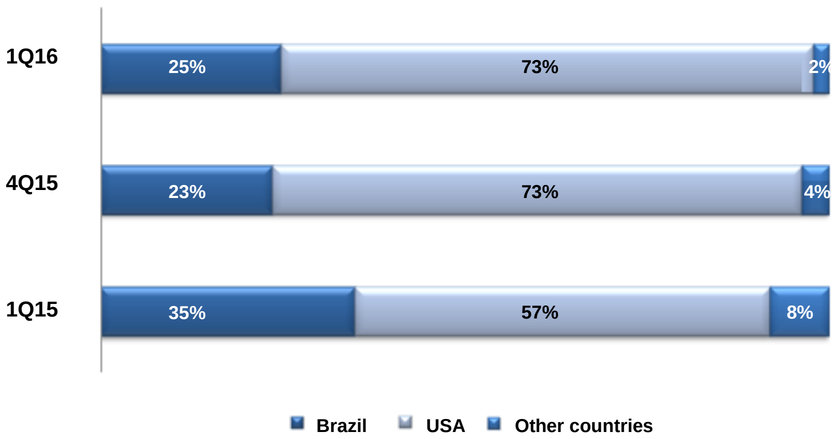
Performance comment

Net revenue - by segment

Amounts in R$ million



Net Revenues by Areas



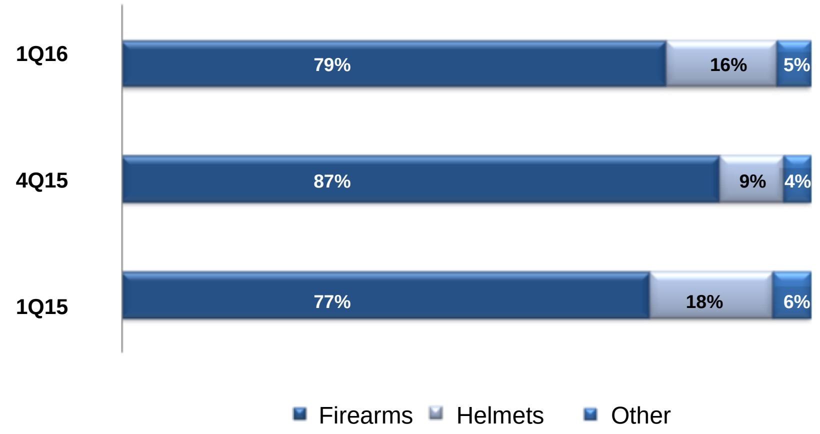
Exports were subject to a decline and retreated 30.6% in 1Q16 as compared to 4Q15, totaling R$ 139.5 million. Sales to the USA, the Company's chief market, dropped 29.2% as compared to the previous quarter, affected by fewer goods available owing to the quarter's lower production. The decline in firearm production during January and February resulted in fewer sales for this quarter. Yet in relation to 1Q15, sales to the US rose by 37.1% in 1Q16.

Sales to other countries added up to R$ 4.0 million for 1Q16, 58.8% below 4Q15 owing to the priority in sales to the US market. In the domestic market, net revenue totaled R$ 46.0 million for 1Q16, a 25.3% drop as compared to 4Q15. Both markets were also affected by the drop in firearm production for this quarter.

Performance comment

NET REVENUE In millions of R$	1Q16	4Q15	1Q15	Variation 1Q16/4Q15	Variation 1Q16/1Q15
TOTAL	185.5	262.6	173.5	29.4%	6.9%
Brazil	46.0	61.6	60.5	-25.3%	-24.0%
United States	135.5	191.3	98.9	-29.2%	37.19%
Other countries	4.0	9.7	14.1	-58.8%	-71.39%
Exports	139.5	201.0	113.0	-30.6%	23.59%

Net revenue by segment



In the chart above the breakdown by business segment of the Company's consolidated net revenue is shown. This decline in firearm production during January and February caused a decrease in the segment's share, which retreated 87% in 4Q15 to 79% in 1Q16. The helmet activity increased its share from 9% to 16% over the same period. "Others" raised its share slightly, from 4% in 4Q15 to 5% in 1Q16.

Information per business segment

In the following table the consolidated financial highlights are shown by segment:

Quarterly Comparison - Current vs. Previous Quarter

	Net income 1Q16	Int.%	4Q15	Int.%	Var.	Gross margin 1Q16	4Q15	Var.
Firearms	147.4	79%	227.9	87%	-35.3%	19.9%	28.5%	-8.6 p.p.
Helmets	30.3	16%	24.5	91%	24.0%	41.3%	24.4%	16.9 p.p.
Others	7.8	5%	10.3	4%	-24.0%	57.7%	53.6%	4.1 p.p.
Total	**185.5**	100%	**262.6**	100%	-29.4%	**25.0%**	**29.1%**	**-4.1 p.p.**

Performance comment

Quarterly comparison - Year x Year

	Net income					Gross margin		
	1Q16	Int.%	**1Q15**	Int.%	**Var.**	**1Q16**	**1Q15**	**Var.**
Firearms	147.4	79%	132.9	77%	11.0%	19.9%	16.4%	3.5 p.p.
Helmets	30.3	16%	31.0	18%	-2.3%	41.3%	33.1%	8.1 p.p.
Others	7.8	5%	9.6	6%	19.0%	57.7%	32.0%	25.7 p.p.
Total	**185.5**	100.0%	**173.5**	100.0%	6.9%	**25.0%**	**20.3%**	**4.7 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.

				Variation	
NET REVENUE In millions of R$	**1Q16**	**4Q15**	**1Q15**	**1Q16/4Q15**	**1Q16/1Q15**
Firearms	**147.4**	**227.8**	**132.9**	**-35.3%**	**11.0%**
Brazil	**8.9**	**28.6**	**20.8**	**-68.9%**	**-57.2%**
Southeastern region	4.7	3.6	9.7	-50.9%	-51.4%
South Region	1.3	7.5	3.6	-82.2%	-65.2%
Northeastern region	0.3	6.9	3.1	-95.0%	-88.8%
North region	2.5	0.8	0.9	216.1%	185.9%
Mid-west region	0.1	3.8	3.3	-99.0%	-98.8%
United States	**134.5**	**189.5**	**98.0**	**-29.0%**	**37.3%**
Other countries	**4.0**	**9.7**	**14.1**	**-58.8%**	**-71.7%**
Exports	**138.5**	**199.2**	**112.1**	**-30.5%**	**23.6%**

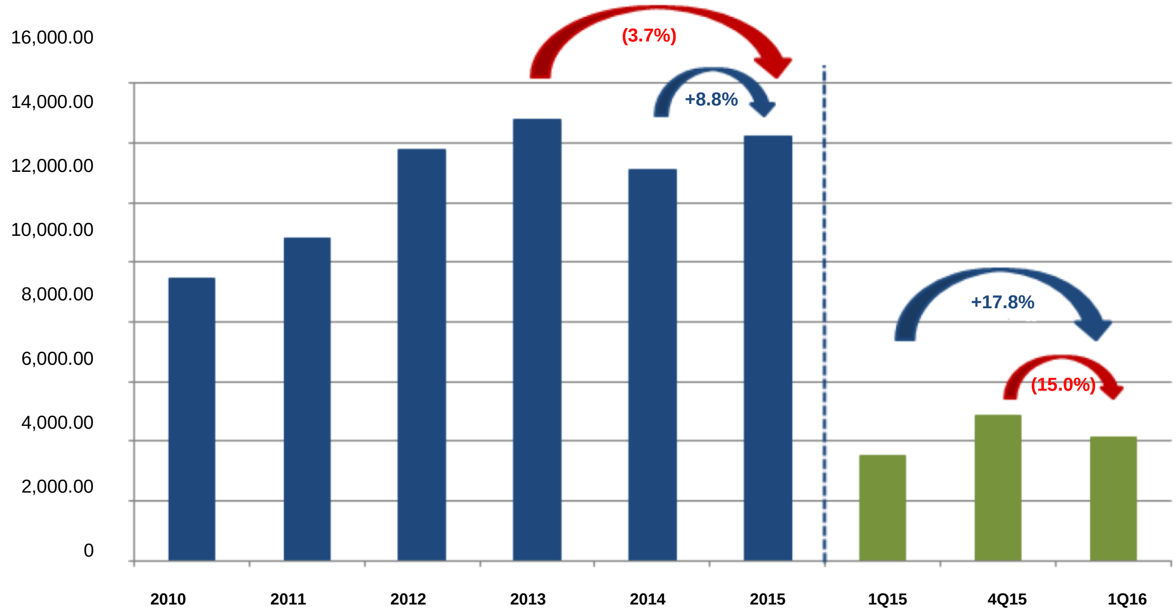
Net sales of firearms for 1Q16 were of R$ 147.4 million, 35.3% below the R$ 227,8 million recorded for the previous quarter and 11.0% above the same quarter in 2015. In the domestic market, in addition to government purchases remaining under pressure, lower production during January and February also contributed for this drop in sales in Brazil for the quarter.

In the overseas market, sales of firearms to the US retreated by 29.0% in 1Q16 as against 4Q15, totaling R$ 134.5 million, a consequence of lower production during January and February owing to the new São Leopoldo industrial site's stabilizing process. Despite this 15.0% decline in the NICS *(National Instant Background Check System),* an index that calculates purchase intentions for firearms in the US in 1Q16 as compared to 4Q15, a seasonal trend, we continue to detect an encouraging demand for the Company's goods. In other words, the quarter's production decline prevented the Company from meeting demand for Taurus goods in the US.

Performance comment

NICS - National Instant Background Check System

Number of inquiries



Sales of firearms to other countries were also subject to restrictions owing to the priority given to the mentioned US market. Hence, sales of firearms to other countries totaled R% 4.0 million, a 58.8% decrease in 1Q16 as against 4Q15.

Firearms gross margin was of 19.9% in 1Q16, an 8.6 p.p. Decline from 4Q15. This trend is explained by the new São Leopoldo industrial site's stabilizing process, which led to lower production levels for January and February 2016, in addition to the production mix that was concentrated on fewer firearm models, with lower margins in relation to the goods portfolio, in favor of a faster operating cash generation. In connection with the quarter's margin, please note that in the light of the quarter's production limitations, a relevant portion of the quarter's sales was derived from the US market, which was very brisk yet provided slimmer margins as opposed to other markets. Therefore, the quarter's frail cash position, with restrictions to production and investments due to the new site and SAP implementation, led to sales driven by cash generation, in detriment of gross margins. On the other hand, with production resumed in March, it is possible to harbor prospects for improvements in the course of 2016. Gross margin rose 3.5% in 1Q16 as compared to 1Q15. Number of inquiries

Performance comment

II. Helmets

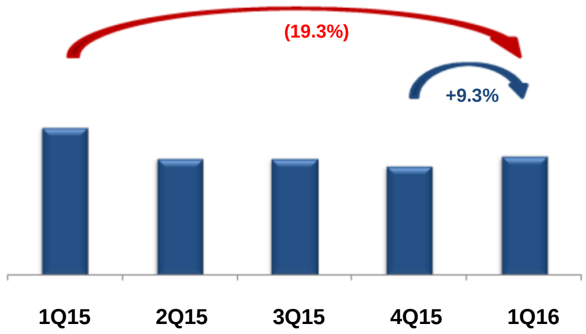
The segment of helmets is the second largest in the company, with the production units Taurus Blindagens Ltda., in Mandirituba/PR, and Taurus Blindagens Nordeste Ltda., in Simoes Filho/BA, with most of the production of these units destined for the domestic market.

NET REVENUE In millions of R$	1Q16	4Q15	1Q15	Variation 1Q16/4Q15	Variation 1Q16/1Q15
Helmets	**30.3**	**24.5**	***31.0***	**24.0%**	**-2.3%**
Brazil	**30.3**	**24.5**	**31.0**	**24.0%**	**-2.3%**
Southeastern region	8.1	7.5	9.2	8.8%	-11.7%
South region	1.7	1.0	1.5	61.0%	9.2%
Northeastern region	10.8	7.6	10.0	42.4%	7.7%
North region	4.2	4.7	5.4	-8.7%	-20.9%
Mid-west region	5.5	3.7	4.9	47.8%	12.4%

Net sales of helmets in 1Q16 was R$ 30.3 million, 24.0% greater than the result of the previous quarter of R$24.5 million. Despite the helmet division's challenging market outlook owing to an unfavorable market, the Company was able to recover sales based on a more stable and increased production in 1Q16 as opposed to 4Q15. It should be recalled that during 2015 the helmet activity was reorganized and the Simões Filho, BA plant concentrated a larger portion of production in order to increase the operation's tax efficiency. Hence the Company has recovered market share that had been lost in this process. This recovery becomes relevant considering that physical sales of motorcycles in Brazil declined 12.1% in 1Q16 as opposed to 4Q15.

The evolution of Physical Sales of Taurus Helmets

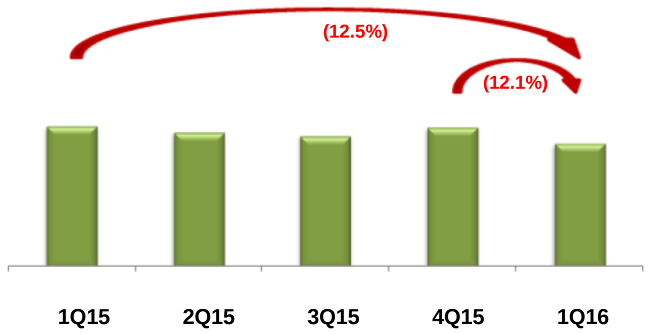
(Amount in thousands)



Source: *Company's information*

Growth of Physical Sales of Motorcycles in Brazil

(Amount in thousands)



Source: *Fenabrave*

Gross margin with helmets in 1Q16 rose 16.9 p.p. To 41.3% in 1Q16 as compared to 4Q15. This advance is a reflex of the production rearrangement and expansion in the quarter, creating efficiencies of scale.

Performance comment

III. Others

In addition to firearms and helmets, Taurus also operates in other industrial segments, such as the manufacture of plastic containers, motorcycle trunks, and metal-injection molded (MIM) parts At the unit, Polimetal Metallurgy and Plastics Ltda., in Sao Leopoldo/RS, MIM parts are made and other products are produced at the Parana unit - Taurus Blindagens.

				Variation	
NET REVENUE In millions of R$	1Q16	4Q15	1Q15	1Q16/4Q15	1Q16/1Q15
Others	**7.8**	**10.3**	**9.6**	**-24.0%**	**-19.0%**
Brazil	6.8	8.5	8.7	-19.8%	**-22.1%**
Exports	**1.0**	**1.8**	**0.9**	**-44.1%**	**11.3%**

In 1Q16 the segment reported R$ 7.8 million in net sales, a 24.0% decline as opposed to the preceding quarter. This decrease also results from the adverse domestic market, with negative government budgets and fewer public bids for goods of this nature.

Operating expenses

Operating expenses totaled R$ 70.8 million in 1Q16, a 16.5% drop as compared to the preceding quarter. Despite this decline, a comparison between operating expenses and net revenue shows a 5.9 p.p. growth, to 38.2% in 1Q16 as compared to 4Q15. Expenses for this quarter were affected by fixed asset write-offs totaling R$ 4.1 million, with regard to inventory adjustments made to such assets. As compared with 1Q15, 1Q16 operating expenses retreated 35.8%. It should be noted that in the same quarter for 2015 R$ 69.4 million were recognized in the Carter case, widely disclosed during the first quarter of 2015.

OPERATING EXPENSES (SG&A)

In millions of R$

	1Q16	4Q15	1Q15	1Q16x4Q15	1Q16x1Q15
Operating expenses	70.8	84.8	110.3	-16.5%	-35.8%
Net revenue	185.5	262.6	173.5	-29.4%	6.9%
% Operating expenses	38.2%	32.3%	63.5%	5.9 p.p.	-25.4 p.p.

Performance comment

EBITDA

In the light of non-recurring events, in particular regarding the Company's restructuring process, which should have less relevant effects this year, Taurus will not disclose the adjusted EBITDA indicator as of this quarter.

EBITDA for 1Q16 was affected chiefly by lower production and sales levels for the quarter, in addition to fixed assets adjustment undertaken during the period totaling R$ 4.1 million, resulting in a R$ 12.5 million loss. EBITDA in 4Q15 was practically stable, while for the same period of 2015 it was negative in R$ 66.6 million. It should be recalled that R$ 69.4 million were recognized in 1Q15 in connection with the Carter case.

CONSOLIDATED EBITDA

In millions of R$

	1Q16	4Q15	1Q15
= Income (loss) for the quarter	(3.3)	(5.4)	(149.9)
(-) IR/CSLL	(1.4)	(17.9)	6.5
(+) Net financial income	(19.8)	14.9	68.3
(+) Depreciation/amortization	12.0	8.4	8.5
= EBITDA CVM Inst. 527/12	**(12.5)**	**0.1**	**(66.6)**

Financial income (loss)

Financial income for 1Q16 was of R$ 19.8 million, as opposed to a negative R$ 14.9 million in 4Q15. This quarter's positive outcome is due to the US dollar's 8.9% devaluation for the period, as compared to 4Q15. Hence, the exchange fluctuations item was positive by R$ 43.0 million in 1Q16, almost four times above 4Q15.

Presented below are the Company's detailed financial statements:

FINANCIAL INCOME (LOSS)

In millions of R$

	1Q16	4Q15	1Q15	1Q16x4Q15	1Q16x1Q15
Interest	(17.6)	(18.9)	(14.3)	-6.9%	23.1%
Exchange variation	43.0	8.8	(61.8)	388.6%	-
IOF	(0.5)	(0.9)	(0.4)	-44.4%	25.0%
Swap on financial operations	(4.6)	(1.0)	7.6	360.0%	-
Other income / expenses	(0.5)	(2.9)	0.6	-82.8%	-183.3%
Net financial income (loss)	**19.8**	**(14.9)**	**(68.3)**	-	-

Performance comment

Income (loss) Consolidated

In 1Q16 the Company's consolidated income figures reflected a R$ 3.3 million loss, below the 5.4 million loss recorded in 4Q15 and R$ 149.9 million in 1Q15. During this quarter, the adverse result reflects the drop in sales sue to the period's lower production, as well as the recognition of R$ 4.1 million in writing off fixed assets, as explained above.

3. Financial position

Total cash and cash equivalents and investments amounted to R$ 42.6 million in Mar/2015, 55.1% lower than the R$ 94.9 million of Dec/2014.

Gross indebtedness totaled R$ 700.3 million in March 2016, a 10.3% decline over December 2015, basically owing to foreign exchange losses on US dollar loans, which represent 68% of the Company's total indebtedness, and accounted for a 10.4% reduction in view of the US dollar's 8.9% depreciation during the quarter as compared to the end of 2015. Furthermore, please note the decline of advances against receivables, from R$ 54.6 million in December 2015 to R$ 20.1 million in March 2016, with a migration to US dollar liabilities. Thus, net debt was R$ 657.7 million, a decrease of 4.0% compared to the closing balance of 2015. As compared to March 2015, the Company's net indebtedness rose by 6.4%. Below follows the Company's financial position:

INDEBTEDNESS

In millions of R$

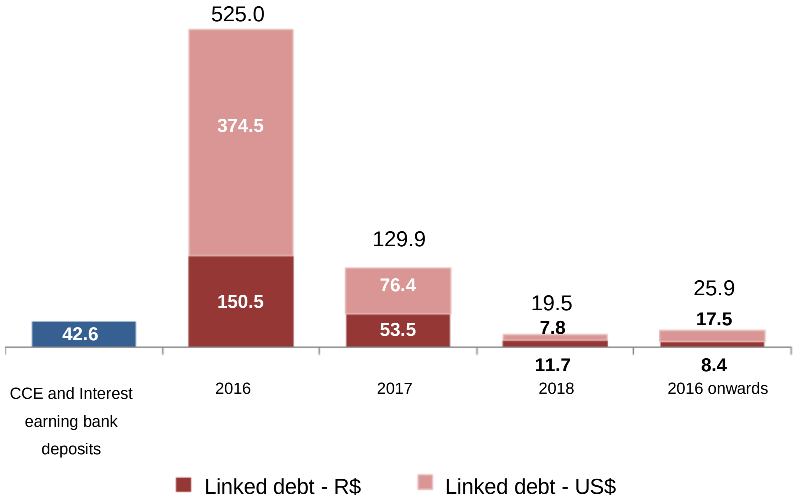
	03/31/2016	12/31/2015	03/31/2015	Mar2016 x Dec2015	Mar2016 x Mar2015
Loans and financing	70.1	72.2	259.5	-2.9%	-73.0%
Loans and Financing – Linked to the US Dollar	476.3	531.5	334.4	-10.4%	42.4%
Debentures	128.9	127.9	125.7	0.8%	2.5%
Advance from receivables	20.1	54.5	42.3	-53.2%	-52.5%
Derivatives	4.9	-6.0	-34.9	-182.2%	-114.0%
Gross indebtedness	**700.3**	**780.3**	**727.0**	**-10.3%**	**-3.7%**
(-) Cash and cash equivalents and interest earnings bank deposits	42.6	94.9	108.8	-55.1%	-60.9%
Net indebtedness	**657.7**	**685.4**	**618.2**	**-4.0%**	**6.4%**

Below is the debt maturity schedule at the end of March 2016:

Performance comment

Schedule of Debt Maturity

In millions of R$



Since 2015 the Company has been holding talks with its key creditor banks, which resulted in February 2016 in undersigning a non-binding debt restructuring guideline proposal, with banks Itaú Unibanco S.A., Banco Bradesco S.A., Banco do Brasil S.A., Banco Santander (Brasil) S.A. and Haitong Banco de Investimento do Brasil S.A. The purpose of this proposal was to extend roughly US$ 312.5 in indebtedness. The total term of the Transaction is five years, with two years of grace period for beginning the payment of principal and the interests shall be equivalent to Libor (three months) + 8.14% per year. The transaction is under discussion with the mentioned creditors.

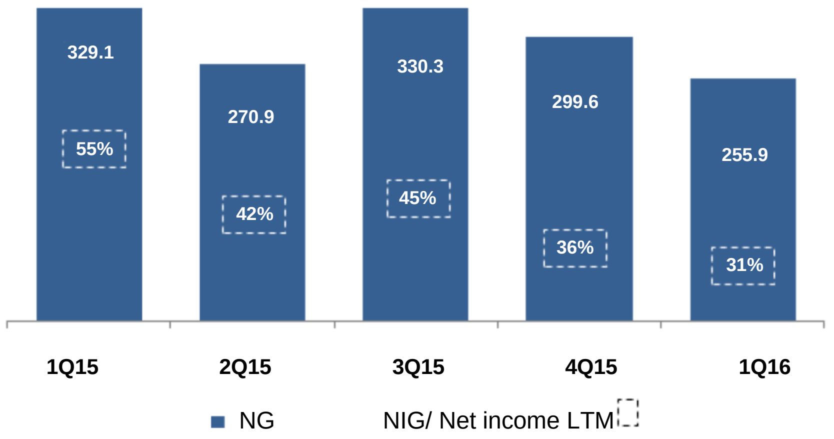
4. Working Capital

In the 1Q16, the Need for working capital investment was R$ 255.9 million, a 14.6% decrease over the prior year. As compared to annualized net revenue, NIG in 1Q16 stood at 31%, 5 p.p. below the 36% for 4Q15. This reduction is the outcome chiefly of a decline in trade accounts receivable account, owing to a greater share by the US market in Company sales, with shorter terms for receivables, in addition to payments of sums in arrears during the period.

Performance comment

Need for working capital investment

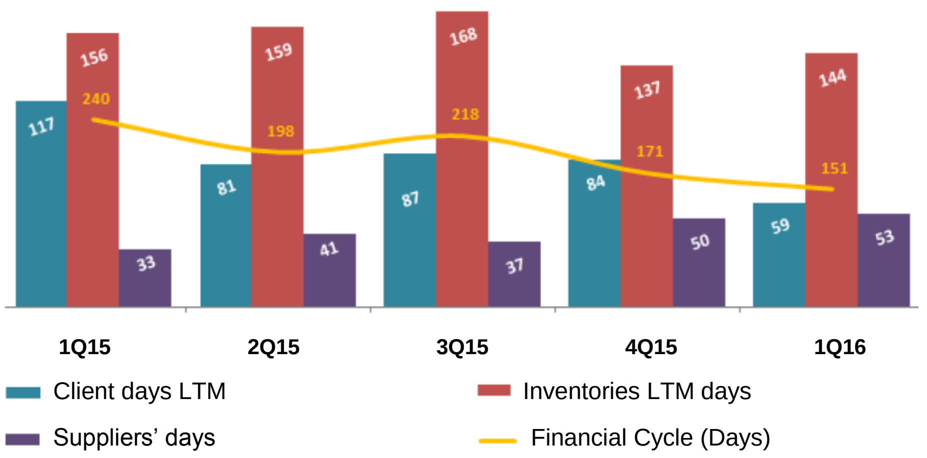
In millions of R$



NIG = Inventories + Accounts Receivable - Suppliers - Social and Labor Liabilities

The Company's cycle in turn was also reduced by 20 days during 1Q16 as compared to 4Q15, chiefly due to the decrease in client average days receivable, from 84 days at the end of 2015 to 59 days in March 2016. Moreover, the Company's current restricted cash position caused delays in trade payables, resulting in extended average terms without however leading to increased operating terms. Normalizing payments will have the effect of reducing this working capital benefit in future quarters.

Trade accounts receivable, Inventories and Suppliers' days



Performance comment

5. Cash flow

In 1Q16 the Company showed R$ 54.6 million in operating cash generation, 17.9% below that for 4Q15, arising from the smaller sales volume as well as from lower operating margins. As for investment activities, fixed and intangible assets investments stood out and totaled R$ 24.5 million. In conclusion, financing activities involved R$ 82.5 million in the quarter. Hence, the Company's cash position decreased R$ 27.4 million in 1Q16 as compared to a R$ 3 million generation in 4Q15, causing its ending balance to drop R$ 33.0 million, 45.4% below the previous quarter's ending balance.

The table that follows reflects a breakdown of the Company's cash flow for 1Q16.

CASH FLOW – CONSOLIDATED

In millions of R$

	1Q16	4Q15	1Q15	1Q15 x 4Q15	1Q16 x 1Q15
Cash at the beginning of the period	**60.4**	**57.4**	**104.5**	**5.2%**	**-42.2%**
Cash generated by operating activities	**54.5**	**66.5**	**(35.0)**	**-17.9%**	**-**
Loss before income and social contribution taxes on net income	(4.7)	(23.2)	(143.4)	-79.7%	-96.7%
Depreciation and amortization	12.0	8.4	8.5	42.9%	41.2%
Cost of Permanent Assets Written off	9.1	14.8	0.9	-38.5%	911.1%
Equity in net income of subsidiaries	0.9	0.9	0.2	0.0%	350.0%
Provisions for financial charges	24.5	20.3	16.2	20.7%	51.2%
Provision for contingencies	2.9	(19.3)	74.2	-	-96.1%
Allowance for doubtful accounts	-	8.1	(2.1)	-	-
Provision for inventory loss	-	9.3	-	-	-
Provisions for guarantees	(0.9)	1.9	3.3	-	-
Exchange variance on loans and financing	(28.8)	(13.1)	40.0	119.8%	-
Changes in assets and liabilities	39.9	59.3	(30.0)	-32.7%	-
Payment of IRPJ (Corporate Income Tax) and CSLL (Social contribution tax)	(0.3)	(0.4)	(2.8)	-25.0%	-89.3%
Investment activities	**0.5**	**(10.4)**	**9.6**	**-104.8%**	**-94.8%**
In property, plant and equipment	(18.0)	(28.1)	(4.4)	-35.9%	309.1%
In intangible assets	(5.5)	(4.5)	(0.2)	44.4%	3150.0%
Interest earning bank deposits	24.9	21.5	14.3	15.8%	74.1%
Other receivables	0.1	0.7	(0.1)	-	-
Financing activities	**(82.5)**	**(53.1)**	**(11.1)**	**55.4%**	**643.2%**
Loans obtained	165.7	69.5	129.1	138.4%	28.4%
Payments of loans	(240.6)	(125.8)	(128.0)	91.3%	88.0%
Payment of Interest on loans	(7.5)	(3.5)	(12.3)	-10.6%	-40.6%
Capital increase	-	-	-	-	-
Advances for future capital increase	-	11.7	-	-	-
Others	-	-	-	-	-
Increase (Decrease) in cash	**(27.4)**	**3.0**	**(36.5)**	**-**	**-24.9%**
Cash at the End of the Period	**33.0**	**60.4**	**68.0**	**-45.4%**	**-51.5%**

Performance comment

6. 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. In Board of Directors' Meeting held on 01.06.2016, the capital increase in the amount of R$ 11,701,400.00 (eleven million, seven hundred and one thousand and four hundred reais) was approved, due to the exercise by the shareholder Companhia Brasileira Cartuchos - CBC in 7,135,000 (seven million, center and thirty five thousand) class 1 subscription bonus with the consequent issuance of 7,135,000 new common shares, fully subscribed by the CBC at the issue price R$ 1.64 per share, according to terms and conditions approved under the Company's capital increase approved by the Special Shareholders' Meeting held on September 29, 2015.

Thus, the Company's new capital amounted to R$376,436,699.65 (three hundred seventy six million four hundred thirty six thousand six hundred ninety nine reais and sixty five centavos), represented by 47,583,248 (forty seven million five hundred eighty three thousand two hundred forty eight) shares, of which 34,581,627 (thirty four million five hundred eighty one thousand six hundred twenty seven) are common shares and 13,001,621 (thirteen million one thousand six hundred twenty one) are preferred shares, all of which are registered and with no par value. The new common shares entitle to full dividends that may be declared and all other rights and benefits conferred to the other holders of common shares issued by the Company, on equal conditions.

Below shows the evolution of share value and the market value of Taurus. During 1Q16 the Company's preferred shares appreciated by 56.6% as compared to the end of 2015. As for common shares, they appreciated by 5.3% over the same period. In turn, the Company's market value grew by 38.5% as compared to the end of 2015. This improved performance by Company shares in the stock market reflects the corporate restructuring actions put in place in 2015.

PERFORMANCE OF SHARES AND MARKET VALUE

								Variation	
1. Share quotation Closure		1Q16		4Q15		1Q15		1Q16x4Q15	1Q16x1Q15
COMMON SHARES - FJTAÍ	R$	1.78	R$	1.69	R$	4.20		5.3%	-57.6%
Preferred shares - FJTA4	R$	1.77	R$	1.13	R$	3.10		56.6%	-42.9%
IBOVES-PA	R$	50,055	R$	43,350	R$	51,150		15.5%	-2.1%
2. Market value In millions of R$		1Q16		4Q15		1Q15		1Q16x4Q15	1Q16x1Q15
COMMON SHARES - FJTAÍ	R$	61.6	R$	46.4	R$	35.4		32.7%	73.7%
Preferred shares - FJTA4	R$	23.0	R$	14.7	R$	23.9		56.6%	-3.6%
TOTAL	R$	84.6	R$	61.1	R$	59.3		38.5%	42.5%

Performance comment

7. Corporate restructuring

On January 2016 the Company implemented two significant enough structural changes, (i) transferring operations from Porto Alegre to São Leopoldo, consolidating firearm production in Brazil to one sole location, and (ii) the *"go live"* by the ERP SAP system. These changes required and continue to require dedication by the entire Company to consolidate all the processes involved. Hence, 1Q16 was focused on stabilizing our operating, administration and financial processes involved in our present restructuring.

As far as operations go, during January and February the Company was subject to lower production levels in order to organize and format all the processes involved. In March signs appeared that in 2016 with this new site greater production levels than in 2015 would be possible to achieve. Production in March 2016 was above the monthly production average for 2015, and it is expected that one sole location for firearms production will continue to create gains in synergy and scale during 2016, considering that Taurus is migrating to a production model under the most advanced international concepts of state-of-the-art technology, which has a direct impact on cost reductions with logistics, on improved quality and reliability of goods and on increased production capacity, in addition to respecting the environment and fully complying with environmental legislation.

The *"go live"* by the ERP SAP system was another important achievement for the Company. This first quarter was dedicated substantially to refine and stabilize the new system's processes. This task will continue throughout 2016 and will create expressive gains in planning efficiency, management and quality, working capital management, in addition to synergies with other operations, chiefly administration processes.

Last but not least, during 1Q16 a number of important advances took place in discussions for revamping a relevant portion of the Company's indebtedness, which in February 2016 led to undersigning the Non-binding Loan Restructuring Guideline Proposal in order to extend an expressive part of the Company's debt, of an approximate total of R$ 132,5 million. The proposed transaction's total term is of five years with a two-year grace period to begin principal payments.

These advances will allow entry by Taurus into a new level of international market operating excellence, with stress on the quality and reliability of its products, processes and personnel. Restructuring has partly begun and has shown results. 2016 will be a year of intense efforts to consolidate in all respects the implemented restructuring process. More significant gains will come!

Notes to the financial statements

1. Operations

Forjas Taurus S.A. ("Company") is one of the largest manufacturers of small firearms in the world. 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 BM&FBOVESPA (trading symbols are FJTA3, FJTA4).

The Company operates in segments of Firearms and Accessories, Helmets and Accessories, Containers and Plastics, and Metal Injection Molding (MIM) (Metal Injection Molding), having four industrial plants, three of them in Brazil and one in Miami, in USA. The Brazilian units are located in Rio Grande do Sul, Paraná and Bahia.

In Brazil, sales are directed to state, 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.

Overseas, in addition to distributing the brands of TAURUS and ROSSI produced in Brazil, the Miami unit manufactures TAURUS pistols and HERITAGE revolvers, in addition to globally distributing DIAMONDBACK pistols and sporting rifles. Exports to the US mainly serve the civil market and government agencies in other regions.

Restructuring

1Q16 made possible the sequence of changes put in place in 2015, which will provide support to growth by Taurus in the coming years. The restructuring process was extensive, involving all sectors and areas of the company. This started with the physical reorganization of production processes, deployed at the same industrial site, in São Leopoldo/RS, which allowed new drawings of processes and layouts of plants.

This quarter was marked by consolidation of these processes, now in their sophistication stage. This new formatting of production will give rise to even more improved manufacturing levels, as confirmed in March 2016, in which month the Company broke its production record. In addition, these changes continue to provide efficiency gains: waste reduction, optimized and qualified labor, as well as improved product engineering to provide greater reliability and quality.

In the context of these changes, in 2015, the operation of long guns was incorporated into the Porto Alegre plant, and, later, all site that was located in the Rio Grande do Sul capital, including the administrative area, was transferred to São Leopoldo. In January 2016 entire firearm production took place in São Leopoldo. The gains due to this integration are immeasurable, as they further refine the production process, enabling new production gains, while reducing working capital and intermediaries of inventories. Also in January 2016 the "go *live"* procedure for the ERP SAP system took place, which continues under improvement within its learning curve.

Notes to the financial statements

In the financial area, with a view to improving its net working capital and complying with short-term liabilities, the Company continues to renegotiate short-term debt with its banks, extending such indebtedness and providing greater comfort and focus on the Company's operating activities.

2. Presentation of financial statements

2.1. Preparation basis

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

a) Statement of conformity

The Company's individual and consolidated interim financial information was prepared in accordance with CPC 21 (R1) issued by Comitê de Pronunciamentos Contábeis ("CPC") and IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board -IASB, as well as with respect to standards disclosed by Comissão de Valores Mobiliários, applicable to the preparation of Quarterly Information (Informações Trimestrais - ITR).

b) Statement of the Board of Directors

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

The issue of individual and consolidated financial statements was authorized by the Board of Directors on May 12, 2016.

2.2. Basis of consolidation

		Equity interest	
	Country	**03/31/2016**	**12/31/2015**
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 Security Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Máquinas-Ferramenta Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Investimentos Imobiliários Ltda.	Brazil	**100.00%**	**100.00%**
Famastil Taurus Ferramentas S.A.	Brazil	**35.00%**	**35.00%**
Polimetal Metalurgia e Plásticos Ltda. *	Brazil	**100.00%**	**100.00%**
T. Investments Co. Inc.***	Panama	**100.00%**	**100.00%**
Taurus Plásticos Ltda.****	Brazil	**100%**	**-**

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

(**) Not consolidated.

(***) 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.. ForjasTaurus 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 financial statements are 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. 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 revenues 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.

Notes to the financial statements

Information regarding critical judgments referring to the accounting policies adopted which impact the amounts recognized in the individual and consolidated financial statements and information on uncertainties, assumptions and estimates are included in the following notes: 12 - Income and social contribution taxes 16 - Intangible assets 19 - Provision for civil, labor and tax risks 20 - Financial instruments.

4. Significant accounting policies

The 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 financial statements, are presented in this section.

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

a) <u>Financial instruments</u>

(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, nonconvertible debentures, bank overdraft protection, 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.

Notes to the financial statements

(iii) Derivative financial instruments

The Company keeps financial hedge derivatives 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 amount 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.

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

The early adoption of standards, although encouraged by the IASB, is not allowed in Brazil by the Accounting Pronouncements Committee (CPC).

The following new standards and interpretations of standards were issued by the IASB but are not in force for the year 2016.

Notes to the financial statements

IFRS 9 Financial Instruments (Effective from 1/1/2018)	IFRS 9 introduces new requirements for classifying and measuring financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. It also has a new model to deal with expected credit losses, replacing the current model of incurred losses. IFRS 9 provides greater flexibility regarding the requirements of hedge effectiveness and requires an economic relationship between the hedged item and the hedging instrument and the hedged ratio is the same as that which management uses for management of risk. The standard is applicable as of January 1, 2018. The Company is evaluating the impact of adhering to this standard.
IFRS 15 – Income from contracts with clients (Effective as from 01/01/2017)	This standard aims to establish the principles that a company must apply to report information about the nature, quantity, time and estimates of revenue and cash flows arising from a contract with client. The standard is applicable as of January 1, 2017. The Company is evaluating the impact of adhering to this standard.
IFRS 16 - Leases (Effective from 1/1/2019)	This standard aims to unify the model of the lease accounting, requiring leaseholders to recognize as an asset or liability all lease contracts, unless the contract has a term of 12 months or an intangible value. The standard is applicable as of January 1, 2019. The Company is evaluating the impact of adhering to this standard.

The CPC has not yet issued the respective pronouncements and amendments related to new and revised IFRS previously presented. Due to the commitment of the CPC and the Brazilian Securities Commission (CVM) to keep the set of standards issued updated based on the updates made by the IASB, it is expected that these pronouncements and amendments be edited by CPC and approved by CVM up to the date they become effective.

The Company also understands that there are no other standards and interpretations issued and not yet adopted that might, in management's opinion, have a significant impact on the income (loss) or shareholders' equity disclosed by the Company. The Management intends to adopt such measures when they become applicable to the Company.

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:

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. The Company and its subsidiaries only conduct operations with low risk financial institutions, considered by the Management, as low risk institutions.

Notes to the financial statements

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 revenues 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 customer and represent the maximum outstanding amount for which credit approval is not required; these limits are quarterly reviewed. Clients who fail to meet the credit limit established by the Company may only operate again 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 – the Company has no customers that individually represent more than 5% of sales.

When monitoring credit risk of clients, they will be 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 on balance sheet date was:

	Consolidated		**Parent company**	
	Book value		**Book value**	
	03/31/2016	**12/31/2015**	**03/31/2016**	**12/31/2015**
Financial assets held to maturity				
Trade accounts receivable	**165,418**	221,498	**71,143**	83,238
Cash and cash equivalents	**32,881**	60,312	**2,176**	15,822
Interest earning bank deposits	**9,741**	34,626	**6,711**	16,081
Forward exchange agreements and interest rate swap used in hedge (assets)	**554**	6,920	**554**	6,920
Total	**208,594**	323,356	**80,584**	122,061

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

Notes to the financial statements

	Consolidated		Parent company	
		Book value		Book value
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Domestic - receivables from United States clients - receivables from	**86,769**	74,218	**59,649**	68,341
clients	**71,780**	129,969	**4,625**	-
Others	**6,869**	17,311	**6,869**	14,897
Total	**165,418**	221,498	**71,143**	83,238

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
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Clients - public agencies	**7,809**	20,019	**13,123**	17,667
Clients - distributors	**124,934**	184,199	**36,386**	50,872
End clients	**32,675**	17,280	**21,634**	14,699
Total	**165,418**	221,498	**71,143**	83,238

Impairment losses

The Company and its subsidiaries establish a provision for impairment that represents its estimate of losses incurred in relation to trade accounts receivable, other receivables and investments. The maturity of loans and receivables granted on the date of the financial statements was:

				Consolidated
	Gross	Gross	*Impairment*	*Impairment*
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Not overdue	**97,613**	132,061	.	-
Overdue - in days				
0–30	**37,241**	55,021	**-**	(485)
31–360(1)	**26,472**	18,213	**(7,558)**	(10,372)
>365	**4,092**	16,203	**(20,295)**	(18,565)
Total	**165,418**	221,498	**(27,853)**	(29,422)

(1) *A substantial portion of backward values refer to sales to public agencies with average delays of payments up to 90 days, this is considered usual by Management for public sector clients.*

				Parent company
	Gross	Gross	*Impairment*	*Impairmen t*
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Not overdue	**11,186**	55,215	.	-
Overdue - in days				
0–30	**16,132**	10,693		(353)
31–360(1)	**33,117**	12,070	**(3,901)**	(6,473)
>365	**10,708**	5,260	**(6,990)**	(5,260)
Total	**71,143**	83,238	**(10,891)**	(12,086)

(1) *A substantial portion of backward values refer to sales to public agencies with average delays of payments up to 90 days, this is considered usual by Management for public sector clients.*

Notes to the financial statements

5.2. Liquidity risks

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
						03/31/2016
			Years			
	Book value	Contractual cash flow	Up to 1	1–2	2–5	>5
Non-derivative financial liabilities						
Suppliers	**85,431**	**85,431**	**85,431**	**-**	**-**	**-**
Loans and financing	**347,968**	**390,258**	**283,197**	**47,787**	**38,389**	**20,885**
Debentures	**128,937**	**158,070**	**112,417**	**45,654**		
Advance of real estate credits	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange advances	**198,391**	**214,435**	**214,435**	**-**	**-**	**-**
Advance from receivables	**20,064**	**20,064**	**20,064**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(554)**	**(554)**	**(554)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**5,452**	**5,452**	**5,452**	**-**	**-**	**-**
	785,689	**873,156**	**720,441**	**93,441**	**38,389**	**20,885**

						Consolidated
						12/31/2015
			In years			
	Book value	Contractual cash flow	Up to 1	1–2	2–5	>5
Non-derivative financial liabilities						
Suppliers	81,224	81,224	81,224	-	-	-
Loans and financing	411,842	463,387	232,419	168,051	39,518	23,399
Debentures	127,863	156,777	111,339	45,438		
Advance of real estate credits	-	-	-	-	-	-
Foreign exchange advances	191,948	206,686	206,686	-	-	-
Advance from receivables	54,589	54,589	54,589	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(6,920)	(6,920)	(6,920)	-	-	-
Derivative instruments (liabilities)	956	956	956	-	-	-
	861,502	956,699	680,293	213,489	39,518	23,399

Notes to the financial statements

	Parent company					
	03/31/2016					
			Years			
	Book value	**Contractual cash flow**	**Up to 1**	**1–2**	**2–5**	**>5**
Non-derivative financial liabilities						
Suppliers	**79,172**	**79,172**	**79,172**	**-**	**-**	**-**
Loans and financing	**256,356**	**288,064**	**227,301**	**37,883**	**22,870**	**9**
Debentures	**128,937**	**158,070**	**112,417**	**45,654**	**-**	**-**
Foreign exchange advances	**198,391**	**214,435**	**214,435**	**-**	**-**	**-**
Advance from receivables	**3,194**	**3,194**	**3,194**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(554)**	**(554)**	**(554)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**4,326**	**4,326**	**4,326**	**-**	**-**	**-**
	669,822	**746,707**	**640,291**	**83,537**	**22,870**	**9**

	Parent company					
	12/31/2015					
			Years			
	Book value	**Contractual cash flow**	**Up to 1**	**1–2**	**2–5**	**>5**
Non-derivative financial liabilities						
Suppliers	119,075	119,075	119,075	-	-	-
Loans and financing	285,703	323,892	211,891	88,395	23,596	10
Debentures	127,863	156,777	111,339	45,438	-	-
Foreign exchange advances	191,948	206,686	206,686	-	-	-
Advance from receivables	969	969	969	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(6,920)	(6,920)	(6,920)	-	-	-
Derivative instruments (liabilities)	-	-	-	-	-	-
	718,638	800,479	643,040	133,833	23,596	10

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)

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 currency exposure with respect to forecast sales. The Company uses future market contracts, mostly maturing in

Notes to the financial statements

less than one year of balance sheet dates, to hedge against currency risks. When necessary, future market contracts are renewed on maturity.

With respect to other assets and liabilities denominated in foreign currency, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term instability.

The probable base scenario for 2016 was defined through assumptions available in the market (source: Brazilian Central Bank Focus), and sensitivity calculation considered the variation between rates of the probable scenario for 2016 and those prevailing as of March 31, 2016.

The sensitivity analysis also considered variations of 25% and 50% on foreign exchange variations considered in the probable scenario.

Currencies and ratios		**Rate 03/31/2016**	**Probable scenario**	**Possible scenario ∆ 25%**	**Remote scenario ∆ 50%**
US dollar	Write-off	**3.56**	4.20	3.15	2.10
US dollar	High	**3.56**	4.20	5.25	6.30

Awareness of the variation of foreign currency:

		Consolidated			
		Balance at 2016	**Probable scenario**	**Possible (25%)**	**Remote scenario (50%)**
Assets - Depreciation of Dollar					
Accounts receivable	Dollar - USD	**22,099**	3,981	(7,294)	(17,568)
Liabilities - Increase in Dollar					
Loans and financing	Dollar - USD	**(97,774)**	(17,613)	(46,460)	(75,307)
Suppliers	Dollar - USD	**(2,969)**	(513)	(1,411)	(2,287)
Foreign exchange advances	Dollar - USD	**(55,745)**	(10,042)	(26,489)	(42,935)
Advances from clients	Dollar - USD	**(2,562)**	(461)	(1,217)	(1,973)
Others	Dollar - USD	**(6,912)**	(1,245)	(3,284)	(5,324)

Notes to the financial statements

		Parent company			
		Balance at 2016	**Probable scenario**	**Possible scenario**	**Remote scenario**
Assets - Depreciation of Dollar					
Accounts receivable	Dollar - USD	**3,230**	582	(371)	(1,324)
Liabilities - Increase in Dollar					
Loans and financing	Dollar - USD	**(72,302)**	(5,021)	(34,356)	(55,688)
Suppliers	Dollar - USD	**(1,999)**	(141)	(950)	(1,540)
Foreign exchange advances	Dollar - USD	**(55,745)**	(3,842)	(26,489)	(42,935)
Advances from clients	Dollar - USD	**(17,427)**	(532)	(8,281)	(13,423)
Others	Dollar - USD	**(7,154)**	(159)	(3,399)	(5,510)

(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.

On 03/31/2015, the management considered the likely scenario for 2016 is a CDI rate of 12.13% and TJLP of 7.50%. 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	**03/31/2016**	**Probable scenario**	**Scenario ∆ 25%**	**Scenario ∆ 50%**
CDI - write-off	14.13%	12.13%	9.10%	6.07%
Rise in the CDI rate	14.13%	12.13%	15.16%	18.20%
TJLP	7.50%	7.50%	9.38%	11.25%
Selic	14.16%	12.25%	15.31%	18.38%
Libor 30 days	0.44%	0.44%	0.55%	0.65%
LIBOR 3 months	0.63%	0.63%	0.79%	0.95%
LIBOR 6 months	0.90%	0.90%	1.13%	1.35%

		Consolidated			
			Gain (loss)		
	Index	**Balance 2016**	**Probable scenario**	**Scenario 25%**	**Scenario 50%**
Interest earning bank deposits	CDI - write-off	**12,430**	(249)	(626)	(1,002)
Loans	CDI - write-off	**62,683**	(1,254)	(3,155)	(5,055)
Loans	Rise in the CDI rate	**(31,387)**	628	(324)	(1,276)
Loans	TJLP	**(167,127)**	-	(3,134)	(6,267)
Libor 30 days	Libor 30 days	**(41,685)**	-	(45)	(91)
LIBOR 3 months	LIBOR 3 months	**(75,777)**	-	(120)	(239)
LIBOR 6 months	LIBOR 6 months	**(26,022)**	-	(59)	(117)
Taxes in installments	Selic	**642**	(12)	7	27

Notes to the financial statements

	Parent company				
	Gain (loss)				
	Index	Balance 2016	Probable scenario	Scenario 25%	Scenario 50%
Interest earning bank deposits	CDI - write-off	**6,999**	(140)	(352)	(564)
Financial loans	CDI - write-off	**62,683**	(1,254)	(3,155)	(5,055)
Loans	Rise in the CDI rate	**(167,127)**	3,343	(1,726)	(6,794)
Loans	TJLP	**(10,662)**	-	(200)	(400)
LIBOR 3 months	LIBOR 3 months	**(75,777)**	-	(120)	(239)
LIBOR 6 months	LIBOR 6 months	**(26,022)**	-	(59)	(117)
Taxes in installments	Selic	**642**	(12)	7	27

5.4 Capital management

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	
	03/31/2016	**12/31/2015**
Total liabilities	**1,010,754**	1,082,456
Less: Cash and cash equivalents and interest earning bank deposits	**(37,008)**	(94,938)
Net debt (A)	**973,746**	987,518
Total shareholders' equity (B)	**(86,510)**	(60,116)
Net debt to shareholders' equity ratio as of March 31, 2016 and December 31, 2015 (A/B)	**(11.26)**	(16.43)

The actions to restore this index are described in note 1.

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, is treated, primarily, as metalworking, and uses the following basic phases: machining (from flat steel shaping by means of milling, drill pressing, lathing, broaching, etc), Metal Injection Molding (MIM) (metal injection molded parts), assembly (manual), finishing (polishing), heat and surface treatment and final assembly (necessary adjustments); these operations are carried out by Polimetal Metalurgia e Plásticos Ltda., Forjas Taurus S.A., e 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

Notes to the financial statements

Machines – this consist of the development, manufacture and sale of machine tools and their components; Taurus Máquinas-Ferramenta Ltda. and its subsidiary SM Metalurgia Ltda. carried out these transactions. The operation was sold in June/2012, through the sale of SM Metalurgia Ltda. Taurus machines also presents results due to spending on technical assistance and financial expenses.

Others - plastic products division (Taurus Plásticos Ltda.). It also includes other operations such as the manufacture and sale of eyewear and rendering of services. As these segments have been aggregated, they do not meet the quantitative thresholds for separate disclosure as a reportable segment.

Performance of each segment is quarterly evaluated based on the segment's earnings (losses) before income and social contribution taxes, 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

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

	Firearms		Helmets		Machines (discontinued)		Others		Total	
	03/31/2016	**03/31/2015**	**03/31/2016**	**03/31/2015**	**03/31/2016**	**03/31/2015**	**03/31/2016**	**03/31/2015**	**03/31/2016**	**03/31/2015**
External income	**147,430**	132,878	**30,301**	31,023		-	**7,807**	9,637	**185,538**	173,538
Inter-segment income	**16,107**	13,548	**240**	-	**-**	-	**1,839**	3,010	**18,186**	16,558
Cost of sales	**(118,418)**	(111,082)	**(17,847)**	(20,741)	**-**	-	**(3,223)**	(6,555)	**(139,488)**	(138,378)
Gross income (loss)	**45,119**	35,344	**12,694**	10,282	**-**	-	**6,423**	6,092	**64,236**	51,718
Sales expenses	**(19,720)**	(17,544)	**(4,432)**	(4,162)	-	(121)	**(285)**	(393)	**(24,437)**	(22,220)
General and administrative expenses	**(31,331)**	(15,019)	**(3,843)**	(1,268)	**(2,781)**	(267)	**(602)**	(296)	**(38,557)**	(16,850)
Depreciation and amortization	**(2,365)**	(2,103)	**(23)**	(43)	**-**	-	**(4)**	(399)	**(2,392)**	(2,545)
Other operating income (expenses), net	**(3,895)**	(68,207)	**(410)**	754	**-**	(1,115)	**(272)**	99	**(4,577)**	(68,468)
Equity income (loss)			**847**				**(1,713)**	(174)	**(866)**	(174)
	(57,311)	(102,873)	**(7,861)**	(4,719)	**(2,781)**	(1,503)	**(2,876)**	(1,163)	**(70,829)**	(110,257)
Operating income (loss)	**(12,192)**	(67,529)	**4,833**	5,562	**(2,781)**	(1,503)	**3,547**	4,929	**(6,593)**	(58,540)
Financial income	**39,681**	35,037	**1,871**	1,730	**9**	1,119	**9**	398	**45,122**	38,284
Financial expenses	**(22,657)**	(98,408)	**(1,479)**	(1,217)	**(2,590)**	(6,172)	**(189)**	(813)	**(25,287)**	(106,610)
Net financial income (loss)	**17,024**	(63,371)	**392**	513	**2,581**	(5,053)	**(180)**	(415)	**19,835**	(68,326)
Income (loss) per segment subject to be disclosed before income and social contribution taxes	**4,832**	(130,899)	**5,225**	6,075	**(182)**	(6,556)	**3,368**	4,514	**13,242**	(129,866)
Elimination of inter-segment income	**(16,107)**	(13,548)	**(240)**				**(1,839)**	(3,010)	**(18,186)**	(16,558)
Income before income and social contribution taxes	**(11,275)**	(144,447)	**4,985**	6,075	**(182)**	(6,556)	**1,529**	1,504	**(4,944)**	(143,424)
Income and social contribution taxes	**1,908**	(4,691)	**(287)**	(1,258)			**(197)**	(520)	**1,424**	(6,469)
Net income for the year	**(9,367)**	(149,138)	**4,698**	4,817	**(182)**	(6,556)	**1,331**	984	**(3,520)**	(149,893)
Assets of reportable segments	**538,275**	593,980	**169,649**	149,171	**2,060**	1,370	**214,260**	255,885	**924,245**	1,000,406
Liabilities of reportable segments	**891,008**	897,706	**43,633**	42,618	**(34,909)**	(4,635)	**111,022**	121,100	**1,010,754**	1,056,789

Notes to the financial statements

Geographical information

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

	Firearms		Helmets	
	03/31/2016	**03/31/2015**	**03/31/2016**	**03/31/2015**
Domestic market				
Southeastern region	**4,736**	9,736	**8,122**	9,201
South region	**1,333**	3,835	**1,658**	1,518
Northeastern region	**347**	3,110	**10,768**	9,998
Mid-west region	**2,459**	3,275	**4,245**	4,899
North region	**40**	860	**5,508**	5,366
	8,915	20,816	**30,301**	30,982
Foreign market				
United States	**134,534**	97,992	**-**	-
Bangladesh		-	**-**	-
Peru	**445**	-	**-**	-
Jordan		3,192	**-**	-
Pakistan		649	**-**	-
New Zeland		219		
Paraguay		2,018	**-**	-
Argentina	**433**	165.	**-**	-
France	**832**	311	**-**	-
Chile			**-**	-
Ukraine		1,626	**-**	-
South Africa	**1482**	8	**-**	-
Lebanon		1,418	**-**	-
Thailand	**66**	345	**-**	-
Russia		558	**-**	-
Nicaragua	**425**	427	**-**	-
Germany		152	**-**	-
Bolivia				41
United Kingdom			**-**	-
Philippines			**-**	-
Australia			**-**	-
El Salvador	**70**		**-**	-
Dominican Republic			**-**	-
Singapore			**-**	-
Egypt			**-**	-
Honduras			**-**	-
Djibuti		930		
Italy	**94**	119	**-**	-
Czech Republic	**94**		**-**	-
Other countries	**40**	1,933	**-**	-
	138,515	112,062	**-**	41
	147,430	132,878	**30,301**	31,023

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

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.

Notes to the financial statements

7. Assets and liabilities held for sale and discontinued operations

Non-current assets held for sale and results of discontinued operations.

The Company classifies a non-current asset as maintained for sale if their accounted amount will be recovered through a probable sale.

For the sale to be highly probable, the management must be committed to the plan to sell the asset, and should have initiated a program to locate a buyer and follow this through to final sale. In addition, the asset held for sale must be actively marked at a price that is reasonable in relation to its current fair value. The sale should be completed within one year from the date of classification.

The group of assets held for sale are measured at the lowest accounting value and fair value less the cost of sale. If the accounting value is less than its fair value, an impairment loss is recognized in the statement of income. Any reversal or gain will be recorded only to the extent of any recognized loss.

The depreciation of assets maintained for negotiation ceases when assets are designated as maintained for sale.

a) Production Line Decommissioning and Forging Services for Third Parties.

At the end of 2013, the Company's management, in line with the structural changes and the strategy to focus efforts on higher value-added segments, decided to shutdown of the production line and the provision of forging services for third parties at the subsidiary Polimetal. The machinery and equipment were available for sale and have been recorded as "assets held for sale". The balance on March 31, 2016 is R$ 4,286 (R$ 4,286, on December 31, 2015). The forging services for third parties, when in operation, accounted for less than 5% of the Company's sales. The other industrial activities of Polimetal continue to operate normally.

8. Cash and cash equivalents and interest earning bank deposits

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.

Notes to the financial statements

	Consolidated		Parent company	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Cash balance	**49**	2,987	**24**	2,213
Demand deposits	**30,143**	57,325	**1,864**	13,609
Interest earning bank deposits	**2,689**	-	**288**	-
Cash and cash equivalents	**32,881**	60,312	**2,176**	15,822

The investments classified as cash and cash equivalents are remunerated at variable average rates from 82.52% to 101% of the CDI at 03/31/ 2016 (82.52% to 101% of CDI at 12/31/2015) with counterparty financial institutions considered by management as the first line.

Financial investments and linked account

	Consolidated		Parent company	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Money market investments in CDB	**8,479**	24,162	**5,449**	16,081
Linked account	**1,262**	10,464	**1,262**	-
Total	**9,741**	34,626	**6,711**	16,081
Current	**4,127**	22,040	**1,262**	3,495
Non-current	**5,614**	12,586	**5,449**	12,586

Financial investments are paid by the average variable rate of 99.46% of CDI at 03/31/2016, being held as guarantees for short-term financing, and their redemption scheduled takes place in conjunction with amortization of financing, presented in current and non-current assets based on their redemption provisions.

9. Trade accounts receivable

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

The Company did not proceed to adjust to present value on September 30, 2015, as its accounts receivable are short-term and have no material effect on present value. The 2015 adjustment to present value was calculated based on an interest rate of roughly 1.02% p.m., which reflects the term.

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	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Domestic clients	**86,768**	74,218	**30,899**	38,886
Clients – related parties in the country	**-**	-	**28,750**	29,455
Foreign clients	**78,650**	147,280	**6,869**	14,897
Clients - Related parties in bankers	**-**	-	**4,625**	-
Adjustment to present value	**-**	-	**-**	-
	165,418	221,498	**71,143**	83,238

Notes to the financial statements

Allowance for doubtful accounts - domestic	**(19,266)**	(20,592)	**(7,396)**	(8,591)
Allowance for doubtful accounts - abroad	**(8,587)**	(8,830)	**(3,495)**	(3,495)
	(27,853)	(29,422)	**(10,891)**	(12,086)
Total	**137,565**	192,076	**60,252**	71,152

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, 2015	(29,422)	(12,086)
Additions	-	-
Reversal of allowance for doubtful accounts	-	-
Realization of allowance for doubtful accounts	-	-
Foreign exchange variation	**1,569**	**1,195**
Balance at March 31, 2016	**(27,853)**	**(10,891)**

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

	Consolidated		Parent company	
	03/31/2016	**12/31/2015**	**03/31/2016**	**12/31/2015**
Finished products	**73,471**	86,953	**21,999**	**25,926**
Work in process	**169**	342	**-**	**-**
Raw material	**159,738**	134,566	**116,225**	**80,415**
Auxiliary and maintenance materials	**-**	-	**-**	**-**
	233,378	221,861	**138,224**	**106,345**

11. Recoverable taxes

	Consolidated		Parent company	
	03/31/2016	**12/31/2015**	**03/31/2016**	**12/31/2015**
ICMS	**13,790**	9,617	**4,059**	1,175
IPI	**972**	2,804	**0**	2,044
PIS	**998**	652	**924**	581
COFINS	**4,712**	3,024	**4,377**	2,661
Income and social contribution taxes	**27,064**	21,237	**11,837**	9,863
INSS	**78**	82	**-**	-
Total	**47,614**	37,416	**21,197**	16,324
Current	**46,744**	36,546	**20,904**	16,031
Non-current	**870**	870	**293**	293

Total	**47,614**	37,416	**21,197**	16,324

12. Income and social contribution taxes

The income and social contribution taxes 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 and social contribution taxes based on estimated profits, the same rates as above are used but on percentage of revenue of 32%. The rate of income tax is 35% for the US subsidiary.

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 carrying amounts 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.

a) Breakdown of assets and deferred tax liabilities

	Consolidated		**Parent company**	
	03/31/2016	**12/31/2015**	**03/31/2016**	**12/31/2015**
On temporary differences of assets, tax loss and negative basis				
Provision for sales commissions	**1,616**	1,045	**993**	993
Adjustment to present value		-	**-**	-
Provision of labor proceedings	**4,384**	4,934	**2,229**	2,229
Provisions for losses not compensated for by insurance	**782**	782	**782**	782
Allowance for doubtful accounts	**4,135**	4,242	**1,494**	1,494
Provision for product warranty	**6,875**	7,246	**2,401**	2,401
Provision for legal risks	**9,831**	10,571	**205**	205
Provision for inventory loss	**3,046**	3,343	**-**	-
Derivative financial instruments	**313**	344	**-**	-
Tax loss and negative basis of social contribution on net income (i)	**34,649**	34,730	**7,000**	7,000
Inventories - unrealized profits	**3,673**	3,958	**-**	-
Other items	**1,556**	1,555	**124**	124
	70,860	72,750	**15,228**	15,228
On temporary liability differences				
Equity valuation adjustments	**(1,012)**	(1,011)	**(551)**	(551)

Notes to the financial statements

Difference for depreciation base	**(10,062)**	(10,864)	**(1,805)**	(1,805)
Goodwill allocation	**(10,733)**	(11,910)	**-**	-
Average interest rate	**(1,499)**	(1,499)	**(1,370)**	(1,370)
Derivative financial instruments	**(2,353)**	(2,353)	**(2,353)**	(2,353)
	(25,659)	(27,637)	**(6,079)**	(6,079)
Total assets and liabilities, net	**45,201**	45,113	**9,149**	9,149
Classified as noncurrent assets	**45,673**	45,830	**9,149**	9,149
Classified in the non-current liabilities	**(472)**	(717)	**-**	**-**

Changes in deferred taxes:

	Consolidated	Parent company
Opening balance of deferred taxes, net	45,113	9,149
Allocated to income (Note 12b)	**37**	**-**
Effect of exchange variation	**51**	**-**
Closing balance of deferred taxes, net	**45,201**	**9,149**

(i) The Company's management has considered the existence of the accumulated balances of tax losses and the negative basis of social contribution on net income for the parent company and the subsidiaries Polimetal Metalurgia e Plásticos Ltda., Taurus Blindagens Ltda. and Taurus Holdings, Inc. with the evaluation of the existence of future taxable income, which supports the recording of deferred tax assets, based on the operating activities of the Company's segments.

Projections indicate that the balance of tax credits recorded under Forjas Taurus S.A. and its subsidiaries Polimetal Metalurgia e Plásticos Ltda., Taurus Blindagens Ltda. and Taurus Holdings, Inc. will be absorbed by the future taxable income:

	Consolidated		Parent company	
Year	**Total**	**Interest %**	**Total**	**Interest %**
2016	8,136	17.81%	8,136	88.92%
2017	1,013	2.22%	1,013	11.08%
2018	995	2.18%	-	-
2019	2,320	5.08%	-	-
2020	3,635	7.96%	-	-
2021	4,202	9.20%	-	-
2022	4,583	10.03%	-	-
2023	4,998	10.94%	-	-
2024	5,473	11.98%		
2025	3,793	8.30%	-	-
>2025	6,525	14.29%	-	-
Total	46,673	100.00%	9,149	100.00%

The amount of tax losses and negative basis of social contribution on which deferred taxes are not recorded totaled R$ 515,035 (R$ 468,962 in 2015) in the consolidated, and R$ 119,371 (R$ 99,066 in 2015) in the parent company.

The main balances of tax loss carryforwards and negative basis are recorded in the subsidiary Taurus Máquinas-Ferramenta Ltda. Tax credits arising from tax losses and negative social contribution basis not recognized by this subsidiary totaled R$ 78,328 (R$ 77,792 in 2015).

Notes to the financial statements

	Consolidated		Parent company	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Loss before income and social contribution taxes	**(4,691)**	(143,424)	**(3,267)**	(142,755)
Combined statutory rate	**34%**	34%	**34%**	34%
Income and social contribution taxes:				
Calculated at combined statutory rate	**1,595**	48,764	**1,111**	48,536
Permanent additions:				
Non-deductible expenses	**(139)**	(50)	**(41)**	(31)
Permanent exclusions:				
Non-taxable income - Equity income (loss)	**(294)**	(59)	**(9,014)**	(29,321)
Others - Law 11196/05		-		-
Unrecorded tax credit	**(15,664)**	(31,127)	**(6,903)**	(26,597)
Non-deductible provisions		(23,384)		-
Effects of differentiated rate of deemed profit subsidiaries	**862**	(32)		-
Deferred not formed		-		-
Foreign exchange variation	**13,389**		**13,315**	
Other items	**1,675**	(581)	**1,532**	274
Income tax and social contribution in income for the year	**1,424**	(6,469)	**-**	(7,138)
Breakdown of income and social contribution in income for the year:				
Current	**1387**	(383)	**-**	(1,306)
Deferred assets	**37**	(6,086)	**-**	5,385
	1,424	(6,469)	**-**	4,079
Effective rate	**-30.4%**	4.51%	**-**	-47.33%

In March 2016, the amount of R$ 1,876 related to current income and social contribution taxes is positive due to the use of the North American tax benefit in the company Taurus Holdings. The US Federal Law allows current losses to be offset by taxes paid within the previous two years.

Notes to the financial statements

13. Investments

	Taurus Blindagens Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Plásticos Ltda.	Taurus Holdings, Inc.	T. Investments Co. Inc.	Taurus Security Ltda. (1)	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-Ferramenta Ltda.(1)	Famastil Taurus Ferramentas S.A. (2)	03/31/2016	12/31/2015
											Parent company	
	48,334	28,174	7,733	270,241	36,554	60	3,362	70,270	391	43,190		
Non-current assets	107,387	33,533	2,142	100,557	-	241	66,222	277,578	1,669	33,196		
Current liabilities	15,725	12,686	2,971	53,486	-	3	881	101,356	55,072	43,203		
Non-current liabilities	14,023	6,069	27	84,860	-	547	9,743	28,897	4,209	9,421		
Capital	73,855	9,400	6,355	1,085	39,148	100	53,292	304,780	293,639	20,000		
Shareholders' equity	125,973	42,952	6,877	232,452	36,554	(249)	58,960	217,595	(57,221)	23,763		
Net revenue	12,483	18,058	2,015	134,534	-	-	1,839	18,708		4,452		
Net income (loss) for the year	4,692	5,482	133	(4,242)	-	-	1,536	(23,753)	(182)	(470)		
Number of shares/quotas	14	9,400	636	302,505	11,000,000	100,000	43,623,159	304,779,837	185,007,117	-		
Direct ownership interest (%)	0.01 %	0.10%	0.10%	100%	100%	100%	81.86%	100%	53.38%	-		
Opening balances	1	38	-	252,283	40,105		42,381	181,044		2,215	**518,067**	396,024
Spin-off	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**		**-**	**1**	-
Paid-up capital (4)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**54,190**	**20,000**	**-**	**74,190**	122,012
Equity income (loss) (3)	**-**	**5**	**-**	**(5,074)**	**-**	**-**	**1,981**	**(23,743)**	**(65)**		**(26,896)**	(84,771)
Capital investment loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**		(66)
Exchange variation over investments	**-**	**-**	**-**	**(19,574)**	**(3,553)**	**-**	**-**	**-**		**-**	**(23,127)**	90,019
Dividends received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**		(3)
Capital transactions	**-**	**-**	**-**	**-**	**-**	**-**	**3,591**	**5,938**	**(9,529)**			-
Equity valuation adjustments (5)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**		(1)
Reclassified for provision for unsecured liability (1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,406)**		**(10,406)**	(5,149)
Closing balances (3)	**1**	**43**	**1**	**227,634**	**36,552**		**47,953**	**217,429**		**2,215**	**531,828**	518,067

(iii) The unsecured liability of the subsidiary Taurus Security Ltda., in the amount of R$ 249, and of the subsidiary Taurus Máquinas-Ferramenta Ltda., in the amount of R$ 36,049 are recorded in “Other accounts payables” in non-current liabilities.

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

(3) 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.

(4) The capital contribution in the subsidiary Taurus Máquinas-Ferramenta Ltda., in the amount of R$ 20,000, and in Polimetal Metalurgia e Plásticos Ltda., in the amount of R$ 54,190, were made with loan capitalization.

(3) Equity valuation adjustment referring to deferred taxes recognized in the merger of subsidiary Taurus Helmets Ltda. by the controlling shareholder Taurus Blindagens Ltda. upon tax regime of divergence, reflecting the shareholders’ equity of Polimetal Metalurgia e Plásticos Ltda., controlling shareholder of Taurus Blindagens Ltda.

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.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	
	03/31/2016	**12/31/2015**
Assets	**370,798**	441,772
Liabilities	**138,346**	185,294
Net revenue	**134,534**	546,949
Loss for the year*	**(4,242)**	(32,977)

Carter Case in 2015: The updated deal amount is US$ 21,438,000, relating to insurance expenses, fees and disclosure. Of this total, 58% were accounted for in the short term and 42% in the long term (see note 19).

Associate

The Company has investments in the associated company Famastil Taurus Ferramentas S.A. that are not consolidated, since the Company has significant influence, but not control, over their financial and operating policies. The investment in associated company was stated under the equity accounting method and is initially recognized at cost. The investment includes the goodwill identified on acquisition, net of any accumulated impairment losses (goodwill in associated company is not recorded and tested for impairment separately).

The equity accounting method income recognized for the quarter was of (R$ 866).

14. 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 property, plant and equipment 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.

Notes to the financial statements

Taurus 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:

Group	Useful life - in years
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

Consolidated

	Land, buildings and facilities	Machinery and equipment	Furniture and computers	Vehicles	Construction in progress	Advances to suppliers	Other assets	Total
Cost or deemed cost								
Balance at December 31, 2015	148,515	279,782	24,564	2,612	21,209	226	-	476,908
Additions	4,193	1,279	2,153	404	9,737	-	202	17,968
Disposals	(8,309)	(3,007)	(1,006)	-	(72)	-		(4,085)
Effect of exchange variation	-	(3,510)	2,141	(404)	-			(10,082)
Balance at March 31, 2016	144,399	274,544	27,852	2,612	30,874	226	202	480,709
Depreciation								
Balance at December 31, 2015	21,360	158,082	21,766	2,511				203,719
Depreciation for the year	4,382	6,693	241	19	-	-	202	11,537
Balance at March 31, 2016	25,742	164,775	22,007	2,530	-	-	202	215,256
Book value								
December 31, 2015	127,155	121,700	2,798	101	21,209	226	-	273,189
March 31, 2016	118,657	109,769	5,845	82	30,874	226		265,453

Notes to the financial statements

	Parent company						
	Property, plant and equipment						
	Land, buildings and facilities	Machinery and equipment	Furniture and computers	Vehicles	in progress	Advances to suppliers	Total
Cost							
Balance at December 31, 2015	**3,177**	**64,003**	**8,903**	**1,464**	**7,585**	**-**	**85,132**
Additions	**-**	**18**	**134**	**-**	**3,680**	**-**	**3,832**
Disposals	**-**	**(840)**	**(608)**	**-**	**(11)**	**-**	**(1,460)**
Balance at March 31, 2016	**3,177**	**65,181**	**8,429**	**1,464**	**11,254**	**-**	**87,504**
Depreciation							
Balance at December 31, 2015	**1,357**	**42,168**	**5,946**	**1,323**	**-**	**-**	**50,794**
Depreciation for the year	**134**	**1,371**	**155**	**9**	**-**	**-**	**1,670**
Balance at March 31, 2016	**1,491**	**45,539**	**6,601**	**1,332**	**-**	**-**	**52,464**
Book value							
December 31, 2015	**1,820**	**21,835**	**2,957**	**141**	**7,585**	**-**	**34,338**
March 31, 2016	**1,686**	**19,642**	**2,328**	**132**	**11,254**	**-**	**35,040**

Construction in progress

The balance of constructions in progress in the amount of R$ 11,254 in the parent company, and of R$ 30,874 in the consolidated in March 2016 (R$ 7,585 in 2015, respectively) refers to machinery and equipment still in the implementation phase and constructions in progress. These assets should come into operation during 2016.

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 2016, the Company used the amount of R$ 53,455 in guarantees (R$ 55,912 in 2015).

Notes to the financial statements

15. 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 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.

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.

Notes to the financial statements

						Consolidated
	Goodwill	**Trademarks and patents**	**Product development**	**Deployment of systems**	**Other intangible assets**	**Total**
Cost						
Balance at December 31, 2015	44,675	14,387	14,316	6,763	17,328	97,469
Acquisitions	**-**	**-**	**1,217**	**5,316**	**-**	**6,533**
Write-offs	**-**	**-**	**(1,469)**	**(3,687)**	**-**	**(5,156)**
Transfer of other groups	**-**	**-**	**-**	**-**	**-**	**-**
Effect of exchange variation	**(1,067)**	**(1,092)**	**(418)**	**-**	**(1,568)**	**(4,145)**
Balance at March 31, 2016	**43,608**	**13,295**	**13,646**	**8,392**	**15,760**	**94,701**
Balance at December 31, 2015	-	366	6,951	2,252	6,454	16,023
Amortization in the year	**-**	**26**	**-**	**8**	**392**	**426**
Write-offs	**-**	**-**	**(111)**	**(55)**	**-**	**(166)**
Transfer of other groups	**-**	**-**	**-**	**-**	**(642)**	**(642)**
Balance at March 31, 2016	**-**	**392**	**6,840**	**2,205**	**6,204**	**15,641**
Book value						
March 31, 2016	43,608	12,903	6,807	6,187	9,556	79,060
December 31, 2015	**44,675**	**14,021**	**7,365**	**4,511**	**10,874**	**81,446**

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	**03/31/2016**	**12/31/2015**
Forjas Taurus S.A.	**21,194**	21,194
Taurus Holdings, Inc.	**13,874**	14,941
Taurus Blindagens Ltda.	**7,868**	7,868
Famastil Taurus Ferramentas S.A.	**545**	545
Polimetal Metalurgia e Plásticos Ltda.	**127**	127
Total	**43,608**	44,675

The recoverability test for CGUs mentioned above are performed annually based on the fair value net of sales expenses, which is estimated based on discounted cash flows. On March 31, 2016, 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:

Notes to the financial statements

Cash-generating unit	Discount rate WACC 03/31/2016	Average growth rate 03/31/2016
Firearms	18.2%	9.7%
Armouring	16.5%	5.9%

Discount rate

The discount rate for all CGUs are 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 25.5% for Firearms CGU and of 36% for Armouring CGU, at the market interest rate of 14% per annum.

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

16. Loans and financing

The terms and conditions of outstanding loans were as follows:

				Consolidated			
				03/31/2016		12/31/2015	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital		CDI + 2.42 to 3.00% p.a.	2018	35,000	**31,387**	35,000	23,532
FINAME	R$	2.50–8.70% p.a.	2021	8,515	**3,779**	8,515	4,272
FINEP	R$	4.00–5.25% p.a.	2020	64,240	**20,463**	64,240	23,059
BNDES	R$	3.50% p.a.	2020	9,995	**9,178**	9,995	9,678
BNDES Progeren	R$	TJLP + 4.00 to 4.50% p.a.	2016	-	**-**	-	-
FNE	R$	9.50% p.a.	2019	9,806	**5,288**	9,806	5,641
Advance from receivables	R$	20.16% p.a.	2016	-	**20,064**	54,589	54,589
Foreign exchange advances	USD	7.68% p.a.	2016	-	**198,391**	191,948	191,948
Working capital	USD	Libor + 1.55 to 5.60% p.a.	2017	106,400	**139,173**	106,400	154,932
Working capital	USD	3.05–5.20% p.a.	2016	25,037	**26,482**	25,037	47,923
Working capital	USD	80–100% CDI	2016	31,390	**79,036**	31,390	106,183
Investments	USD	5.33% p.a.	2017	6,035	**17,750**	6,035	19,712
Investments	USD	Libor + 2.25% p.a.	2017	1,731	**4,307**	1,731	4,796
FINIMP	USD	Libor + 2.53 to 6.0905% p.a.	2016	4,178	**10,977**	4,178	11,889
Dell financing	USD	0% cost	2016	201	**147**	201	225
Total					**566,422**		658,379
Current liabilities					**442,146**		459,193
Non-current liabilities					**124,276**		199,186

				Parent company			
				03/31/2016		12/31/2015	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	35,000	**31,387**	35,000	**23,532**
FINAME	R$	2.50–5.50% p.a.	2021	2,304	**1,484**	2,304	**1,626**
BNDES	R$	3.50% p.a.	2020	9,995	**9,178**	9,995	**9,678**
Advance from receivables	R$	20.16% p.a.	2016	969	**3,194**	969	**969**
Foreign exchange advances	USD	7.68% p.a.	2016	191,948	**198,391**	191,948	**191,948**
Working capital	USD	Libor + 3.41 to 5.60% p.a.	2017	31,400	**101,798**	31,400	**89,313**
Working capital	USD	3.05–3.91% p.a.	2016	21,891	**26,206**	21,891	**47,492**
Working capital	USD	85–100% CDI	2016	31,390	**79,036**	31,390	**106,183**
FINIMP	USD	Libor + 2.23 to 4.41% p.a.	2016	3,170	**7,266**	3,170	**7,879**
Total					**457,940**		478,620
Current liabilities					**408,396**		386,085
Non-current liabilities					**49,544**		92,535

Schedule of maturities of non-current liabilities:

Year of maturity	Consolidated		Parent company	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
2016	**-**	-	**-**	-
2017	**77,649**	149,957	**31,634**	73,976
2018	**19,430**	20,171	**13,798**	14,433
2019	**7,971**	8,069	**2,272**	2,272
2019 onwards	**18,926**	20,989	**1,840**	1,854
	124,276	199,186	**49,544**	92,535

Loans and financing are guaranteed by promissory notes, interest earning bank deposits, fiduciary assignment of machinery and equipment, and real estate mortgages. The sureties granted by the

Notes to the financial statements

parent company and the sureties granted by the Company to its subsidiaries are described in Note 21 - 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 share 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. In addition to these issues, they determine the maintenance of certain financial ratios: indebtedness (net financial debt/EBITDA) of less than 3.5x; interest coverage ratio (EBITDA/net financial expenses) equal to or greater than 2.75x If the restrictions are not met, creditors may anticipate maturity. All aforementioned ratios are calculated quarterly based on the last 12 months. Agreements with this requirement in default were already stated in current liabilities.

17. 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 second issue, exclusively to qualified investors, and the 3rd issue aimed at banking institutions.

Debentures	Principal (R$)	Issuing Date	Securities in the market	Average interest rate	03/31/2016	12/31/2015
2nd issuance (a)	50,000	09/06/2011	200	DI rate + 2.8%	**7,820**	11,738
3rd Issuance (b)	100,000	06/13/2014	10,000	DI rate + 3.25%	**121,117**	116,125
				Grand total	**128,937**	127,863
				Current liabilities	**95,802**	94,890
				Non-current liabilities	**33,135**	32,973
				Incurred cost transactions	**2,620**	2,620
				Appropriate cost transactions	**1,755**	1,593
				Unearned transaction costs	**865**	1,027

(a) The unit nominal value will be paid in 13 quarterly installments, with a grace period of two years, beginning on August 23, 2013. Debentures have fidejussory guarantees of the Company's subsidiaries in Brazil.

(b) The unit nominal value will be paid in 3 quarterly installments, with a grace period of two years, beginning on June 30, 2016. There is no guarantee.

Covenants

The instrument 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 3.25x (3rd issue) and 3x (2nd issue) and EBITDA/net financial expenses equal to or greater than 2.75x (3rd issue) 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.

Such ratios are duly monitored by management. The 2nd issue contract provides for that the ratios shall be met quarterly, and these ratios have not been met in the current year. However, a waiver from

Notes to the financial statements

financial institutions was obtained in December 2015, with its formalization in the Debentureholders' General Meeting held on February 24, 2016. The 3rd issue contract provides for that the ratios shall be met annually, and these ratios have not been met in the current year. However, a waiver from financial institutions was obtained in the Debentureholders' General Meeting held on December 28, 2015.

As the sums are recognized as current, there was no bookkeeping effect from this adjustment.

18. 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
			03/31/2016	12/31/2015
	Judicial	Deposit deposit (1)	Net	Net
Labor	**37,420**	**6,167**	**31,253**	29,056
Civil	**37,793**	**731**	**37,062**	27,260
Tax	**6,597**	**318**	**6,279**	5,403
	81,810	**7,216**	**74,594**	61,719
Classified in current liabilities	**48,057**			
Classified in the non-current liabilities	**33,753**			

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

Changes in provisions are as follows:

			Consolidated
	Civil and labor	Tax	Total
Balance at December 31, 2015	59,767	6,451	66,218
Provisions formed during the year	**16,193**	**318**	**31,427**
Provisions used during the year	**(747)**	**(172)**	**(15,835)**
Write-off of provision		**-**	**-**
Balance at March 31, 2016	**75,213**	**6,597**	**81,810**

Notes to the financial statements

	Parent company		
	Civil and labor	**Tax**	**Total**
Balance at December 31, 2015	16,107		16,107
Provisions formed during the year	**3,765**	**-**	**3,765**
Provisions used during the year	**(353)**	**-**	**(353)**
Balance at March 31, 2016	**19,519**	**-**	**19,519**

Hunter Douglas

On March 31, 2016 one of the main proceedings recorded by the Company is related to the lawsuit filed by Hunter Douglas NV (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. The subsidiary Taurus Máquinas-Ferramenta Ltda. is a defendant due to the supervening location of the industrial park held with Wotan Máquinas Ltda. in 2004.

Due to a first-instance judgment, subject to appeals, the Company decided to start negotiations, according to Hunter Douglas, which resulted in the 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, acquires the credit of Hunter Douglas N.V. against Wotan Máquinas Ltda. and other rights in the amount of US$ 10,250,000, R$ 31,802. 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.

Carter Case

In the financial statements as of March 31, 2016, the main proceeding provisioned by the Company is related to the signing of a preliminary 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 preliminary agreement results 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 aims 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. The updated deal amount is US$ 21,438,000, relating to insurance expenses, fees and disclosure. Of this total, 58% were accounted for in the short term and 42% in the long term.

Notes to the financial statements

On July 30, 2015, the U.S. District Court for the Southern District of Florida granted the preliminary approval of the agreement in order to end the lawsuit brought against Taurus and its subsidiaries in the United States, Taurus Holdings, Inc. and Taurus International Manufacturing, Inc. (together with Taurus, “Companies”), called Chris Carter v. Forjas Taurus, S.A. et. al.

Under this agreement, the payments made in 2015 totaled US$ 12,438,000. Based on the comments by the Court, facts and circumstances applicable to the lawsuit, the Company’s legal advisors estimated that expenses with attorneys’ fees for the lawsuit may be reassessed from the total US$ 9000 thousand as initially recognized, to US$ 6000 thousand, which would give rise to a US$ 3000 thousand reversal, equal to R$ 10,676.

The draft agreement approved is the result of intense negotiations and, based on the opinion of its US legal advisors, management of Taurus understands that its signing is the most effective measure to end the lawsuit in reference and its possible developments, as well as the one that involves the least financial impact to the Company, avoiding the risks and potential additional adverse effects to which the Company would be exposed in the event of continued litigation.

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
	03/31/2016		12/31/2015		03/31/2016		12/31/2015	
	Possible	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**
Tax	**19,224**	**418**	7,653	418				
Civil	**23,501**	**4,147**	43,928	4,856	**18,679**	**244**	25,257	554
Labor	**36,804**	**5,241**	42,302	3,437	**24,264**	**1,715**	26,774	558
Others	**6,700**	**692**			**6,462**	**310**		
	86,229	**10,498**	93,883	8,711	**49,405**	**2,269**	52,031	1,134

19. Financial instruments

a) <u>Derivatives</u>

The Company and its subsidiaries Taurus Blindagens Ltda. and Taurus Máquinas-Ferramenta Ltda. 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:

Notes to the financial statements

	Consolidated		Parent company	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Derivative financial instruments assets	**554**	6,920	**554**	6,920
Derivative financial instruments liabilities	**(5,452)**	(956)	**(4,326)**	-
	(4,898)	5,964	**(3,772)**	6,920

All the operations with financial instruments are classified and recognized in the financial statements of the Company, as the table below:

		Consolidated			
		03/31/2016		12/31/2015	
Instrument	**Contracting currency referring to the notional amount**	**Notional in thousands**	**Fair value**	**Notional in thousands**	**Fair value**
Swap Fixed x Libor (i)	Dollars American - USD	**5,711**	**(1,126)**	5,711	(956)
Swap Pre x CDI (ii)	Reais - BRL	-	-	-	-
Swap Interest + V.C. USD x CDI + R$ (iii)	Reais - BRL	**100,000**	**(4,326)**	100,000	6,366
Swap + CDI x V.C. USD (ii*i)*	Reais - BRL	**-**	**554**	21,987	554
Non-deliverable forward (export) (iv)	US Dollars - USD	-	-	-	-
Non-deliverable forward (foreign currency debt) (v)	Dollars American - USD	**-**	**-**	-	-
			(4,898)		5,964

(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.

(ii) Conventional swaps of fixed rates related to Real Estate Receivable Certificates (CRIs) in order to link exposure to interest rates to a post-fixed rate in the domestic market.

(iii) Conventional swaps of Interbank Deposits (DI) versus the US dollar, in order to link the debt in Brazilian reais, tied to the DI, to a fixed debt in US Dollar. To that end, the Company has conventional dollar swaps versus DI with the purpose of linking the debt in US Dollars to a debt in Brazilian reais tied to the DI. Such swaps are tied to the debts regarding amounts, terms and cash flow.

(iv) Non-deliverable forwards (export) contracted to hedge a percentage of the export revenue, with a high probability of occurrence against the fluctuation of the US Dollar.

(v) Non-deliverable forward (foreign currency debt) contracted with the purpose of using the hedge instrument as foreign exchange hedging due to effects of fluctuations in exchange rates, financial flow of financing agreements and foreign currency loans.

a) Derivatives - Cont.

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. It is worth highlighting that all contracts at the end of the year 2014 are over the counter market transactions, recorded at CETIP, without any collateral margin or forced early settlement clause due to Mark to Market (MtM) fluctuations.

Notes to the financial statements

Notes to the financial statements

b) Fair value *versus* book value

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

	Consolidated			
	03/31/2016		12/31/2015	
Assets measured at fair value	**Book value**	**Fair value**	**Book value**	**Fair value**
Forward exchange contracts and interest rate swap used to hedge transactions (i)	**554**	**554**	6,920	6,920
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**32,881**	**37,008**	60,312	60,312
Interest earning bank deposits (ii)	**9,741**	**9,741**	-	-
Accounts receivable (iii)	**84,648**	**84,648**	192,076	192,076
	127,270	**131,397**	252,388	252,388
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap used to hedge transactions (i)	**5,452**	**5,452**	-	-
Liabilities measured by the amortized cost				
Loans and financing (iv)	**347,968**	**312,302**	411,842	368,311
Debentures (iv)	**128,937**	**128,311**	127,863	132,423
Foreign exchange advances (iv)	**198,391**	**184,256**	191,948	181,081
Suppliers and receivables (ii) Advance for real estate credits (iv)	**105,495**	**105,495**	135,813	135,813
	780,791	**730,364**	867,466	817,628

Notes to the financial statements

	Parent company			
	03/31/2016		12/31/2015	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets measured at fair value				
Forward exchange contracts and interest rate swap used to hedge transactions (i)	**554**	**554**	6,920	6,920
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**2,176**	**3,438**	15,822	15,822
Interest earning bank deposits (ii)	**6,711**	**-**	-	-
Accounts receivable and other receivables (iii)	**60,252**	**60,252**	71,152	71,152
	69,139	**63,690**	86,974	86,974
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap used to hedge transactions (i)	**4,326**	**4,326**	-	-
Liabilities measured by the amortized cost				
Loans and financing (iv)	**256,356**	**237,410**	285,703	268,800
Debentures (iv)	**128,937**	**128,311**	127,863	132,423
Foreign exchange advances (iv)	**198,391**	**184,256**	191,948	127,578
Suppliers and advance from receivables (ii)	**82,366**	**82,366**	120,044	120,044
	666,050	**632,343**	725,558	648,845

(i) The fair value of forward exchange agreements is based on the listed market price, if available. If a listed market price is not available, fair value is estimated by discounting the difference between the contractual forward price and the current forward price by using a risk-free interest rate (based on government bonds). The fair value of swap contracts is based on brokers' quotations. These quotations are tested for reasonability by estimating discounted future cash flows based on contract conditions and maturities and using market interest rates of similar instruments on the measurement date. Fair values reflect the instrument credit risk and include adjustments to consider the credit risk of the Company's entity and the counterpart, if applicable.

(ii) 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.

(iii) The fair value of accounts receivable and other receivables is estimated as the present value of future cash flows, discounted at the market interest rate on presentation date.

(iv) 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 financial statements. For convertible debt securities, the market interest rate is determined by reference to similar liabilities that do not have a conversion option. For financial leases, the interest rate is calculated by referring to similar lease agreements.

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

20. Related parties

	Balances of subsidiaries outstanding with the parent company						Effect on the result of transactions of subsidiaries with parent company	
	Current assets (iii)	Non-current assets (loans to related parties)	Total assets	Current liabilities (i)	Non-current liabilities	Total liabilities	Income	Expense
December 31, 2015								
Taurus Blindagens Ltda.	-	-	-	41,198 (iv)	-	41,198	-	-
Taurus Holdings, Inc.	-	-	-	58,726	-	58,726	299,544	4,484
Taurus Security Ltda.	-	547	547	-	-	-	-	-
Taurus Investimentos Imobiliários Ltda.	38	-	38	-	-	-	-	5,476
Taurus Máquinas-Ferramenta Ltda.	-	16,792 (iv)	16,792	-	-	-	-	-
Polimetal Metalurgia e Plásticos Ltda.	29,498	45,261 (iv)	74,759	81,974	-	81,974	10,371	136,983
	29,536	62,600	92,136	181,898	-	181,898	309,915	146,943
March 31, 2016								
Taurus Blindagens Ltda.	**440**	-	**440**	**18**	**24,979 (iv)**	**24,997**	-	-
Taurus Blindagens Nordeste Ltda.	**26**	-	**26**	**1**	**14,735 (iv)**	**14,736**		-
Taurus Holdings, Inc.	**4,625**	-	**4,625**	**52,281**	**6,290**	**58,571**	**64,393**	-
Taurus Security Ltda.	-	**547**	**547**	-	-	-	-	-
Taurus Investimentos Imobiliários Ltda.	**649**	-	**649**	**549**	-	**549**	-	**529**
Taurus Máquinas-Ferramenta Ltda.	**4**	**169 (iii)**	**173**	-	-	-	-	-
Polimetal Metalurgia e Plásticos Ltda.	**29,224**	- (iii)	**29,224**	**22,994**	-	**22,994**	**2,171**	**16,107**
	34,968	**716**	**35,684**	**75,843**	**46,004**	**121,847**	**66,564**	**16,636**

(i) Refers to amounts recorded under Suppliers - R$ 22,357, loan of R$ 39,714 and related parties - R$ 13,772.

(ii) Refers to amounts recorded under Trade accounts receivable, R$ 33,376 and Related parties, R$ 1,592.

(iii) Represent loan agreements with the parent company Forjas Taurus S.A., and are restated to 100% of the CDI (Interbank Deposit Certificate).

(iv) Represent loan agreements with subsidiary Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda. are restated to 100% of the CDI (Interbank Deposit Certificate).

Notes to the financial statements

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.

On approval by the Board of Directors' Meeting held on dated January 6, 2016 for a capital increase totaling R$ 11,701,400.00 (eleven million, seven hundred and one thousand and four hundred Brazilian reais) resulting from the exercise by shareholder Companhia Brasileira de Cartuchos - CBC of 7,135,000 (seven million, one hundred and thirty-five thousand) new common shares, under the capital increase ratified by the Special Shareholders' Meeting held on September 29, 2015, the controlling shareholder Companhia Brasileira de Cartuchos - CBC became the holder of 89.55% of common shares outstanding (86.84% on December 31, 2015).

On March 31, 2016, 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 are shown below:

	Current assets	Current liabilities	Income	Expense
Companhia Brasileira de Cartuchos	**572**	**12,510**	**5,567**	**3,843**

<u>Remuneration of Directors and Board Members</u>

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

	Consolidated		Parent company	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Salaries and benefits of statutory directors	**740**	749	**740**	**749**
Remuneration and benefits of the Board of Administration	**75**	139	**75**	**139**
Remuneration and benefits of the Fiscal Council	**122**	108	**122**	**108**
Total	**937**	996	**937**	**996**

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.

Notes to the financial statements

Operations of directors and board members

Directors and board members directly control 0.07% of the Company's voting shares.

Sureties among related parties

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

	03/31/2016	03/31/2015
Polimetal Metalurgia e Plásticos Ltda.	**116,816**	94,633
Forjas Taurus S.A.	**64,692**	71,062
	181,508	165,695

21. Shareholders' equity / Unsecured liability (parent company)

a) Capital

In Board of Directors' Meeting held on 01.06.2016, the capital increase in the amount of R$ 11,701,400.00 (eleven million, seven hundred and one thousand and four hundred reais) was approved, due to the exercise by the shareholder Companhia Brasileira Cartuchos - CBC in 7,135,000 (seven million, center and thirty five thousand) class 1 subscription bonus with the consequent issuance of 7,135,000 new common shares, fully subscribed by the CBC at the issue price R$ 1.64 per share, according to terms and conditions approved under the Company's capital increase approved by the Special Shareholders' Meeting held on September 29, 2015.

In view of such capital increase, the Company's new capital amounted to R$376,436,699.65 (three hundred seventy six million four hundred thirty six thousand six hundred ninety nine reais and sixty five centavos), represented by 47,583,248 (forty seven million five hundred eighty three thousand two hundred forty eight) shares, of which 34,581,627 (thirty four million five hundred eighty one thousand six hundred twenty seven) are common shares and 13,001,621 (thirteen million one thousand six hundred twenty one) are preferred shares, all of which are registered and with no par value. The new common shares entitle to full dividends that may be declared and all other rights and benefits conferred to the other holders of common shares issued by the Company, on equal conditions.

With the approval of the capital increase, Companhia Brasileira de Cartuchos - "CBC" now holds 89.55% of the common shares issued.

Notes to the financial statements

Shareholders who participated in the capital increase received, as an additional advantage, a subscription bonus for each share subscribed, according to the type of share. Subscription bonds will be valid until 01/30/2017 (“Maturity”) and have an exercise price of R$ 1.64 for ordinary and preferred shares.

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 of 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;

(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)

	03/31/2016	03/31/2015
Common shares	**51,851**	51,851
Preferred shares	**103,702**	103,702
	155,553	155,553

Notes to the financial statements

Shares issued and fully paid-in

	Common		Preferred	
	Amount in thousands	**In thousand of reais**	**Amount in thousands**	**In thousand of reais**
March 31, 2015				
CS R$ 4.20 - PS - R$ 3.10*	8,439	35,445	7,705	23,886
March 31, 2016				
CS R$ 1.78 - PS - R$ 1.77*	**34,582**	**61,555**	**13,002**	**23,013**

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

b) Equity valuation adjustments

The reserve for the equity valuation adjustments 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.

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

Basic earnings per share	**03/31/2016**	**03/31/2015**
Loss attributable to shareholders (in thousands of R$)	**(3,267)**	(149,893)
Balance of shares at the end of the year	**47,583,248**	16,144,039
Total shares	**47,583,248**	16,144,039
Earnings per share - Basic (in R$)	**(0.6866)**	(9.2847)

Diluted earnings per share	**03/31/2016**	**03/31/2015**
Loss attributable to shareholders (in thousands of R$)	**(3,267)**	(149,893)
Balance of shares at the end of the year	**47,583,248**	16,144,039
Bonus effect on share subscription*	**54,901**	-
Total shares considered	**47,638,149**	16,144,039
Earnings per share considering the bonus and diluted effect in R$	**(0.06858)**	(9.2847)

*Refers to the effect of share subscription bonds, as described in item "a" of this note.

Notes to the financial statements

d) Capital transactions

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

22. Operating income

Sale of assets

Operating income is recognized when:

(i) There is convincing evidence that the most significant risks and rewards of ownership of the goods have been transferred to the buyer, and there is no continuing involvement with the goods sold;

(ii) It is probable that the financial economic benefits will flow to the entity, and;

(iii) The related costs and potential return of goods can be reliably estimated, there is no continued involvement with the goods sold, and the amount of operating revenue can be reliably measured.

Sales tax

Sales revenues 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**	
	03/31/2016	**03/31/2015**	**03/31/2016**	**03/31/2015**
Sales of goods	**211,474**	204,778	**81,532**	95,840
Rendering of services	**-**	13	**-**	13
Adjustment to present value	**-**	(2,799)	**-**	(887)
Total gross revenue	**211,474**	201,992	**81,532**	94,966
Sales tax	**(24,129)**	(26,226)	**(4,063)**	(8,824)
Refunds and rebates	**(1,807)**	(2,228)	**(180)**	(1,723)
Total net operating revenue	**185,538**	173,538	**77,289**	84,419

Notes to the financial statements

23. Financial income and expenses

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	
	03/31/2016	**03/31/2015**	**03/31/2016**	**03/31/2015**
Financial expenses				
Interest	**(17,696)**	**(16,238)**	**(16,139)**	(13,840)
Exchange variation	**-**	**(78,916)**	**-**	(71,921)
IOF	**(461)**	**(389)**	**(365)**	(17)
Swap on financial operations	**(5,480)**	**(8,068)**	**(5,227)**	(8,068)
Adjustment to present value	**-**	**(1,744)**	**-**	(1,499)
Other expenses	**(1,665)**	**(1,255)**	**(1,012)**	(116)
	(25,302)	**(106,610)**	**(22,743)**	(95,461)
Financial income				
Interest	**127**	**1,896**	**1,832**	2,484
Exchange variation	**43,018**	**17,092**	**39,167**	16,519
Swap on financial operations	**836**	**15,656**	**836**	15,654
Adjustment to present value	**-**	**2,487**	**-**	874
Other income	**1,156**	**1,153**	**2**	33
	45,137	**38,284**	**41,837**	35,564
Net financial income (loss)	**19,835**	**(68,326)**	**19,094**	(59,897)

Notes to the financial statements

24. Expenses per type

	Consolidated		Parent company	
	03/31/2016	**03/31/2015**	**03/31/2016**	**03/31/2015**
Expenses according to the role				
Cost of products sold	**(139,235)**	(138,378)	**(47,380)**	(64,836)
Sales expenses	**(24,445)**	(22,245)	**(4,558)**	(7,817)
General and administrative expenses	**(40,941)**	(18,656)	**(20,792)**	(7,355)
Other operating expenses	**(6,267)**	(73,024)	**(1,481)**	(3,651)
	(210,888)	(252,303)	**(74,211)**	(83,659)
Expenses per type				
Depreciation and amortization	**(11,963)**	(8,503)	**(1,670)**	(2,607)
Personnel expenses	**(80,003)**	(60,302)	**(18,361)**	(28,564)
Judicial claims	**(3,013)**	(663)	**(353)**	(504)
Raw materials and use and consumption materials	**(42,862)**	(66,757)	**(33,793)**	(16,404)
Freight fees and commissions	**(6,633)**	(9,712)	**(304)**	(3,442)
Third party services	**(11,703)**	(6,119)	**(6,055)**	(16,944)
Advertising and publicity	**(4,623)**	(4,183)	**(12)**	(300)
Allowance for doubtful accounts	**-**	-	**-**	-
Amortization of intangible assets	**-**	-	**-**	-
Abnormal fixed costs	**-**	-	**-**	-
Expenses with product warranty	**(2,992)**	(3,539)	**(1,605)**	(2,214)
Water and electricity	**(3,622)**	(3,465)	**(792)**	(1,874)
Rents	**(2,386)**	(143)	**(582)**	(1,556)
Travel and accommodation	**(1,852)**	(424)	**(1,095)**	(423)
Idle capacity	**-**	(706)	**-**	(706)
Insurance expenses	**(4,858)**	(2,414)	**(2,344)**	(365)
Cost of write-off property, plant and equipment	**(4,124)**	-	**(1,481)**	-
Losses in the production process	**-**	(2,621)	**-**	(2,502)
Employee profit sharing	**-**	(5,629)	**-**	(4,303)
Provision for contingencies	**(3,682)**	(67,307)	**(3,682)**	-
Provision for losses with securities - Renill	**-**	(1,117)	**-**	-
Other expenses	**(26,572)**	(8,699)	**(2,082)**	(952)
	(210,888)	(252,303)	**(74,211)**	(83,659)

25. Cost of products sold

	Consolidated		Parent company	
	03/31/2016	**03/31/2015**	**03/31/2016**	**03/31/2015**
Cost of allocated and sold products	**139,235**	132,748	**47,380**	60,533
Costs not allocated	**-**	5,630	**-**	4,303
Total cost of products sold	**139,235**	138,378	**47,380**	64,836

Unallocated costs are represented by unusual values or indirect production costs eventually not allocated to products, mainly related to low production volume, directly recorded in income (loss) for the period in which they occur in a separate account of cost of goods sold.

Notes to the financial statements

26. 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 March 2016, insurance coverage for the Company was as follows:

	03/31/2016	
	Consolidated	**Parent company**
Material damages	**424,068**	**33,789**
Civil liability	**226,050**	**8,000**
Loss of profit	**5,841**	**-**

27. Provision for product warranty

The company provides a product warranty of one year to the buyer. In some specific cases, the warranty is lifetime. 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, 2016 and 2015, the balances are shown as follow:

	Consolidated		Parent company	
	03/31/2016	**12/31/2015**	**03/31/2016**	**12/31/2015**
Domestic market	**7,054**	7,054	**5,586**	5,586
Foreign market	**10,228**	11,079	**1,477**	1,477
Total	**17,282**	18,133	**7,063**	7,063
Current liabilities	**12,525**	12,913	**7,063**	7,063
Non-current liabilities	**4,757**	5,220	**-**	-

Opinions and Statements / Special Review Report - Unqualified

Forjas Taurus S.A. - 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, 2016, which comprise the balance sheet on March 31, 2016 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 CPC 21 (R1) and with 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 these 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 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.

Other issues

Statements of added value

We also reviewed the individual and consolidated value-added statements for the quarter ended on March 31, 2016, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities and Exchange Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, 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 the individual and consolidated interim financial information taken as a whole.

Porto Alegre, May 12, 2016.

KPMG Auditores Independentes

CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

Opinions and Statements / Fiscal Council opinion or equivalent body

Fiscal council opinion

The Board of Inspectors of Forjas Taurus S.A. In compliance with legal and statutory provisions, reviewed the information regarding the first quarter of 2016. Based on this review and on information contained in the Quarterly Information Review Report, issued without qualifications by KPMG Auditores Independentes and dated May 12, 2016, in addition to information and explanations received from the Company’s management, it represents that the mentioned documents are appropriate for disclosure.

Porto Alegre, May 12, 2016.

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 2016

Messrs. Marco Aurélio Salvany, Thiago Piovesan and Salésio Nuhs, Directors of Forjas Taurus S.A., a company with head office at Avenida São Borja, 2181/Prédio A, Postal Code: 93032-000, São Leopoldo, RS, enrolled in the corporate taxpayers' registry (CNPJ/MF) under number 92.781.335/0001-02, as provided in sections V and VI, article 25, CVM Instruction no. 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, 2016 to March 31, 2016.

Porto Alegre, May 12, 2016.

Marco Aurélio Salvany

CEO

Thiago Piovesan

Administrative and Financial Director Vice-President

Investor Relations Director

Salésio Nuhs

Director Vice-President of Sales and Marketing

Opinions and Statements / Statement of the Executive Officers on the Independent auditors' report

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

Messrs. Marco Aurélio Salvany, Thiago Piovesan and Salésio Nuhs, Directors of Forjas Taurus S.A., a company with head office at Avenida São Borja, 2181/Prédio A, Postal Code: 93032-000, São Leopoldo, RS, enrolled in the corporate taxpayers' registry (CNPJ/MF) under number 92.781.335/0001-02, as provided in sections V and VI, article 25, CVM Instruction no. 480, dated December 7, 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 1, 2016 to March 31, 2016, issued on May 12, 2016.

Porto Alegre, May 12, 2016.

Marco Aurélio Salvany

CEO

Thiago Piovesan

Administrative and Financial Director Vice-President

Investor Relations Director

Salésio Nuhs

Director Vice-President of Sales and Marketing