# Contents

## Company information / Capital breakdown

| Number of shares (Units) | Current quarter 06/30/2013 |
|---|---|
| **Paid-up capital** | |
| **Common** | 47,137,539 |
| **Preferred** | 94,275,078 |
| **Total** | 141,412,617 |
| **Treasury stock** | |
| **Common** | 2,827,206 |
| **Preferred** | 9,608,901 |
| **Total** | 12,436,107 |

## Individual financial statements / Balance sheet – Assets

## (In thousands of reais)

| Account code | Account description | Current quarter 06/30/2013 | Prior year 12/31/2012 |
|---|---|---:|---:|
| 1 | Total assets | 873,023 | 830,323 |
| 1.01 | Current assets | 353,317 | 347,943 |
| 1.01.01 | Cash and cash equivalents | 94,368 | 101,560 |
| 1.01.01.01 | Cash and banks | 8,382 | 4,680 |
| 1.01.01.02 | Short-term investments | 85,986 | 96,880 |
| 1.01.03 | Accounts receivable | 51,181 | 57,803 |
| 1.01.03.01 | Customers | 51,181 | 57,803 |
| 1.01.04 | Inventories | 105,284 | 103,951 |
| 1.01.06 | Taxes recoverable | 30,608 | 29,567 |
| 1.01.06.01 | Current taxes recoverable | 30,608 | 29,567 |
| 1.01.07 | Prepaid expenses | 1,267 | 2,368 |
| 1.01.08 | Other current assets | 70,609 | 52,694 |
| 1.01.08.03 | Other | 70,609 | 52,694 |
| 1.01.08.03.01 | Financial instruments | 46,291 | 32,925 |
| 1.01.08.03.03 | Other receivables | 24,318 | 19,769 |
| 1.02 | Non-current assets | 519,706 | 482,380 |
| 1.02.01 | Long-term receivables | 135,727 | 118,655 |
| 1.02.01.08 | Receivable from related parties | 132,126 | 114,580 |
| 1.02.01.08.04 | Receivables from other related parties | 132,126 | 114,580 |
| 1.02.01.09 | Other non-current assets | 3,601 | 4,075 |
| 1.02.01.09.03 | Taxes recoverable | 1,104 | 1,645 |
| 1.02.01.09.04 | Other | 2,497 | 2,430 |
| 1.02.02 | Investments | 318,325 | 296,559 |
| 1.02.02.01 | Equity interest | 318,325 | 296,559 |
| 1.02.02.01.02 | Investments in subsidiaries | 318,135 | 296,369 |
| 1.02.02.01.04 | Other investments | 190 | 190 |
| 1.02.03 | Property, plant and equipment | 61,027 | 62,334 |
| 1.02.03.01 | Property, plant and equipment in use | 54,504 | 54,980 |
| 1.02.03.03 | Construction in progress | 6,523 | 7,354 |
| 1.02.04 | Intangible asset | 4,627 | 4,832 |
| 1.02.04.01 | Intangible assets | 4,627 | 4,832 |

## Individual financial statements / Balance sheet – Liabilities and equity

## (In thousands of reais)

| Account code | Account description | Current quarter 06/30/2013 | Prior year 12/31/2012 |
|---|---|---|---|
| 2 | Total liabilities | 873,023 | 830,323 |
| 2.01 | Current liabilities | 502,513 | 501,569 |
| 2.01.01 | Social and labor liabilities | 17,800 | 16,506 |
| 2.01.01.01 | Social security obligations | 3,074 | 3,200 |
| 2.01.01.02 | Labor obligations | 14,726 | 13,306 |
| 2.01.02 | Trade accounts payable | 49,860 | 40,742 |
| 2.01.02.01 | Domestic suppliers | 47,927 | 38,787 |
| 2.01.02.02 | Foreign suppliers | 1,933 | 1,955 |
| 2.01.03 | Tax liabilities | 3,755 | 7,065 |
| 2.01.03.01 | Federal tax obligations | 2,695 | 2,202 |
| 2.01.03.01.01 | Income and social contribution tax payable | 2,695 | 2,202 |
| 2.01.03.02 | State tax obligations | 1,055 | 4,856 |
| 2.01.03.03 | Municipal tax obligations | 5 | 7 |
| 2.01.04 | Loans and financing | 410,810 | 388,811 |
| 2.01.04.01 | Loans and financing | 330,918 | 294,113 |
| 2.01.04.01.01 | In local currency (BRL) | 130,337 | 114,281 |
| 2.01.04.01.02 | In foreign currency | 200,581 | 179,832 |
| 2.01.04.02 | Debentures | 79,892 | 94,698 |
| 2.01.05 | Other payables | 16,819 | 44,976 |
| 2.01.05.02 | Other | 16,819 | 44,976 |
| 2.01.05.02.01 | Dividends and interest on equity payable | 9 | 7,040 |
| 2.01.05.02.05 | Foreign exchange payable | 0 | 5,128 |
| 2.01.05.02.06 | Derivative financial instruments | 0 | 6,576 |
| 2.01.05.02.07 | Other payables | 16,810 | 26,232 |
| 2.01.06 | Provisions | 3,469 | 3,469 |
| 2.01.06.01 | Tax, social security, labor and civil provisions | 3,469 | 3,469 |
| 2.01.06.01.02 | Social security and labor provisions | 3,469 | 3,469 |
| 2.02 | Non-current liabilities | 165,697 | 126,974 |
| 2.02.01 | Loans and financing | 116,294 | 88,970 |
| 2.02.01.01 | Loans and financing | 116,294 | 88,970 |
| 2.02.01.01.01 | In local currency (BRL) | 51,391 | 58,153 |
| 2.02.01.01.02 | In foreign currency | 64,903 | 30,817 |
| 2.02.02 | Other payables | 39,722 | 35,268 |
| 2.02.02.02 | Other | 39,722 | 35,268 |
| 2.02.02.02.03 | Taxes payable | 1,602 | 0 |
| 2.02.02.02.04 | Provision for capital dificiency | 32,565 | 29,456 |
| 2.02.02.02.05 | Other Payables | 5,555 | 5,812 |
| 2.02.03 | Deferred taxes | 9,293 | 2,348 |
| 2.02.03.01 | Deferred income and social contribution taxes | 9,293 | 2,348 |
| 2.02.04 | Provisions | 388 | 388 |
| 2.02.04.01 | Tax, social security, labor and civil provisions | 388 | 388 |
| 2.02.04.01.01 | Tax provisions | 388 | 388 |
| 2.03 | Equity | 204,813 | 201,780 |
| 2.03.01 | Realized capital | 257,797 | 257,797 |
| 2.03.02 | Capital reserves | -73,891 | -73,891 |
| 2.03.02.05 | Treasury stock | -32,895 | -32,895 |

## Individual financial statements / Balance sheet – Liabilities and equity

## (In thousands of reais)

| Account code | Account description | Current quarter 06/30/2013 | Prior year 12/31/2012 |
|---|---|---|---|
| 2.03.02.09 | Capital transactions | -40,996 | -40,996 |
| 2.03.04 | Profit reserves | 0 | 321 |
| 2.03.04.08 | Proposed additions dividends | 0 | 321 |
| 2.03.05 | Accumulated profit/loss | -30,814 | -20,604 |
| 2.03.06 | Equity valuation adjustments | 37,748 | 37,773 |
| 2.03.07 | Accumulated translation adjustments | 13,973 | 384 |

# Individual financial statements / Income statement

## (In thousands of reais)

| Account code | Account description | Current quarter 04/01/2013 to 06/30/2013 | YTD 01/01/2013 to 06/30/2013 | Same prior-year period 04/01/2012 to 06/30/2012 | Prior-year accrued 01/01/2012 to 06/30/2012 |
|---|---|---|---|---|---|
| 3.01 | Revenue from sale of products and/or services | 98,553 | 176,532 | 111,296 | 185.274 |
| 3.02 | Cost of goods sold and/or services rendered | -81,209 | -144,929 | -81,908 | -142,009 |
| 3.03 | Gross profit | 17,344 | 31,603 | 29,388 | 43,265 |
| 3.04 | Operating income/expenses | -15,792 | -9,317 | 1,025 | 7,390 |
| 3.04.01 | Selling expenses | 8,080 | -14,110 | -8,496 | -15.630 |
| 3.04.02 | General and administrative expenses | -8,562 | -16,421 | -7,618 | -15,586 |
| 3.04.04 | Other operating income | 1,718 | 1,764 | 108 | 606 |
| 3.04.05 | Other operating expenses | -1,413 | -2,158 | -1,186 | -2.524 |
| 3.04.06 | Equity results | 545 | 21,608 | 18,217 | 40,524 |
| 3.05 | Income before financial income and taxes | 1,552 | 22,286 | 30,413 | 50,655 |
| 3.06 | Financial income (expenses) | -16,629 | -27,039 | -17,385 | -18.865 |
| 3.06.01 | Financial income | 25,925 | 36,667 | 17,439 | 61.855 |
| 3.06.02 | Financial expenses | -42,554 | -63,706 | -34,824 | -80.720 |
| 3.07 | Income before income taxes | -15,077 | -4,753 | 13,028 | 31,790 |
| 3.08 | Income and social contribution taxes | -5,318 | -6,448 | -920 | -2.375 |
| 3.08.02 | Deferred | -5,318 | -6448 | -920 | -2.375 |
| 3.09 | Net income from continued operations | -20,395 | -11,201 | 12,108 | 29,415 |
| 3.10 | Net income/loss from discontinued operations | 0 | 0 | -127,050 | -132,216 |
| 3.11 | Income (loss) for the period | -20,395 | -11,201 | -114,942 | -102,801 |
| 3.99 | Earnings per share – (Reais/Share) | | | | |
| 3.99.1 | Basic earnings per share | | | | |
| 3.99.01.01 | Common shares | -0.14422 | -0.07921 | 0.81281 | -0.72696 |
| 3.99.01.02 | Preferred shares | -0.14422 | 0.07921 | 0.81281 | 0.72696 |
| 3.99.2 | Diluted earnings per share | | | | |
| 3.99.02.01 | Common shares | -0.14422 | 0.07921 | 0.81281 | 0.72696 |
| 3.99.02.02 | Preferred shares | -0.14422 | 0,07921 | 0.81281 | 0.72696 |

# Individual financial statements / Statement of comprehensive income

## (In thousands of reais)

| Account code | Account description | Current quarter 01/04/2013 to 06/30/2013 | YTD 01/01/2013 to 06/30/2013 | Same prior-year period 04/01/2012 to 06/30/2012 | Prior-year accrued 01/01/2012 to 06/30/2012 |
|---|---|---|---|---|---|
| 4.01 | Net income for the period | -20,395 | -11,201 | -114,942 | -102,801 |
| 4.02 | Other comprehensive income | 15,663 | 14,555 | 9,929 | 6,795 |
| 4.02.01 | Translation adjustments for the period | 15,663 | 13,589 | 13,187 | 10,053 |
| 4.02.03 | Adjustments to financial instruments | 0 | 966 | -3,258 | -3,258 |
| 4.03 | Comprehensive income for the period | -4,732 | 3,354 | -105,013 | -96,006 |

# Individual financial statements / Cash flow statement – Indirect method

## (In thousands of reais)

| Account code | Account description | YTD 01/01/2013 to 06/30/2013 | YTD 01/01/2012 to 06/30/2012 |
|---|---|---|---|
| 6.01 | Net cash from operating activities | 7,262 | 18,244 |
| 6.01.01 | Cash from operations | -78 | -5,132 |
| 6.01.01.01 | Net income for the year before income and social contribution taxes | -4,753 | -100,426 |
| 6.01.01.02 | Depreciation and amortization | 5,958 | 5,839 |
| 6.01.01.03 | Cost of permanent assets written off | 275 | 664 |
| 6.01.01.05 | Equity pickup | -21,608 | -40,524 |
| 6.01.01.06 | Provision for derivative financial instruments | -16,517 | -20,007 |
| 6.01.01.07 | Equity pickup – discontinued operations | 0 | 132,216 |
| 6.01.01.08 | Change in investment in subsidiaries | 389 | 76 |
| 6.01.01.09 | Allowance for doubtful accounts | 15 | -88 |
| 6.01.01.10 | Provision for interest on loans and financing | 34,659 | 17,118 |
| 6.01.01.12 | Provision for contingencies | 1,504 | 0 |
| 6.01.02 | Asset and liability variations | -9,660 | 23,376 |
| 6.01.02.01 | Decrease in customers | 6,607 | 50,904 |
| 6.01.02.02 | (Increase) in inventories | -1,333 | -7,226 |
| 6.01.02.03 | Decrease in other accounts receivable | -4,490 | -25,011 |
| 6.01.02.04 | Decrease/increase in suppliers | 8,860 | 14,050 |
| 6.01.02.05 | Decrease in accounts payable and provisions | -19,304 | -9,341 |
| 6.01.03 | Other | 17,000 | 0 |
| 6.01.03.01 | Profits and dividends received from subsidiaries | 17,000 | 0 |
| 6.02 | Net cash used in investing activities | -22,641 | -31,992 |
| 6.02.01 | Receivables from related companies | -17,546 | -18,246 |
| 6.02.02 | Other long-term receivables | 474 | -6,613 |
| 6.02.03 | In investments | -848 | -990 |
| 6.02.04 | In property, plant and equipment | -4,547 | -5,836 |
| 6.02.05 | In intangible assets | -174 | -307 |
| 6.03 | Net cash from financing activities | 8,187 | 6,632 |
| 6.03.01 | Payment of interest on equity and dividends | -7,351 | -12,104 |
| 6.03.02 | Loans raised | 115,837 | 128,267 |
| 6.03.03 | Loans repayment | -83,860 | -95,351 |
| 6.03.04 | Payment of interest on loans | -16,439 | -14,180 |
| 6.05 | Increase/decrease in cash and cash equivalents | -7,192 | -7,116 |
| 6.05.01 | Opening balance of cash and cash equivalents | 101,560 | 71,320 |
| 6.05.02 | Closing balance of cash and cash equivalents | 94,368 | 64,204 |

# Individual financial statements / Statement of changes in equity – 01/01/2013 to 06/30/2013

## (In thousands of reais)

| Account code | Account description | Paid-up capital | Capital reserves, options granted and treasury stock | Income reserve | Retained earnings / accumulated losses | Other comprehensive Income/losses | Equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 257,797 | -73,891 | 321 | -20,604 | 38,157 | 201,780 |
| 5.03 | Adjusted opening balances | 257,797 | -73,891 | 321 | -20,604 | 38,157 | 201,780 |
| 5.04 | Capital transactions with shareholders | 0 | 0 | -321 | 0 | 0 | -321 |
| 5.04.06 | Dividends | 0 | 0 | -321 | 0 | 0 | -321 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | -10,210 | 31,564 | -3,354 |
| 5.05.01 | Net income for the period | 0 | 0 | 0 | -11,201 | 0 | -11,201 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 991 | 13,564 | 14,555 |
| 5.05.02.01 | Adjustments to financial instruments | 0 | 0 | 0 | 0 | 966 | 966 |
| 5.05.02.04 | Translation adjustments for the period | 0 | 0 | 0 | 0 | 13,589 | 13,589 |
| 5.05.02.06 | Realization of equity valuation adjustments | 0 | 0 | 0 | 991 | -991 | 0 |
| 5.07 | Closing balances | 257,797 | -73,891 | 0 | -30,814 | 51,721 | 204,813 |

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

## (In thousands of reais)

| Account code | Account description | Paid-up capital | Capital reserves, options granted and treasury stock | Income reserve | Retained earnings / accumulated losses | Other comprehensive Income/losses | Equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 257,797 | -73,891 | 107,765 | 0 | 33,664 | 325,335 |
| 5.03 | Adjusted opening balances | 257,797 | -73,891 | 107,765 | 0 | 33,664 | 325,335 |
| 5.04 | Capital transactions with shareholders | 0 | 0 | -469 | 0 | 0 | -469 |
| 5.04.08 | Non-controlling shareholders | 0 | 0 | -469 | 0 | 0 | -469 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | -98,930 | 2,924 | -96,006 |
| 5.05.01 | Net income for the period | 0 | 0 | 0 | -102,801 | 0 | -102,801 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 3,871 | 2,924 | 6,795 |
| 5.05.02.01 | Adjustments to financial instruments | 0 | 0 | 0 | 0 | -3,258 | -3,258 |
| 5.05.02.04 | Translation adjustments for the period | 0 | 0 | 0 | 0 | 10,053 | 10,053 |
| 5.05.02.06 | Realization of equity valuation adjustments | 0 | 0 | 0 | 3,871 | -3,871 | 0 |
| 5.06 | Internal changes in equity | 0 | 0 | -98,930 | 98,930 | 0 | 0 |
| 5.06.01 | Setting up of reserves | 0 | 0 | -98,930 | 98,930 | 0 | 0 |
| 5.07 | Closing balances | 257,797 | -73,891 | 8,366 | 0 | 36,588 | 228,860 |

## Individual financial statements / Statements of value added

## (In thousands of reais)

| Account code | Account description | YTD 01/01/2013 to 06/30/2013 | Prior-year accrued 01/01/2012 to 06/30/2012 |
|---|---|---|---|
| 7.01 | Revenues | 189,112 | 218,162 |
| 7.01.01 | Sales of goods, products and services | 187,362 | 217,468 |
| 7.01.02 | Other income | 1,765 | 606 |
| 7.01.04 | Set up/reversal of allowance for doubtful accounts | -15 | 88 |
| 7.02 | Input products acquired from third parties | -115,384 | -136,778 |
| 7.02.01 | Cost of products, goods and services sold | -55,209 | -72,225 |
| 7.02.02 | Materials, energy, third-party services and others | -60,175 | -64,553 |
| 7.03 | Gross value added | 73,728 | 81,384 |
| 7.04 | Retentions | -5,958 | -5,839 |
| 7.04.01 | Depreciation, amortization and exhaustion | -5,958 | -5,839 |
| 7.05 | Net value added produced by the entity | 67,770 | 75,545 |
| 7.06 | Value added received in transfer | 58,275 | -29,837 |
| 7.06.01 | Equity results | 21,608 | 40,524 |
| 7.06.02 | Financial income | 36,667 | 61,855 |
| 7.06.03 | Other | 0 | -132,216 |
| 7.06.03.01 | Income from discontinued operations | 0 | -132,216 |
| 7.07 | Total value added to be distributed | 126,045 | 45,708 |
| 7.08 | Distribution of value added | 126,045 | 45,708 |
| 7.08.01 | Personnel | 46,934 | 49,745 |
| 7.08.01.01 | Direct remuneration | 37,617 | 36,637 |
| 7.08.01.02 | Benefits | 6,393 | 10,279 |
| 7.08.01.03 | Unemployment compensation fund (FGTS) | 2,924 | 2,829 |
| 7.08.02 | Taxes, fees and contributions | 19,530 | -3,166 |
| 7.08.02.01 | Federal | 14,223 | -250 |
| 7.08.02.02 | State | 5,148 | -3,041 |
| 7.08.02.03 | Municipal | 159 | 125 |
| 7.08.03 | Remuneration of third-party capital | 70,782 | 101,930 |
| 7.08.03.01 | Interest | 63,639 | 80,711 |
| 7.08.03.02 | Rents | 2,866 | 2,969 |
| 7.08.03.03 | Other | 4,277 | 18,250 |
| 7.08.04 | Equity remuneration | -11,201 | -102,801 |
| 7.08.04.03 | Retained earnings (accumulated losses) for the period | -11,201 | -102,801 |

## Consolidated financial statements / Balance sheet - Assets

## (In thousands of reais)

| Account code | Account description | Current quarter 06/30/2013 | Prior year 12/31/2012 |
|---|---|---:|---:|
| 1 | Total assets | 1,266,863 | 1,114,304 |
| 1.01 | Current assets | 854,986 | 702,275 |
| 1.01.01 | Cash and cash equivalents | 337,113 | 180,781 |
| 1.01.01.01 | Cash and banks | 189,766 | 28,944 |
| 1.01.01.02 | Short-term investments | 147,347 | 151,837 |
| 1.01.03 | Accounts receivable | 180,427 | 148,847 |
| 1.01.03.01 | Customers | 180,427 | 148,847 |
| 1.01.04 | Inventories | 214,426 | 261,527 |
| 1.01.06 | Taxes recoverable | 40,123 | 39,428 |
| 1.01.06.01 | Current taxes recoverable | 40,123 | 39,428 |
| 1.01.07 | Prepaid expenses | 6,701 | 9,086 |
| 1.01.08 | Other current assets | 76,196 | 62,606 |
| 1.01.08.03 | Other | 76,196 | 62,606 |
| 1.01.08.03.01 | Derivative financial instruments | 46,548 | 33,513 |
| 1.01.08.03.02 | Other accounts receivable | 29,648 | 29,093 |
| 1.02 | Non-current assets | 411,877 | 412,029 |
| 1.02.01 | Long-term receivables | 49,055 | 56,470 |
| 1.02.01.06 | Deferred taxes | 40,477 | 44,049 |
| 1.02.01.06.01 | Deferred income and social contribution taxes | 40,477 | 44,049 |
| 1.02.01.09 | Other non-current assets | 8,608 | 12,421 |
| 1.02.01.09.03 | Taxes recoverable | 3,581 | 4,925 |
| 1.02.01.09.04 | Other | 5,027 | 7,496 |
| 1.02.02 | Investments | 15,966 | 15,893 |
| 1.02.02.01 | Equity interest | 15,966 | 15,893 |
| 1.02.02.01.01 | Investments in affiliates | 15,616 | 15,543 |
| 1.02.02.01.04 | Other investments | 350 | 350 |
| 1.02.03 | Property, plant and equipment | 280,692 | 278,485 |
| 1.02.03.01 | Property, plant and equipment in use | 268,418 | 253,932 |
| 1.02.03.03 | Construction in progress | 12,274 | 24,553 |
| 1.02.04 | Intangible asset | 66,164 | 61,181 |
| 1.02.04.01 | Intangible assets | 66,164 | 61,181 |

## Consolidated financial statements / Balance sheet – Liabilities and equity

## (In thousands of reais)

| Account code | Account description | Current quarter 06/30/2013 | Prior year 12/31/2012 |
|---|---|---|---|
| 2 | Total liabilities | 1,266,863 | 1,114,304 |
| 2.01 | Current liabilities | 720,214 | 638,513 |
| 2.01.01 | Social and labor liabilities | 29,569 | 27,263 |
| 2.01.01.01 | Social security obligations | 6,466 | 6,513 |
| 2.01.01.02 | Labor obligations | 23,103 | 20,750 |
| 2.01.02 | Trade accounts payable | 28,069 | 34,958 |
| 2.01.02.01 | Domestic suppliers | 19,837 | 22,349 |
| 2.01.02.02 | Foreign suppliers | 8,232 | 12,609 |
| 2.01.03 | Tax liabilities | 21,754 | 24,631 |
| 2.01.03.01 | Federal tax obligations | 17,098 | 15,482 |
| 2.01.03.01.01 | Income and social contribution tax payable | 13,886 | 12,088 |
| 2.01.03.01.02 | Other taxes | 3,212 | 3,394 |
| 2.01.03.02 | State tax obligations | 4,642 | 9,119 |
| 2.01.03.03 | Municipal tax obligations | 14 | 30 |
| 2.01.04 | Loans and financing | 445,252 | 417,253 |
| 2.01.04.01 | Loans and financing | 365,360 | 322,555 |
| 2.01.04.01.01 | In local currency (BRL) | 159,093 | 138,787 |
| 2.01.04.01.02 | In foreign currency | 206,267 | 183,768 |
| 2.01.04.02 | Debentures | 79,892 | 94,698 |
| 2.01.05 | Other payables | 186,568 | 129,052 |
| 2.01.05.02 | Other | 186,568 | 129,052 |
| 2.01.05.02.01 | Dividends and interest on equity payable | 9 | 7,040 |
| 2.01.05.02.04 | Derivative financial instruments | 692 | 7,750 |
| 2.01.05.02.05 | Foreign exchange payable | 0 | 5,128 |
| 2.01.05.02.06 | Advance on real estate credits | 24,365 | 28,711 |
| 2.01.05.02.07 | Other accounts payable | 0 | 10,100 |
| 2.01.05.02.08 | Advance on receivables | 128,839 | 26,375 |
| 2.01.05.02.09 | Other payables | 32,663 | 43,948 |
| 2.01.06 | Provisions | 9,002 | 5,356 |
| 2.01.06.01 | Tax, social security, labor and civil provisions | 6,742 | 4,507 |
| 2.01.06.01.02 | Social security and labor provisions | 6,742 | 4,507 |
| 2.01.06.02 | Other provisions | 2,260 | 849 |
| 2.01.06.02.01 | Provision for guarantees | 2,260 | 849 |
| 2.02 | Non-current liabilities | 341,836 | 274,011 |
| 2.02.01 | Loans and financing | 309,583 | 255,485 |
| 2.02.01.01 | Loans and financing | 309,583 | 255,485 |
| 2.02.01.01.01 | In local currency (BRL) | 146,248 | 133,826 |
| 2.02.01.01.02 | In foreign currency | 163,335 | 121,659 |
| 2.02.02 | Other payables | 10,782 | 10,098 |
| 2.02.02.02 | Other | 10,782 | 10,098 |
| 2.02.02.02.04 | Taxes payable | 5,217 | 4,276 |
| 2.02.02.02.05 | Other payables | 5,565 | 5,882 |
| 2.02.03 | Deferred taxes | 18,825 | 5,777 |
| 2.02.03.01 | Deferred income and social contribution taxes | 18,825 | 5,777 |

## Consolidated financial statements / Balance sheet – Liabilities and equity

## (In thousands of reais)

| Account code | Account description | Current quarter 06/30/2013 | Prior year 12/31/2012 |
|---|---|---|---|
| 2.02.04 | Provisions | 2,646 | 2,651 |
| 2.02.04.01 | Tax, social security, labor and civil provisions | 2,646 | 2,651 |
| 2.02.04.01.01 | Tax provisions | 2,469 | 2,469 |
| 2.02.04.01.02 | Social security and labor provisions | 177 | 182 |
| 2.03 | Consolidated equity | 204,813 | 201,780 |
| 2.03.01 | Realized capital | 257,797 | 257,797 |
| 2.03.02 | Capital reserves | -73,891 | -73,891 |
| 2.03.02.05 | Treasury stock | -32,895 | -32,895 |
| 2.03.02.09 | Capital transactions | -40,996 | -40,996 |
| 2.03.04 | Profit reserves | 0 | 321 |
| 2.03.04.06 | Special reserve for undistributed dividends | 0 | 321 |
| 2.03.05 | Accumulated profit/loss | -30,814 | -20,604 |
| 2.03.06 | Equity valuation adjustments | 37,748 | 37,773 |
| 2.03.07 | Accumulated translation adjustments | 13,973 | 384 |

# Consolidated financial statements / Income statement

## (In thousands of reais)

| Account code | Account description | Current quarter 04/01/2013 to 06/30/2013 | YTD 01/01/2013 to 06/30/2013 | Same prior-year period 01/04/2012 à 30/06/2012 | Prior-year accrued 01/01/2012 to 06/30/2012 |
|---|---|---|---|---|---|
| 3.01 | Revenue from sale of products and/or services | 203,884 | 432,579 | 175,393 | 353,757 |
| 3.02 | Cost of goods sold and/or services rendered | -143,384 | -294,128 | -101,525 | -213,740 |
| 3.03 | Gross profit | 60,500 | 138,451 | 73,868 | 140,017 |
| 3.04 | Operating income/expenses | -52,191 | -93,109 | -36,357 | -72,140 |
| 3.04.01 | Selling expenses | -29,767 | -51,975 | -21,659 | -43,027 |
| 3.04.02 | General and administrative expenses | -20,212 | -37,078 | -13,874 | -27,882 |
| 3.04.04 | Other operating income | 4,789 | 6,302 | 1,023 | 2,418 |
| 3.04.05 | Other operating expenses | -7,001 | -10,431 | -2,111 | -4,362 |
| 3.04.06 | Equity results | 0 | 73 | 264 | 713 |
| 3.05 | Income before financial income and taxes | 8,309 | 45,342 | 37,511 | 67,877 |
| 3.06 | Financial income (expenses) | -19,006 | -32,032 | -17,957 | -19,893 |
| 3.06.01 | Financial income | 30,201 | 44,042 | 20,476 | 67,065 |
| 3.06.02 | Financial expenses | -49,207 | -76,074 | -38,433 | -86,958 |
| 3.07 | Income before income taxes | -10,697 | 13,310 | 19,554 | 47,984 |
| 3.08 | Income and social contribution taxes | -9,698 | -24,511 | -7,446 | -18,569 |
| 3.08.01 | Current | -5,196 | -14,811 | -6,017 | -12,729 |
| 3.08.02 | Deferred | -4,502 | -9,700 | -1,429 | -5,840 |
| 3.09 | Net income from continued operations | -20,395 | -11,201 | 12,108 | 29,415 |
| 3.10 | Loss from discontinued operations | 0 | 0 | -127,050 | -132,216 |
| 3.10.01 | Net income (loss) from discontinued operations | 0 | 0 | -127,050 | -132,216 |
| 3.11 | Consolidated income (loss) for the period | -20,395 | -11,201 | -114,942 | -102,801 |
| 3.11.01 | Attributed to shareholders of parent company | -20,395 | -11,201 | -114,942 | -102,801 |
| | | | | | |
| 3.99 | Earnings per share – (Reais/Share) | | | | |
| 3.99.1 | Basic earnings per share | | | | |
| 3.99.01.01 | Common shares | -0.14422 | -0.07921 | -0.81281 | -0.72696 |
| 3.99.01.02 | Preferred shares | -0.14422 | -0.07921 | -0.81281 | -0.72696 |
| 3.99.2 | Diluted earnings per share | | | | |
| 3.99.02.01 | Common shares | -0.14422 | -0.07921 | -0.81281 | 0.7269 |

## Consolidated financial statements / Income statement

## (In thousands of reais)

| Account code | Account description | Current quarter 04/01/2013 to 06/30/2013 | YTD 01/01/2013 to 06/30/2013 | Same prior-year Period 04/01/2012 to 06/30/2012 | Prior-year accrued 01/01/2012 to 06/30/2012 |
|---|---|---|---|---|---|
| 3.99.02.02 | Preferred shares | -0.14422 | -0.07921 | -0.81281 | -0.72696 |

## Consolidated financial statements / Statement of comprehensive income

## (In thousands of reais)

| Account code | Account description | Current quarter 04/01/2013 to 06/30/2013 | YTD 01/01/2013 to 06/30/2013 | Same prior-year Period 04/01/2012 to 06/30/2012 | Prior-year accrued 01/01/2012 to 06/30/2012 |
|---|---|---|---|---|---|
| 4.01 | Consolidated net income for the period | -20,395 | -11,201 | -114,942 | -102,801 |
| 4.02 | Other comprehensive income | 15,663 | 14,555 | 9,929 | 6,795 |
| 4.02.01 | Cumulative translation adjustment for the period | 15,663 | 13,589 | 13,187 | 10,053 |
| 4.02.03 | Adjustments to financial instruments | 0 | 966 | -3,258 | -3,258 |
| 4.03 | Consolidated comprehensive income for the period | -4,732 | 3,354 | -105,013 | -96,006 |
| 4.03.01 | Attributed to shareholders of parent company | -4,732 | 3,354 | -105,013 | -96,006 |

## Consolidated financial statements / Cash flow statement – Indirect method

## (In thousands of reais)

| Account code | Account description | YTD 01/01/2013 to 06/30/2013 | Prior-year accrued Anterior 01/01/2012 to 06/30/2012 |
|---|---|---|---|
| 6.01 | Net cash from operating activities | 146,887 | 15,244 |
| 6.01.01 | Cash from operations | 74,289 | 76,129 |
| 6.01.01.01 | Income before income and social contribution taxes Social | 13,310 | -84,232 |
| 6.01.01.02 | Depreciation and amortization | 17,679 | 15,438 |
| 6.01.01.03 | Allowance for doubtful accounts | 3,406 | 8,527 |
| 6.01.01.05 | Equity pickup | -72 | -713 |
| 6.01.01.07 | Provision for interest on loans and financing | 47,521 | 25,737 |
| 6.01.01.08 | Provision for derivative financial instruments | -16,087 | -20,090 |
| 6.01.01.09 | Non-controlling interest | 0 | 100 |
| 6.01.01.12 | Cost of permanent assets written off | 1,794 | 9,237 |
| 6.01.01.13 | Provision for interest on real estate credit | 0 | 2,390 |
| 6.01.01.14 | Provision for contingencies | 2,230 | 0 |
| 6.01.01.16 | Provision for inventorie losses | 4,508 | 4,385 |
| 6.01.01.17 | Additional provision for losses | 0 | 57,520 |
| 6.01.01.18 | Assets kept for sale disposed of | 0 | 57,830 |
| 6.01.02 | Asset and liability variations | 84,622 | -50,519 |
| 6.01.02.01 | Increase/decrease in customers | -32,517 | -4,096 |
| 6.01.02.02 | Increase/decrease in inventories | 44,004 | -8,305 |
| 6.01.02.03 | Decrease/increase in other accounts receivable | 9,659 | -15,168 |
| 6.01.02.04 | Decrease/increase in suppliers | -7,147 | -3,490 |
| 6.01.02.05 | Increase/decrease in accounts payable and provisions | 70,623 | -19,460 |
| 6.01.03 | Other | -12,024 | -10,366 |
| 6.01.03.01 | Profits and dividends received from subsidiaries | 262 | 589 |
| 6.01.03.02 | Payment of income and social contribution taxes | -12,286 | -10,955 |
| 6.02 | Net cash used in investing activities | -14,309 | -56,685 |
| 6.02.01 | Receivables from related companies | 0 | 219 |
| 6.02.02 | Other receivables | 1,344 | -4,328 |
| 6.02.03 | In investments | 0 | -60 |
| 6.02.04 | In property, plant and equipment | -15,075 | -30,299 |
| 6.02.05 | In intangible assets | -578 | -22,217 |
| 6.03 | Net cash from financing activities | 23,754 | 13,392 |
| 6.03.01 | Payment of interest on equity and dividends | -7,351 | -12,104 |
| 6.03.02 | Loans raised | 155,721 | 183,539 |
| 6.03.03 | Loan repayments | -98,547 | -131,880 |
| 6.03.04 | Payment of interest on loans | -19,914 | -20,053 |
| 6.03.09 | Real estate credits | -4,345 | -3,483 |
| 6.03.10 | Payables to related companies | 0 | -219 |
| 6.03.11 | Interest paid by real estate credits | -1,811 | -2,408 |
| 6.03.12 | Others | 1 | 0 |
| 6.05 | Increase/decrease in cash and cash equivalents | 156,332 | -28,049 |
| 6.05.01 | Opening balance of cash and cash equivalents | 180,781 | 162,362 |
| 6.05.02 | Closing balance of cash and cash equivalents | 337,113 | 134,313 |

# Consolidated financial statements / Statement of changes in equity – 01/01/2013 to 06/30/2013

## (In thousands of reais)

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

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

## (In thousands of reais)

| Account code | Account description | Paid-up capital | Capital reserve, options granted and treasury stock | Income reserve | Retained earnings / accumulated losses | Other comprehensive income | Equity | Non-controlling interest | Consolidated equity |
|---|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 257,797 | -73,891 | 107,765 | 0 | 33,664 | 325,335 | -100 | 325,235 |
| 5.03 | Adjusted opening balances | 257,797 | -73,891 | 107,765 | 0 | 33,664 | 325,335 | -100 | 325,235 |
| 5.04 | Capital transactions with shareholders | 0 | 0 | -469 | 0 | 0 | -469 | 100 | -369 |
| 5.04.08 | Non-controlling shareholders | 0 | 0 | -469 | 0 | 0 | -469 | 100 | -369 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | -98,930 | 2,924 | -96,006 | 0 | -96,006 |
| 5.05.01 | Net income for the period | 0 | 0 | 0 | -102,801 | 0 | -102,801 | 0 | -102,801 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 3,871 | 2,924 | 6,795 | 0 | 6,795 |
| 5.05.02.01 | Adjustments to financial instruments | 0 | 0 | 0 | 0 | -3,258 | -3,258 | 0 | -3,258 |
| 5.05.02.04 | Translation adjustments for the period | 0 | 0 | 0 | 0 | 10,053 | 10,053 | 0 | 10,053 |
| 5.05.02.06 | Realization of equity valuation adjustments | 0 | 0 | 0 | 3,871 | -3,871 | 0 | 0 | 0 |
| 5.06 | Internal changes in equity | 0 | 0 | -98,930 | 98,930 | 0 | 0 | 0 | 0 |
| 5.06.01 | Setting up of reserves | 0 | 0 | -98,930 | 98,930 | 0 | 0 | 0 | 0 |
| 5.07 | Closing balances | 257,797 | -73,891 | 8,366 | 0 | 36,588 | 228,860 | 0 | 228,860 |

## Consolidated financial statements / Statements of value added

## (In thousands of reais)

| Account code | Account description | YTD 01/01/2013 to 06/30/2013 | Prior-year accrued 01/01/2012 to 06/30/2012 |
|---|---|---|---|
| 7.01 | Revenues | 510,798 | 440,381 |
| 7.01.01 | Sales of goods, products and services | 507,903 | 446,490 |
| 7.01.02 | Other income | 6,301 | 2,418 |
| 7.01.04 | Set up/reversal of allowance for doubtful accounts | -3,406 | -8,527 |
| 7.02 | Input products acquired from third parties | -302,286 | -183,644 |
| 7.02.01 | Cost of products, goods and services sold | -148,719 | -99,223 |
| 7.02.02 | Materials, energy, third-party services and others | -153,567 | -84,421 |
| 7.03 | Gross value added | 208,512 | 256,737 |
| 7.04 | Retentions | -17,679 | -15,438 |
| 7.04.01 | Depreciation, amortization and exhaustion | -17,679 | -15,438 |
| 7.05 | Net value added produced by the entity | 190,833 | 241,299 |
| 7.06 | Value added received in transfer | 44,115 | -64,438 |
| 7.06.01 | Equity results | 73 | 713 |
| 7.06.02 | Financial income | 44,042 | 67,065 |
| 7.06.03 | Other | 0 | -132,216 |
| 7.06.03.01 | Income from discontinued operation | 0 | -132,216 |
| 7.07 | Total value added to be distributed | 234,948 | 176,861 |
| 7.08 | Distribution of value added | 234,948 | 176,861 |
| 7.08.01 | Personnel | 102,757 | 97,170 |
| 7.08.01.01 | Direct remuneration | 86,349 | 76,582 |
| 7.08.01.02 | Benefits | 10,412 | 14,997 |
| 7.08.01.03 | Unemployment compensation fund (FGTS) | 5,996 | 5,591 |
| 7.08.02 | Taxes, fees and contributions | 56,709 | 82,420 |
| 7.08.02.01 | Federal | 42,931 | 69,542 |
| 7.08.02.02 | State | 13,460 | 12,679 |
| 7.08.02.03 | Municipal | 318 | 199 |
| 7.08.03 | Remuneration of third-party capital | 86,683 | 100,072 |
| 7.08.03.01 | Interest | 74,426 | 90,348 |
| 7.08.03.02 | Rents | 6,262 | 3,041 |
| 7.08.03.03 | Other | 5,995 | 6,683 |
| 7.08.04 | Equity remuneration | -11,201 | -102,801 |
| 7.08.04.03 | Retained earnings (accumulated losses) for the period | -11,201 | -102,801 |

# 1. Operations

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

At June 30, 2013, the Company and its subsidiaries operated with seven industrial plants, four of which are located in the state of Rio Grande do Sul, one in the state of Paraná, one in the state of Bahia and one located in the United States of America.

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

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

# 2. Consolidation basis

| | | **Interest*** | |
|---|---|---|---|
| | **Country** | **06-30-2013** | **12-31-2012** |
| 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% |
| Taurus Helmets Indústria Plástica Ltda. | Brazil | **100.00%** | 100.00% |
| Polimetal Metalurgia e Plásticos Ltda. | Brazil | **100.00%** | 100.00% |
| Steelinject – Injeção de Aços Ltda. | Brazil | **100.00%** | 100.00% |

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

(**) Not consolidated.

## 3. Preparation basis

a) Declaration of conformity (relating to IFRS and CPC standards)

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

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

b) Basis of measurement

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

c) Functional and reporting currency

The individual and consolidated financial statements are presented in Brazilian Reais, which is the functional currency of the Company and its subsidiaries located in Brazil. The functional currency of the subsidiary Taurus Holdings, Inc., located in the United States, is the US dollar.

d) Use of estimates and judgments

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

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

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

# 3. Preparation basis

e) Restatement of financial statements

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

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

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

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

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

| | | | | | | At June 30, 2013 |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities and equity | | | |
| | Current assets | Noncurrent assets | Current liabilities | Noncurrent liabilities | Equity | Net income for the year |
| **Balance originally disclosed** | **868,715** | **475,744** | **719,448** | **339,248** | **285,763** | **(89,371)** |
| Write-off of accounts receivable (a) | - | - | - | - | - | 57,830 |
| Supplementary provision for losses (b) | (4,230) | (50,203) | 80 | - | (54,513) | 6,231 |
| Provision for inventory losses (c) | (9,499) | - | - | - | (9,499) | 67 |
| Allowance for doubtful accounts (c) | - | - | - | - | - | 8,320 |
| Provision for impairment of PP&E (c) | - | - | 786 | - | (3,374) | 6,303 |
| Provision for tax and civil contingencies (c) | - | (13,522) | - | 2,588 | (13,522) | - |
| Adjustments – transactions with subsidiaries | - | - | (100) | | 100 | 100 |
| Deferred taxes | - | (142) | - | - | (142) | (681) |
| **Restated balance** | **854,986** | **411,877** | **720,214** | **341,836** | **204,813** | **(11,201)** |

## 3. Preparation basis (Continued)

### e) Restatement of financial statements

| | | | | | | Company |
|---|---|---|---|---|---|---|
| | | | | | | At June 30, 2013 |
| | Assets | | Liabilities and equity | | | |
| | Current assets | Noncurrent assets | Current liabilities | Noncurrent liabilities | Equity | Net income (loss) for the year |
| **Balance originally disclosed** | **361,216** | **557,169** | **501,829** | **130,793** | **285,763** | **(89,731)** |
| Equity pickup | - | (37,879) | - | - | (37,879) | 87,766 |
| Provision for capital deficiency | - | - | - | 32,317 | (32,317) | (3,100) |
| Provision for tax and civil contingencies (c) | - | - | 784 | 2,587 | (3,371) | 475 |
| Provision for inventory losses (c) | (7,483) | - | - | - | (7,483) | (7,061) |
| Adjustments – transactions with subsidiaries | (416) | 416 | (100) | - | 100 | 100 |
| Transfer to current liabilities (d) | - | - | - | - | - | - |
| **Restated balance** | **353,317** | **519,706** | **502,513** | **165,697** | **204,813** | **(11,201)** |

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

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

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

## 3. Preparation basis (Continued)

e) Restatement of financial statements

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

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

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

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

## 4. Significant accounting practices

The calculation policies and method adopted in this quarterly information are the same as those adopted for preparation of the financial statements for the year ended December 31, 2012, described in Note 4 therein.

## 5. Measurement of fair value

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

(i) *Trade accounts receivable and other receivables*

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

(ii) *Derivatives*

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

(iii) Non-derivative financial assets

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

## 6. Financial risk management

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

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

(i) <u>Risk management structure</u>

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

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

## 6. Risk management (Continued)

(ii) Credit risks

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

(iii) Trade accounts receivable and other receivables

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

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

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

## 6. **Risk management** (Continued)

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

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

(iv) Liquidity risk

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

Typically, the Company ensures that it has sufficient cash to meet its expected operating expenses for approximately 60 days, including fulfilling financial obligations; this does not include the potential impact from extreme circumstances that cannot be reasonably forecast, such as natural disasters. In addition, the Company has approved credit lines, but not yet contracted, from the largest banks that operate in Brazil, for approximately R$ 750 million, at market rates and terms.

Additionally, Subsidiary Taurus Holdings, Inc. has a credit line of US$ 75 million and, at June 30, 2013, it had used US$ 36.4 million.

## 6. **Risk management** (Continued)

(v) Market risk

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

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

(vi) Foreign currency risk

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

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

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

## 6. Risk management (Continued)

(vii) Interest rate risk

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

(viii) Operating risk

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

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

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

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

## 6. **Risk management** (Continued)

(ix) Capital management

The Company maintains a sound capital basis to keep the trust of the investors, creditors and market, and also for future developments. Management monitors the returns on capital, which the Company defines as results from operating activities divided by total equity, excluding non-redeemable preferred shares and non-controlling interests. Management also monitors the level of dividends for the common and preferred shareholders.

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

| | 06-30-2013 (restated) | 12-31-2012 (restated) |
|---|---|---|
| Total liabilities | **1,062,050** | 912,524 |
| Less: Cash and cash equivalents | **(337,113)** | (180,781) |
| Net debt (A) | **724,937** | 731,473 |
| Total equity (B) | **204,813** | 201,780 |
| Net debt to equity ratio at June 30, 2013 and December 31, 2012 (A/B) | **3.54** | 3.63 |

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

## 7. Operating segments

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

## 7. Operating segments (Continued)

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

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

Machinery – this refers to developing, manufacturing and selling operating machinery and related components; these operations used to be undertaken by Taurus Máquinas-Ferramenta Ltda. and its subsidiary SM Metalurgia Ltda. These operations were disposed of in June 2012 through sale of SM Metalurgia Ltda.

Others – the result of the forging segment (Polimetal Metalurgia e Plásticos Ltda.); bulletproof jackets and plastic products (Taurus Blindagens Ltda.). These also include other operations such as the manufacture and sale of glasses, anti-riot shields and providing services. None of these operating segments reached any of the quantitative limits for determining reportable segments at June 30, 2013 and 2012

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

## 7. Operating segments (Continued)

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

| | Weapons | | Helmets | | Machinery (discontinued) | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 06-30-2013 (restated) | 06-30-2012 (restated) | 06-30-2013 | 06-30-2012 | 06-30-2013 (restated) | 06-30-2012 (restated) | 06-30-2013 | 06-30-2012 | 06-30-2013 (restated) | 06-30-2012 (restated) |
| External income | **333,239** | 247,830 | **63,482** | 65,349 | **3,874** | 9,259 | **31,984** | 40,578 | **432,579** | 363,016 |
| Inter-segment income | **-** | - | **19** | 2,823 | **-** | 708 | **2,419** | 47,838 | **2,438** | 51,369 |
| Cost of sales | **(224,739)** | (158,303) | **(39,701)** | (37,893) | **(3,706)** | (7,101) | **(25,982)** | (17,544) | **(294,128)** | (220,841) |
| Gross profit (loss) | **108,500** | 89,527 | **23,800** | 30,279 | **168** | 2,866 | **8,421** | 70,872 | **140,889** | 193,544 |
| Selling expenses | **(34,051)** | (31,976) | **(9,134)** | (9,162) | **(5,618)** | (8,628) | **(2,237)** | (1,839) | **(51,040)** | (51,605) |
| General and administrative expenses | **(29,174)** | (23,514) | **(1,322)** | (1,326) | **(2,418)** | (1,996) | **(1,077)** | (925) | **(33,991)** | (27,761) |
| Depreciation and amortization | **(2,941)** | (2,312) | **(96)** | (114) | **-** | - | **(984)** | (746) | **(4,021)** | (3,172) |
| Other operating income (expenses), net | **(386)** | (1,523) | **2,663** | 695 | **(5,440)** | (121,160) | **(967)** | (111) | **(4,130)** | (122,099) |
| Equity pickup | **-** | - | **-** | - | **-** | - | **73** | 713 | **73** | 713 |
| | **(66,552)** | (59,325) | **(7,889)** | (9,907) | **(13,476)** | (131,784) | **(5,192)** | (2,908) | **(93,109)** | (203,924) |
| Operating profit (loss) | **41,948** | 30,202 | **15,911** | 20,372 | **(13,308)** | (128,918) | **3,229** | 67,964 | **47,780** | (10,380) |
| Financial income | **36,672** | 61,857 | **3,027** | 3,318 | **2,372** | 659 | **1,971** | 1,890 | **44,042** | 67,724 |
| Financial expenses | **(64,456)** | (82,190) | **(3,554)** | (1,263) | **(2,806)** | (4,104) | **(5,258)** | (3,505) | **(76,074)** | (91,062) |
| Financial income (expenses), net | **(27,784)** | (20,333) | **(527)** | 2,055 | **(434)** | (3,445) | **(3,287)** | (1,615) | **(32,032)** | (23,338) |
| Profit (loss) per reportable segment before income and social contribution taxes | **14,164** | 9,869 | **15,384** | 22,427 | **(13,742)** | (132,363) | **(58)** | 66,349 | **15,748** | 33,718 |
| Elimination of inter-segment income | **-** | - | **(19)** | (2,823) | **-** | (708) | **(2,419)** | (47,838) | **(2,438)** | (51,369) |
| Income before income and social contribution taxes | **14,164** | 9,869 | **15,365** | 19,604 | **(13,742)** | (133,071) | **(2,477)** | 18,511 | **13,310** | (85,087) |
| Income and social contribution taxes | **(20,922)** | (9,657) | **(3,029)** | (5,236) | **(289)** | 855 | **(271)** | (3,676) | **(24,511)** | (17,714) |
| Net income for the year | **(6,759)** | 212 | **12,336** | 14,368 | **(14,031)** | (132,216) | **(2,748)** | 14,835 | **11,201** | (102,801) |
| Assets of reportable segments | **863,623** | 642,196 | **143,519** | 147,453 | **11,406** | 37,327 | **248,315** | 232,845 | **1,266,863** | 1,059,821 |
| Liabilities of reportable segments | **813,324** | 656,542 | **49,765** | 34,724 | **53,423** | 95,065 | **145,538** | 44,630 | **1,062,050** | 830,961 |

## 7. **Operating segments** (Continued)

Revenue reconciliation of reportable segments

| | 06-30-2013 (restated) | 06-30-2012 (restated) |
|---|---|---|
| **Income** | | |
| Total income from reportable segments | **432,579** | 363,016 |
| Elimination of discontinued operations | **-** | (9,259) |
| Consolidated income | **432,579** | 353,757 |
| **Profit or losses** | | |
| Total profit from reportable segments | **13,310** | (85,087) |
| Elimination of discontinued operations* | **-** | 133,071 |
| Consolidated profit before income and social contribution taxes | **13,310** | 47,984 |

Geographic segments

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

| | Weapons | |
|---|---|---|
| | 06-30-2013 | 06-30-2012 |
| **Domestic market** | | |
| Southeast | **8,097** | 20,840 |
| South | **9,140** | 12,175 |
| Northeast | **9,486** | 9,389 |
| North | **1,894** | 1,088 |
| Mid-West | **4,368** | 5,378 |
| | **32,985** | 48,870 |
| **Foreign market** | | |
| United States | **280,662** | 185,887 |
| Argentina | **217** | 592 |
| South Africa | **1,393** | - |
| Chile | **320** | 9,221 |
| Singapore | **1,233** | - |
| Colombia | **4,006** | - |
| Pakistan | **1,072** | 165 |
| Haiti | **4,478** | - |
| Peru | **974** | 825 |
| Dominican Republic | **1,761** | - |
| Other countries | **4,138** | 2,270 |
| | **300,254** | 198,960 |
| | **333,239** | 247,830 |

## 7. **Operating segments** (Continued)

Geographic segments (Continued)

| | Helmets | |
|---|---|---|
| | **06-30-2013** | **06-30-2012** |
| **Domestic market** | | |
| Southeast | **17,296** | 20,035 |
| South | **3,572** | 7,902 |
| Northeast | **17,447** | 15,510 |
| North | **14,643** | 12,328 |
| Mid-West | **10,301** | 9,230 |
| | **63,259** | 65,005 |
| **Foreign market** | | |
| Paraguay | **195** | 329 |
| Bolivia | **28** | - |
| Uruguay | **-** | 15 |
| | **223** | 344 |
| | **63,482** | 65,349 |

| | Machinery * | |
|---|---|---|
| | **06-30-2013** | **06-30-2012** |
| **Domestic market** | | |
| Southeast | **2,235** | 8,029 |
| South | **1,639** | 1,219 |
| | **3,874** | 9,248 |
| **Foreign market** | | |
| United States | **-** | 11 |
| | **-** | 11 |
| | **3,874** | 9,259 |

* Classified as discontinued activities up to June 2012.

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

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

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

## 8. Assets and liabilities held for sale and discontinued operations

In September 2011, Management decided to dispose of subsidiary Taurus Máquinas-Ferramenta Ltda. As from said date, the investment in subsidiary Taurus Máquinas was recognized by the equity method and reclassified to assets held for sale in the individual financial statements. The assets and liabilities related to this subsidiary were reclassified in the consolidated financial statements as “held for sale”. Its results started to be separately disclosed in a specific line in the income statement. Provision for impairment of assets was recorded for assets of which the book value was in excess of fair value, less expenses to sell. The table below sets out the balance of transactions classified as discontinued operations until the disposal of the machinery activities by the Group.

| | **06-30-2012 (restated)** |
|---|---|
| **Loss for the period from discontinued operations** | |
| Revenues | 17,787 |
| Expenses | (150,003) |
| Loss for the period from discontinued operations | (132,216) |

Sale of TMFL – Taurus Máquinas-Ferramenta Ltda.

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

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

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

*Renegotiation*

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

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

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

*Renegotiation (Continued)*

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

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

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

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

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

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

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

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

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

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

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

(ii) The Company recorded a supplementary provision for losses as of June 30, 2013 of R$61,756, considering that: i) In its understanding, the credit conditions have been impaired; ii) the operation guarantees have not been fully formalized; iii) the buyer is a limited liability company and there is no updated information to assess its current financial conditions. The Company decided to record such provision in June 2012, as commented in Note 3.e.

At June 30, 2013, the balance receivable for sale of the operations of Taurus Máquinas-Ferramenta Ltda. was recorded as follows:

| | 06-30-2013 (restated) |
|---|---|
| Selling price | **115,350** |
| Contractual monetary restatement | **4,236** |
| Price adjustment | **(57,830)** |
| Receivable amount | **61,756** |
| Supplementary provision for losses | **(61,756)** |
| Total | **-** |

## 9. Cash and cash equivalents

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 06-30-2013 | 12-31-2012 | 06-30-2013 | 12-31-2012 |
| Cash balance | **156** | 2,070 | **95** | 2,013 |
| Cash deposits | **189,610** | 26,874 | **8,287** | 2,667 |
| Financial investments | **147,347** | 151,837 | **85,986** | 96,880 |
| **Cash and cash equivalents** | **337,113** | 180,781 | **94,368** | 101,560 |

Short-term investments are remunerated at rates that vary between 98% and 103% of CDI at June 30, 2013 and December 31, 2012, and are made with first-tier banks.

## 10. Trade accounts receivable

| | Consolidated | | Company | |
|---|---|---|---|---|
| | | (restated) | | (restated) |
| | 06-30-2013 | 12-31-2012 | 06-30-2013 | 12-31-2012 |
| Domestic customers | **87,861** | 80,844 | **25,589** | 27,695 |
| Customers – domestic related parties (Note 22) | **-** | - | **930** | 3,216 |
| Foreign customers | **112,135** | 87,396 | **16,776** | 16,255 |
| Customers – foreign related parties (Note 22) | **-** | - | **10,644** | 13,379 |
| | **199,996** | 168,240 | **53,939** | 60,545 |
| Allowance for doubtful accounts-domestic | **(14,314)** | (14,794) | **(2,752)** | (2,736) |
| Allowance for doubtful accounts-foreign | **(5,255)** | (4,599) | **(6)** | (6) |
| | **(19,569)** | (19,393) | **(2,758)** | (2,742) |
| Total | **180,427** | 148,847 | **51,181** | 57,803 |

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

Changes in the allowance for doubtful accounts:

| | Consolidated | Company |
|---|---|---|
| Balance at December 31, 2012 | (19,393) | (2,742) |
| Additions | (3,406) | (15) |
| Reversal of the allowance for doubtful accounts | 3,668 | (1) |
| Foreign exchange variation | (438) | - |
| **Balance at June 30, 2013** | **(19,569)** | **(2,758)** |

## 11. Inventories

| | Consolidated | | Company | |
|---|---|---|---|---|
| | | (restated) | | (restated) |
| | 06-30-2013 | 12-31-2012 | 06-30-2013 | 12-31-2012 |
| Finished goods | **95,982** | 156,197 | **33,034** | 51,108 |
| Work in progress | **72,490** | 56,054 | **55,305** | 31,424 |
| Raw materials | **44,939** | 48,257 | **17,593** | 14,503 |
| Ancillary and maintenance materials | **10,514** | 9,793 | **6,836** | 7,338 |
| Provision for inventory losses | **(9,499)** | (8,774) | **(7,484)** | (422) |
| | **214,426** | **261,527** | **105,284** | **103,951** |

Changes in the provision for inventory losses are as follows:

| | Consolidated (restated) | Company (restated) |
|---|---|---|
| Balance at December 31, 2012 | **(8,774)** | (422) |
| Additions | **(9,499)** | (7,484) |
| Reversal | **8,774** | 422 |
| **Balance at June 30, 2013** | **(9,499)** | (7,484) |

## 12. Taxes recoverable

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 06-30-2013 | 12-31-2012 | 06-30-2013 | 12-31-2012 |
| ICMS | **7,956** | 7,904 | **1,323** | 2,068 |
| IPI | **1,852** | 7,748 | **194** | 6,273 |
| PIS | **5,085** | 3,359 | **4,642** | 2,719 |
| COFINS | **24,750** | 15,621 | **22,376** | 12,683 |
| Income and social contribution taxes | **4,061** | 9,721 | **3,177** | 7,469 |
| Total | **43,704** | 44,353 | **31,712** | 31,212 |
| | | | | |
| Current | **40,123** | 39,428 | **30,608** | 29,567 |
| Non-current | **3,581** | 4,925 | **1,104** | 1,645 |

State VAT (ICMS)

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

PIS and COFINS

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

Federal VAT (IPI)

The balance refers mainly to amounts originating in trade operations.

Income and social contribution taxes

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

## 13. Deferred tax assets and liabilities

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

Deferred tax assets and liabilities were calculated as follows:

| | | Consolidated (restated) |
|---|---|---|
| | 06-30-2013 | 12-31-2012 |
| **On temporary asset differences and income and social contribution tax losses** | | |
| Provision for sales commissions | **1,024** | 1,061 |
| Adjustment to present value | **226** | 311 |
| Provision for labor claims | **890** | 874 |
| Provision for losses on insurance claims | **782** | 782 |
| Allowance for doubtful accounts | **3,128** | 2,152 |
| Provision for product warranty | **80** | 361 |
| Derivative financial instruments | **335** | 2,965 |
| Income and social contribution tax losses | **42,665** | 42,735 |
| Inventories – unrealized profits | **4,535** | 8,816 |
| Other items | **1,743** | 137 |
| | **55,408** | 60,194 |
| **On temporary liability differences** | | |
| Equity valuation adjustment | **(4,095)** | (2,918) |
| PPA allocation | **(5,769)** | - |
| Depreciation base difference | **(7,102)** | (6,757) |
| Financial charges | **(1,022)** | (915) |
| Derivative financial instruments | **(15,798)** | (11,332) |
| | **(33,786)** | (21,922) |
| Total asset (liability) balance, net | **21,622** | 38,272 |
| Classified in non-current assets | **40,447** | 44,049 |
| Classified in non-current liabilities | **(18,825)** | (5,777) |

| | | Company (restated) |
|---|---|---|
| | 06-30-2013 | 12-31-2012 |
| **On temporary asset differences and income and social contribution tax losses** | | |
| Provision for sales commissions | **755** | 790 |
| Adjustment to present value | **967** | 804 |
| Provision for labor claims | **601** | 603 |
| Provision for losses on insurance claims | **782** | 782 |
| Allowance for doubtful accounts | **460** | 459 |
| Derivative financial instruments | **-** | 2,544 |
| Income and social contribution tax losses | **7,000** | 7,000 |
| Other items | **138** | 137 |
| | **10,703** | 13,119 |
| **On temporary liability differences** | | |
| Equity valuation adjustment | **(1,591)** | (1,743) |
| Depreciation base difference | **(1,663)** | (1,640) |
| Financial charges | **(1,004)** | (890) |
| Derivative financial instruments | **(15,738)** | (11,194) |
| | **(19,996)** | (15,467) |
| Total liabilities, net | **(9,293)** | (2,348) |
| Classified in noncurrent liabilities | **(9,293)** | (2,348) |

Changes in deferred taxes:

| | Consolidated | Company |
|---|---|---|
| Opening balance of deferred taxes | 38,272 | (2,348) |
| Posted to P&L (Note 26) | (9,700) | (6,448) |
| Posted to equity | (497) | (497) |
| - Effect from exchange variation | (1,087) | - |
| Allocated to PPA (Note 29) | (5,366) | - |
| Closing balance of deferred taxes | 21,622 | (9,293) |

## 13. Deferred tax assets and liabilities

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

The subsidiary posted income and social contribution tax losses in 2012. The studies of future results evidence that there will be future taxable income for use of such credits, consequently, the Company recorded deferred assets on said amounts.

The projections indicate that the balance of tax credits recorded in 2012 by Forjas Taurus S.A. and the subsidiary Polimetal Metalurgia e Plásticos Ltda. will be absorbed by taxable income estimated for the next 10 years, as set out below:

| Year | Consolidated | Company |
|---|---|---|
| 2014 | 7,004 | 4,079 |
| 2015 | 4,576 | 1,469 |
| 2016 | 3,301 | 1,452 |
| From 2017 to 2022 | 27,784 | - |
| **Total** | 42,665 | 7,000 |

Income and social contribution tax losses on which no deferred taxes are recorded total R$ 271,044 (R$ 215,835 at December 31, 2012) for the consolidated, and R$ 58,511 (R$ 13,989 at December 31, 2012) for the Company.

The main balances of income and social contribution taxes refer to subsidiary Taurus Máquinas-Ferramenta Ltda. The tax credits arising from income and social contribution tax losses not recognized by this subsidiary totaled R$ 71,703 (R$ 68,553 at December 31, 2012). Income and social contribution taxes on the balance of income and social contribution tax losses will be recognized as there is evidence that realization thereof is probable in the foreseeable future.

## 14. Advance on real estate credits

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

To represent the real estate credits arising from the aforementioned hire contracts, the Company issued Real Estate Credit Notes – CCI, and assigned them, onerously, to CIBRASEC – Companhia Brasileira de Securitização, which used them as the basis for issuing two series of Certificates of Real Estate Receivables – CRI. These certificates have fixed monthly maturity and term, given that the first maturity date is September 15, 2008 and the last July 15, 2015. At June 30, 2013, the total restated balance is R$ 24,365 (28,711 at December 31, 2012), and is entirely classified under current liabilities, because of the restatement adjustments proceeded, note 3e, covenants were not met.

# *15.* Investments

| | Taurus Blindagens Ltda. | Taurus Blindagens Nordeste Ltda. | Taurus Holdings, Inc. | Taurus Security Ltda. (1) | Taurus Investimentos Imobiliários Ltda.(1) | Polimetal Metalurgia e Plásticos Ltda. | Famastil Taurus Ferramentas S.A. (2) | Company (restated) 06-30-2013 | Company (restated) 12-31-2012 |
|---|---|---|---|---|---|---|---|---|---|
| Current assets | 68,551 | 23,089 | 357,236 | 60 | 6,190 | 48,945 | - | | |
| Non-current assets | 79,281 | 17,737 | 62,731 | 241 | 64,537 | 274,434 | - | | |
| Current liabilities | 18,179 | 9,272 | 144,593 | 3 | 34,281 | 34,932 | - | | |
| Non-current liabilities | 31,316 | 11,667 | 100,973 | 547 | 77,413 | 126,215 | - | | |
| Capital (Continued) | 80,209 | 9,400 | 675 | 100 | 39,917 | 210,000 | - | | |
| Equity | 98,327 | 19,887 | 174,401 | (249) | (40,967) | 162,232 | - | | |
| Net revenue | 37,796 | 13,098 | 280,662 | - | 5,512 | 56,304 | - | | |
| Net income for the year | 11,535 | 2,682 | 18,100 | - | (6,253) | (1,023) | - | | |
| Number of shares/units of interest | 648 | 1 | 302,505 | 100,000 | 30,752,186 | 209,999,999 | - | | |
| Direct ownership interest (%) | 0,01% | 0,1% | 100% | 100% | 75,33% | 100% | - | | |
| Opening balances | 1 | 17 | 132,564 | - | - | 161,572 | 2,215 | **296,369** | 321,852 |
| Capital payment (4) | **-** | **-** | **-** | **-** | **847** | **-** | **-** | **847** | 73,414 |
| Equity pickup – discontinued operations (3) | **-** | **2** | **24,682** | **-** | **(3,569)** | **493** | **-** | **21,608** | 25,787 |
| Equity pickup – discontinued operations (3) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | (134,991) |
| Equity pickup for the previous period | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | (2) |
| Loss on Investments | **-** | **-** | **-** | **-** | **(387)** | **-** | **-** | **(387)** | (450) |
| Exchange variation on investments | **-** | **-** | **13,589** | **-** | **-** | **-** | **-** | **13,589** | 11,527 |
| Dividends received | **-** | **-** | **-** | **-** | **-** | **(17,000)** | **-** | **(17,000)** | (29,975) |
| Reclassified to capital deficiency | **-** | **-** | **-** | **-** | **3,109** | **-** | **-** | **-** | - |
| Closing balances (3) | **1** | **19** | **170,835** | **-** | **-** | **145,065** | **2,215** | **318,135** | 296,369 |

(1) Capital deficiency of the subsidiary in the amount of R$ 249 and of the subsidiary Taurus Investimentos Imobiliários Ltda in the amount of R$ 32,316 is recorded in "Provision for capital deficiency" in the noncurrent liabilities.

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

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

(4) Capital increase in subsidiary Taurus Investimentos Imobiliários Ltda. amounting to R$ 847 was realized with cash.

## 15. Investments (Continued)

| | Consolidated |
|---|---|
| | **Famastil Taurus Ferramentas S.A.** |
| Current assets | 72,232 |
| Non-current assets | 30,905 |
| Current liabilities | 39,677 |
| Non-current liabilities | 25,172 |
| Capital | 20,000 |
| Equity | 38,288 |
| Net revenue | 50,009 |
| Net income for the year | 209 |
| Number of shares/units of interest | 7,000,000 |
| Direct ownership interest (%) | 35% |
| Opening balances (1) | 15,543 |
| Equity pickup | **73** |
| Closing balances (1) | **15,616** |

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

## 16. Property, plant and equipment

| | | | | | | | | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | **Land, buildings and premises** | **Machinery and equipment** | **Casts and tooling** | **Furniture and computers** | **Vehicles** | **Construction in progress** | **Advances to suppliers** | **Total** |
| **Cost or deemed cost** | | | | | | | | |
| Balance at December 31, 2012 | 108,297 | 184,560 | 44,194 | 23,499 | 3,964 | 25,753 | 7,288 | 397,555 |
| Additions | 265 | 2,609 | 82 | 241 | - | 12,971 | (1,093) | 15,075 |
| Disposals | (2) | (625) | (96) | (92) | (145) | (247) | (58) | (1,265) |
| Allocation of PPA Heritage | - | 350 | - | - | - | - | - | 350 |
| Transfers of assets under construction | 511 | 7,960 | 2,293 | 529 | - | (11,293) | - | - |
| Effect from exchange variation | 2,788 | 1,917 | - | 286 | 10 | - | - | 5,001 |
| Balance at June 30, 2013 | **111,859** | **196,771** | **46,473** | **24,463** | **3,829** | **27,184** | **6,137** | **416,716** |
| **Depreciation** | | | | | | | | |
| Balance at December 31, 2012 | 11,281 | 70,442 | 22,700 | 12,677 | 1,970 | - | - | 119,070 |
| Depreciation in the year | 1,696 | 8,834 | 3,422 | 1,553 | 377 | - | - | 15,882 |
| Disposals | - | (370) | (96) | (88) | (63) | - | - | (617) |
| Depreciation of PPA allocated - Heritage | - | 94 | - | - | - | - | - | 94 |
| Effect from exchange variation | 418 | 943 | - | 226 | 8 | - | - | 1,595 |
| Balance at June 30, 2013 | **13,395** | **79,943** | **26,026** | **14,368** | **2,292** | **-** | **-** | **136,024** |
| **Book value** | | | | | | | | |
| December 31, 2012 | 97,016 | 114,118 | 21,494 | 10,822 | 1,994 | 25,753 | 7,288 | 278,485 |
| June 30, 2013 | **98,464** | **116,828** | **20,447** | **10,095** | **1,537** | **27,184** | **6,137** | **280,692** |

## 16. Property, plant and equipment (Continued)

| | Land, buildings and premises | Machinery and equipment | Casts and tooling | Furniture and computers | Vehicles | Construction in progress | Advances to suppliers | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | **Company** |
| **Cost or deemed cost** | | | | | | | | |
| Balance at December 31, 2012 | 2,426 | 58,825 | 22,070 | 7,267 | 2,499 | 6,980 | 374 | 100,441 |
| Additions | - | 53 | 27 | 69 | - | 4,603 | (205) | 4,547 |
| Disposals | - | (374) | - | (28) | (145) | - | - | (547) |
| Transfers of assets under construction | 222 | 3,626 | 964 | 417 | - | (5,229) | - | - |
| Balance at June 30, 2013 | **2,648** | **62,130** | **23,061** | **7,725** | **2,354** | **6,354** | **169** | **104,441** |
| | | | | | | | | |
| **Depreciation** | | | | | | | | |
| Balance at December 31, 2012 | 459 | 22,313 | 10,468 | 3,749 | 1,118 | - | - | 38,107 |
| Depreciation in the period | 130 | 2,840 | 1,862 | 514 | 233 | - | - | 5,579 |
| Disposals | - | (185) | - | (24) | (63) | - | - | (272) |
| Balance at June 30, 2013 | **589** | **24,968** | **12,330** | **4,239** | **1,288** | **-** | **-** | **43,414** |
| **Book value** | | | | | | | | |
| December 31, 2012 | 1,967 | 36,512 | 11,602 | 3,518 | 1,381 | 6,980 | 374 | 62,334 |
| June 30, 2013 | **2,059** | **37,162** | **10,731** | **3,486** | **1,066** | **6,354** | **169** | **61,027** |

<u>Construction in progress</u>

The balance of assets under construction of R$ 6,354 for Company, and R$ 27,184 for Consolidated at June 30, 2013 (R$ 6,980 and R$ 25,753 at December 31, 2012, respectively) refers to machinery and equipment still in the phase of being implemented and construction in progress. These assets are expected to become operational in 2013.

## 16. Property, plant and equipment (Continued)

Guarantee

Loans raised by the Company from financial institutions are guaranteed by its assets. Even though a significant portion of fixed assets is used to guarantee loans and financings, the Company has historically settled its liabilities within the established contractual terms thus it was never necessary to enforce such guarantees. At June 30, 2013, the Company has R$ 51,621 in guarantees (R$ 62,709 at December 31, 2012).

## 17. Intangible assets

| | | | | | | Consolidated |
|---|---|---|---|---|---|---|
| | Goodwill | Brands and patents | Development of products | Systems implementation | Other intangible assets | Total |
| **Cost** | | | | | | |
| Balance at December 31, 2012 | 48,682 | 3,981 | 11,697 | 2,946 | 737 | 68,043 |
| Acquisitions | - | - | 390 | 188 | - | 578 |
| Write-offs | - | - | (1,146) | - | - | (1,146) |
| Allocation of PPA Heritage | (14,502) | 6,046 | - | - | 8,106 | (350) |
| Deferred tax on allocation of PPA Heritage | 5,366 | - | - | - | - | 5,366 |
| Effect from exchange variation | (84) | 951 | 98 | - | 1,273 | 2,238 |
| Balance at June 30, 2013 | **39,462** | **10,978** | **11,039** | **3,134** | **10,116** | **74,729** |
| **Amortization** | | | | | | |
| Balance at December 31, 2012 | - | 91 | 4,984 | 1,700 | 87 | 6,862 |
| Amortization for the period | - | 47 | 305 | 214 | 43 | 609 |
| Amortization of PPA allocated - Heritage | - | - | - | - | 1,094 | 1,094 |
| Balance at June 30, 2013 | **-** | **138** | **5,289** | **1,914** | **1,224** | **8,565** |
| **Book value** | | | | | | |
| December 31, 2012 | 48,682 | 3,890 | 6,713 | 1,246 | 650 | 61,181 |
| June 30, 2013 | **39,462** | **10,840** | **5,750** | **1,220** | **8,892** | **66,164** |

| | | | | Company |
|---|---|---|---|---|
| | Brands and patents | Development of products | Systems implementation | Total |
| **Cost** | | | | |
| Balance at December 31, 2012 | 238 | 9,010 | 814 | 10,062 |
| Additions | - | - | 174 | 174 |
| Balance at June 30, 2013 | **238** | **9,010** | **988** | **10,236** |
| **Amortization** | | | | |
| Balance at December 31, 2012 | - | 4,984 | 246 | 5,230 |
| Amortization for the period | - | 305 | 74 | 379 |
| Balance at June 30, 2013 | **-** | **5,289** | **320** | **5,609** |
| **Book value** | | | | |
| December 31, 2012 | 238 | 4,026 | 568 | 4,832 |
| June 30, 2013 | **238** | **3,721** | **668** | **4,627** |

## 17. Intangible assets (Continued)

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

| Cash generating unit | 06-30-2013 | 12-31-2012 |
|---|---|---|
| Forjas Taurus S.A. | **21,194** | 21,194 |
| Taurus Holdings, Inc. | **9,729** | 18,949 |
| Taurus Blindagens Ltda. | **6,823** | 6,823 |
| Taurus Helmets Indústria Plástica Ltda. | **1,045** | 1,045 |
| Famastil Taurus Ferramentas S.A. | **544** | 544 |
| Polimetal Metalurgia e Plásticos Ltda. | **127** | 127 |
| **Total** | **39,462** | 48,682 |

The impairment testing of the aforementioned CGUs is performed annually based on the fair value less selling expenses, which is estimated based on discounted cash flows. On a quarterly basis, Management estimates whether there are changes in assumptions that could indicate the need of setting up a provision for impairment. At June 30, 2013, no such indication was identified. The assumptions adopted by the Company are disclosed in the financial statements for the year ended December 31, 2012.

## 18. Loans and financing

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 06-30-2013 | 12-31-2012 (restated) | 06-30-2013 | 12-31-2012 (restated) |
| **Current liabilities** | | | | |
| Guaranteed bank loans | | | | |
| Working capital | **119,585** | 113,887 | **119,585** | 108,477 |
| Discount of receivables | **996** | 1,556 | **-** | - |
| FINAME | **4,520** | 6,091 | **2,448** | 3,497 |
| FINEP | **10,342** | 10,350 | **2,304** | 2,307 |
| FNE | **1,460** | 1,423 | **-** | - |
| BNDES Revitaliza | **-** | 578 | **-** | - |
| BNDES Progeren | **16,189** | 4,902 | **-** | - |
| Working capital USD | **181,980** | 165,573 | **180,565** | 164,286 |
| Financing for acquisition of fixed assets | **371** | 361 | **371** | 361 |
| Investment in USD | **646** | 575 | **-** | - |
| FINIMP | **29,271** | 17,259 | **25,645** | 15,185 |
| | **365,360** | 322,555 | **330,918** | 294,113 |
| **Non-current liabilities** | | | | |
| Guaranteed bank loans | | | | |
| Working capital | **47,500** | 52,501 | **47,500** | 52,501 |
| FINAME | **7,249** | 6,731 | **3,126** | 3,736 |
| FINEP | **33,142** | 35,932 | **766** | 1,916 |
| FNE | **7,705** | 8,405 | **-** | - |
| BNDES Revitaliza | **-** | 2,276 | **-** | - |
| BNDES Progeren | **50,653** | 27,981 | **-** | - |
| Working capital USD | **146,637** | 106,428 | **64,139** | 30,653 |
| Financing for acquisition of fixed assets | **-** | 164 | **-** | 164 |
| Investment in USD | **15,543** | 14,634 | **-** | - |
| FINIMP | **1,154** | 433 | **763** | - |
| | **309,583** | 255,485 | **116,294** | 88,970 |
| | **674,943** | 578,040 | **447,212** | 383,083 |

## 18. Loans and financing (Continued)

The terms and schedule for debt amortization

The terms and conditions for loans outstanding were as follows:

| | | | | | | | Consolidated |
|---|---|---|---|---|---|---|---|
| | | | | | 06-30-2013 | | 12-31-2012 |
| | **Currency** | **Nominal interest rate** | **Year of maturity** | **Face value** | **Book value** | **Face value** | **Book value** |
| Guaranteed bank loans | | | | | | | |
| Working capital | R$ | CDI + 1.26 to 4.10% p.a. | 2017 | 164,800 | **167,085** | 169,010 | 166.389 |
| Discount of receivables | R$ | 13.26 to 16.80% p.a. | 2013 | - | **996** | - | 1.556 |
| FINAME | R$ | TJLP + 1.00 to 7,00% a.a. | 2014 | 16,507 | **925** | 18,323 | 2.783 |
| FINAME | R$ | 2.50 to 5.50% p.a. | 2021 | 17,217 | **10,844** | 14,927 | 10.039 |
| FINEP | R$ | TJLP + 0.16 to 2.00% a.a. | 2014 | 11,645 | **3,070** | 11,645 | 4.223 |
| FINEP | R$ | 4.00 to 5.25% p.a. | 2020 | 56,337 | **40,414** | 56,337 | 42.058 |
| BNDES Revitaliza | R$ | 9% p.a. | 2017 | - | **-** | 2,845 | 2.854 |
| BNDES Progeren | R$ | TJLP + 4.00% p.a. | 2015 | 63,977 | **66,842** | 31,977 | 32.883 |
| FNE | R$ | 9.50% p.a. | 2019 | 9,806 | **9,165** | 9,806 | 9.828 |
| Working capital | USD | *Libor* + 0.79 to 4.80% p.a. | 2017 | 60,000 | **148,057** | 60,000 | 135.553 |
| Working capital | USD | 3.32 to 9.87% p.a. | 2016 | 68,849 | **147,205** | 68,849 | 136.448 |
| Working capital | USD | 80% to 85% of CDI | 2016 | 14,915 | **33,355** | - | - |
| Financing for acquisition of fixed assets. | USD | *Libor* + 1.25 to 3.0% p.a. | 2014 | 824 | **371** | 824 | 525 |
| Investments | USD | 5.33% p.a. | 2017 | 6,035 | **12,434** | 6,035 | 11.672 |
| Investments | USD | *Libor* + 2.25% p.a. | 2017 | 1,500 | **3,755** | 1,500 | 3.537 |
| FINIMP | USD | *Libor* + 1.10 to 2.7% p.a. | 2016 | 10,947 | **30,425** | 8,571 | 17.692 |
| Total liabilities subject to interest | | | | | **674,943** | | 578,040 |

| | | | | | | | Company |
|---|---|---|---|---|---|---|---|
| | | | | | 06-30-2013 | | 2011 |
| | **Currency** | **Nominal interest rate** | **Year of maturity** | **Face value** | **Book value** | **Face value** | **Book value** |
| Guaranteed bank loans | | | | | | | |
| Working capital | R$ | CDI + 1.80 to 3.91% p.a. | 2017 | 167,010 | **167,085** | 167,010 | 160.978 |
| FINAME | R$ | TJLP + 2.25 to 7.00% p.a. | 2014 | 8,629 | **239** | 8,629 | 1.050 |
| FINAME | R$ | 2.50 to 5.50% p.a. | 2021 | 10,401 | **5,335** | 10,401 | 6.183 |
| FINEP | R$ | TJLP + 0.16 to 2.0% p.a. | 2014 | 11,645 | **3,070** | 11,645 | 4.223 |
| Working capital | USD | *Libor* + 0.79 to 4.80% p.a. | 2017 | 30,000 | **67,297** | 30,000 | 62.035 |
| Working capital | USD | 3.40 to 3.91% p.a. | 2016 | 63,849 | **144,052** | 63,849 | 132.904 |
| Working capital | USD | 80% to 85% of CDI | 2016 | 14,915 | **33,355** | - | - |
| Financing for acquisition of fixed assets | USD | *Libor* + 1.25 to 3.0% p.a. | 2014 | 824 | **371** | 824 | 525 |
| FINIMP | USD | *Libor* + 1.10 to 2.7% p.a. | 2014 | 7,354 | **26,408** | 7,354 | 15.185 |
| Total liabilities subject to interest | | | | | **447,212** | | 383,083 |

## 18. Loans and financing (Continued)

Maturity dates of non-current liabilities:

| | Consolidated | | Company | |
|---|---|---|---|---|
| Year of maturity | 06-30-2013 | 12-31-2012 (restated) | 06-30-2013 | 12-31-2012 (restated) |
| 2014 | **57,375** | 76,710 | **35,171** | 47,614 |
| 2015 | **77,088** | 40,304 | **35,015** | 14,588 |
| 2016 | **42,025** | 25,894 | **21,394** | 13,020 |
| 2017 | **108,300** | 94,745 | **18,972** | 13,013 |
| 2018 onwards | **24,795** | 17,832 | **5,742** | 735 |
| | **309,583** | 255,485 | **116,294** | 88,970 |

The loans and financing are guaranteed by promissory notes, chattel mortgages for machinery and equipment and real estate mortgages. The sureties granted by the parent company and the sureties granted by the Company to its subsidiaries are reported in Note 22 – Related parties.

Certain loan and financing contracts agreed between the Company and its subsidiaries include covenants that limit certain corporate alterations, as under: change in direct or indirect controlling interest in the Company, reduction of capital of the Company and/or its subsidiary, distribution of dividends, payment of interest on equity or any other payments to shareholders of the Company and/or its controlling company in case of delay to fulfill any obligation, reduction of Company capital. In addition to these points, they require maintenance of certain financial ratios: indebtedness (net financial debt/EBITDA) lower than 3.5; interest coverage index (EBITDA/net financial expenses) equal to or higher than 2.75. If such restrictions are not met, creditors may claim accelerate maturity. All the above ratios are calculated quarterly based on the last twelve months. At June 30, 2013, those rates had not been complied, for that reason it was reclassified to current liabilities in the amount of R$110,207.

## 19. Debentures

On June 8, 2010 and September 6, 2011, the Company agreed a private instrument for the public registration of the 1st and 2nd issue of debentures, non-convertible into shares for the total nominal value of R$ 103,000 and R$ 50,000, respectively.

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

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

| | | | | | 06-30-2013 |
|---|---|---|---|---|---|
| | **Index** | **Current** | **Transaction costs incurred** | **Transaction costs appropriated** | **Transaction costs to appropriate** |
| Debentures: | | | | | |
| 1st issue | DI rate + 4.1% | **29,868** | **1,424** | **1,200** | **224** |
| 2nd issue | DI Rate + 2.8% | **50,024** | **825** | **346** | **479** |
| | | **79,892** | **2,249** | **1,546** | **703** |

| | | | | | 12-31-2012 |
|---|---|---|---|---|---|
| | **Index** | **Current** | **Transaction costs incurred** | **Transaction costs appropriated** | **Transaction costs to appropriate** |
| Debentures: | | | | | |
| 1st issue | DI rate + 4,1% | 44,762 | 1,160 | 1,065 | 95 |
| 2nd issue | DI rate + 2,8% | 49,936 | 809 | 271 | 538 |
| | | 94,698 | 1,969 | 1,336 | 633 |

Effective interest rate of the 1st and 2nd issues are of 12.52% and 9.98%, respectively. Measurement of the effective rate was based on contractual index rate in force on the reporting date. The debentures are guaranteed by the subsidiaries Forjas Taurus S.A. in Brazil, constituted in the form of bonds granted jointly.

## 19. Debentures (Continued)

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

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

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

Management from the Company and its subsidiaries monitor these indices on a systematic and constant basis, to ensure that the terms are met. At March 31st, 2013 the clauses 7.1(i), (b) and (c) from the 1st issue, and clauses 6.1 (i) (a) and 6.2 (i) (a) from 2nd issue, the non-submission of the consolidated financial statements and, consequently, the non-submission of financial ratios, have not been fulfilled. For that, Company obtained the consent of its creditors not to exercise their rights to require prepayment. However given the adverse factors related to the renegotiation of the sale of the Taurus Máquinas-Ferramenta Ltda. (note 8), the Company didn't met the minimum financial ratios, transferring to current liabilities the amount of R$ 34,288 as a result of noncompliance with these indexes.

## 20. Tax, social security, labor and civil provisions

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

| | | | | Consolidated (restated) |
|---|---|---|---|---|
| | | | 06-30-2013 | 12-31-2012 |
| | **Provision (1)** | **Judicial deposit (2)** | **Net** | **Net** |
| Labor | **6,919** | **2,767** | **4,152** | 2,223 |
| Tax | | | | |
| Federal | **-** | **423** | **(423)** | (423) |
| State | **2,469** | **821** | **1,648** | 1,646 |
| | **9,388** | **4,011** | **5,377** | 3,446 |

| | | | | Company (restated) |
|---|---|---|---|---|
| | | | 06-30-2013 | 12-31-2012 |
| | **Provision (1)** | **Judicial deposit (2)** | **Net** | **Net** |
| Labor | **3,469** | **1,343** | **2,126** | 2,201 |
| Tax | | | | |
| Federal | **-** | **423** | **(423)** | (423) |
| State | **388** | **724** | **(336)** | (338) |
| | **3,857** | **2,490** | **1,367** | 1,440 |

**(1)** Recorded in other liabilities in noncurrent liabilities.
**(2)** Recorded in other accounts receivable under noncurrent assets.

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

Changes in provisions are as follows:

| | Consolidated | | |
|---|---|---|---|
| | **Civil and labor** | **Tax** | **Total** |
| Balance at December 31, 2012 | 4,689 | 2,469 | 7,158 |
| Provisions made in the period | 2,234 | - | 2,234 |
| Provisions used in the period | (4) | - | (4) |
| **Balance at June 30, 2013** | **6,919** | **2,469** | **9,388** |

| | Company | | |
|---|---|---|---|
| | **Civil and labor** | **Tax** | **Total** |
| Balance at December 31, 2012 | 3,469 | 388 | 3,857 |
| Provisions made in the period | - | - | - |
| **Balance at June 30, 2013** | **3,469** | **388** | **3,857** |

The Company and its subsidiaries are a party to other proceedings, the risk of which is considered possible or remote by their legal counsel, amounting to approximately R$ 11,095 for the Company and R$ 44,687 for the consolidated (R$ 10,915 and R$ 44,287, respectively at December 31, 2012) for which no provision was set up considering that the accounting practices adopted in Brazil do not require their recording. The main individual claim is that filed by Hunter Douglas NV against Wotan Máquinas Ltda. seeking the collection set forth in the intercompany loan agreement to finance exports executed by both companies in 2001. Subsidiary Taurus Máquinas-Ferramenta Ltda. is the defendant, in connection with the eventual rental of the industrial complex from Wotan Máquinas Ltda. in 2004. The claim is estimated at R$ 20 million, and the risk of loss is rated as possible by the Company lawyers.

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

## 21. Financial instruments

i) Derivatives

The Company and its subsidiaries Taurus Blindagens Ltda., Taurus Helmets Indústria Plástica Ltda. and Taurus Máquinas-Ferramenta Ltda., undertake operations with derivative financial instruments. The management of these instruments is made through operating strategies and internal controls aiming to ensure their liquidity, profitability and security. Financial instruments are contracted for hedging purposes through periodical analyses of exposure to risk that management intends to cover (foreign exchange rate, interest rate etc.). Control policy consists of permanently monitoring the contractual conditions *versus* current market conditions.

## 21. Financial instruments (Continued)

### i) Derivatives (Continued)

We summarize below our positions with derivative instruments:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 06-30-2013 | 12-31-2012 | 06-30-2013 | 12-31-2012 |
| Derivative financial instruments assets | **46,548** | 33,513 | **46,291** | 32,925 |
| Derivative financial instruments liabilities | **(692)** | (7,750) | **-** | (6,576) |
| | **45,856** | 25,763 | **46,291** | 26,349 |

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

| | | | Consolidated | | | |
|---|---|---|---|---|---|---|
| | | | 06-30-2013 | | 12-31-2012 | |
| Instrument | Counterparty | Contract currency with respect to notional value | Notional - in thousands | Fair value | Notional – in thousands | Fair value |
| ***Swap Fixed* x *Libor*** | | | | | | |
| Taurus Holdings, Inc. | TD Bank | US Dollars - USD | 5,659 | **(692)** | 5,711 | (1,174) |
| ***Swap Pré* x CDI** | | | | | | |
| Forjas Taurus S.A. | Banco Itaú BBA | Reais – BRL | 37,356 | **906** | 37,356 | 1,917 |
| Taurus Blindagens Ltda. | Banco Itaú BBA | Reais – BRL | 9,652 | **177** | 9,652 | 405 |
| Taurus Helmets Ltda. | Banco Itaú BBA | Reais – BRL | 4,355 | **80** | 4,355 | 183 |
| ***Swap* Juros + V.C. USD x CDI + R$** | | | | | | |
| Forjas Taurus S.A. | Banco Itaú BBA | Reais – BRL | 100,000 | **42,691** | 100,000 | 31,008 |
| Forjas Taurus S.A. | Banco Citibank | Reais – BRL | 30,391 | **2,694** | 15,000 | (150) |
| ***Non-deliverable forward* (exports)** | | | | | | |
| Forjas Taurus S.A. | Bes Investimentos | US Dollars - USD | - | **-** | 16,000 | (3,350) |
| Forjas Taurus S.A. | Banco Itaú BBA | US Dollars - USD | - | **-** | 4,700 | (3,076) |
| | | | | **45,856** | | 25,763 |

## 21. Financial instruments (Continued)

i) Derivatives (Continued)

The fair value does not represent the obligation for immediate disbursement or receiving of cash, given that this effect will only occur on the contractual dates or maturity dates of each operation, when the results are determined, depending on the case and the market conditions on these dates. It should be noted that all of the contracts outstanding at June 30, 2013 refer to operations on the over the counter market, registered with the CETIP, without any type of guarantee margin or accelerated maturity clause forced by Mark-to-Market (MtM) variations.

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

*Non-deliverable forward* (exports)

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

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

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

Swap Fixed x CDI

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

## 21. Financial instruments (Continued)

i) Derivatives (Continued)

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

The Company has conventional swap positions for Interbank Deposits (DI) versus US dollar, for the purpose of linking the debt in Reais, tied to the DI, to a debt fixed in US Dollars. Within this context, the Company has conventional swap positions in dollars versus DI, for the purpose of linking the debt in dollars to a debt in Reais tied to the DI. These swaps are tied to debts with respect to values, terms and cash flows.

ii) Risks

a) *Credit risks*

*Exposure to credit risk*

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

| | Consolidated (restated) | |
|---|---|---|
| | Book value | |
| | **06-30-2013** | **12-31-2012** |
| Trade accounts receivable | **199,996** | 168,240 |
| Other loans and receivables | **33,021** | 27,950 |
| Cash and cash equivalents | **337,113** | 180,781 |
| Foreign exchange forward and interest rate swap contracts used for asset hedging | **46,548** | 33,513 |
| Total | **616,678** | 410,484 |

| | Company (restated) | |
|---|---|---|
| | Book value | |
| | **30-06-2013** | **31-12-2012** |
| Trade accounts receivable | **53,939** | 60,545 |
| Other loans and receivables | **21,545** | 18,889 |
| Cash and cash equivalents | **94,368** | 101,560 |
| Foreign exchange forward and interest rate swap contracts used for asset hedging | **46,291** | 32,925 |
| Total | **216,143** | 213,919 |

## 21. Financial instruments (Continued)

ii) Risks (Continued)

a) *Credit risk* (Continued)

*Exposure to credit risk*

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

| | Consolidated | | Company (restated) | |
|---|---|---|---|---|
| | Book value | | Book value | |
| | **06-30-2013** | **12-31-2012** | **06-30-2013** | **12-31-2012** |
| Domestic-trade accounts receivable | **87,861** | 80,844 | **26,519** | 30,911 |
| United States – trade accounts receivable | **97,970** | 69,765 | **10,644** | 13,379 |
| Others | **14,165** | 17,631 | **16,776** | 16,255 |
| Total | **199,996** | 168,240 | **53,939** | 60,545 |

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

| | Consolidated | | Company (restated) | |
|---|---|---|---|---|
| | Book value | | Book value | |
| | **06-30-2013** | **12-31-2012** | **06-30-2013** | **12-31-2012** |
| Customers – public bodies | **21,057** | 26,924 | **17,367** | 19,919 |
| Customers - distributors | **48,834** | 99,058 | **33,866** | 21,117 |
| End customers | **130,105** | 42,258 | **2,706** | 19,509 |
| Total | **199,996** | 168,240 | **53,939** | 60,545 |

*Impairment losses*

The maturity of loans and receivables granted at the financial statements reporting date was:

| | Consolidated (restated) | | | |
|---|---|---|---|---|
| | Gross | Gross | Impairment | Impairment |
| | **06-30-2013** | **12-31-2012** | **06-30-2013** | **12-31-2012** |
| Falling due | **163,379** | 140,422 | **-** | - |
| Overdue for 0-30 days | **12,809** | 1,142 | **-** | - |
| Overdue between 31-360 days(1) | **8,143** | 4,546 | **(3,904)** | (410) |
| Overdue for more than one year | **15,665** | 22,130 | **(15,665)** | (18,983) |
| Total | **199,996** | 168,240 | **(19,569)** | (19,393) |

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

## 21. Financial instruments (Continued)

ii) <u>Risks</u> (Continued)

a) *Credit risk* (Continued)

*Impairment losses* (Continued)

| | | | | Company (restated) |
|---|---|---|---|---|
| | **Gross** | **Gross** | **Impairment** | **Impairment** |
| | **06-30-2013** | **12-31-2012** | **06-30-2013** | **12-31-2012** |
| Falling due | **43,189** | 49,591 | **-** | - |
| Overdue for 0-30 days | **3,607** | 4,644 | **-** | - |
| Overdue between 31-360 days[1] | **4,034** | 3,294 | **(413)** | (410) |
| Overdue for more than one year | **3,109** | 3,016 | **(2,345)** | (2,332) |
| Total | **53,939** | 60,545 | **(2,758)** | (2,742) |

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

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

The parent company transferred to third parties credits amounting to R$92,271 at June 30, 2013 (R$ 17,855 at June 30, 2012), with no right to recourse. Subsidiary Polimetal Metalurgia e Plásticos Ltda. Transferred to third parties credits receivable amounting to R$ 36,568 at June 30, 2013, with no right to recourse. In the financial statements, these amounts were recognized as "Advance receivables".

The balance of notes receivable refers to the sale of operating activities of subsidiary SM Metalurgia Ltda., as described in Note 8, observing that the guarantees are disclosed in this note. Management periodically monitors the counterparty credit risk.

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

b) *Liquidity risk*

Presented below are the contractual maturities of financial liabilities, including payments of estimated interest, excluding the impact of currency negotiation agreements at the net position:

## 21. Financial instruments (Continued)

ii) Risks (Continued)

b) *Liquidity risk* (Continued)

| | Book Value | Contractual cash flow | Up to 1 year | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | | | | | | **Consolidated 06-30-2013** |
| **Non-derivative financial liabilities** | | | | | | |
| Trade accounts payable | **27,988** | **27,988** | **27,988** | **-** | **-** | **-** |
| Guaranteed bank loans | **674,943** | **842,781** | **375,824** | **159,317** | **231,335** | **76,305** |
| Debt securities issued | **79,892** | **84,173** | **84,173** | **-** | **-** | **-** |
| Certificates of real estate receivables | **24,365** | **26,167** | **26,167** | **-** | **-** | **-** |
| Advance on receivables | **128,839** | **128,839** | **128,839** | | | |
| **Derivative financial instruments** | | | | | | |
| Derivative instruments (assets) | **(46,548)** | **(46,548)** | **(46,548)** | **-** | **-** | **-** |
| Derivative instruments (liabilities) | **692** | **692** | **692** | **-** | **-** | **-** |
| | **890,171** | **1,064,092** | **597,135** | **159,317** | **231,335** | **76,305** |

| | Book value | Contractual cash flow | Up to 1 year | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | | | | | | **Consolidated 2012 (restated)** |
| **Non-derivative financial assets** | | | | | | |
| Trade accounts payable | 34,958 | 34,958 | 34,958 | - | - | - |
| Guaranteed bank loans | 578,040 | 629,667 | 330,373 | 88,471 | 210,369 | 455 |
| Debt securities issued | 94,698 | 99,459 | 99,459 | - | - | - |
| Certificates of real estate receivables | 28,711 | 35,690 | 35,690 | - | - | - |
| Foreign exchange payable | 5,128 | 5,188 | 5,188 | - | - | - |
| Advance on receivables | 26,375 | 26,375 | 26,375 | | | |
| **Derivative financial instruments** | | | | | | |
| Derivative instruments (assets) | (33,513) | (33,513) | (33,513) | - | - | - |
| Derivative instruments (liabilities) | 7,750 | 7,750 | 7,750 | - | - | - |
| | 742,147 | 805,574 | 506,279 | 88,471 | 210,369 | 455 |

| | Book value | Contractual cash flow | Up to 1 year | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | | | | | | **Company 06-30-2013** |
| **Non-derivative financial liabilities** | | | | | | |
| Trade accounts payable | **49,860** | **49,860** | **49,860** | **-** | **-** | **-** |
| Guaranteed bank loans | **447,212** | **485,021** | **341,181** | **81,076** | **62,121** | **643** |
| Debt securities issued | **79,892** | **84,173** | **84,173** | **-** | **-** | **-** |
| **Derivative financial instruments** | | | | | | |
| Derivative instruments (assets) | **(46,291)** | **(46,291)** | **(46,291)** | **-** | **-** | **-** |
| Derivative instruments (liabilities) | **-** | **-** | **-** | **-** | **-** | **-** |
| | **530,673** | **572,763** | **428,923** | **81,076** | **62,121** | **643** |

## 21. Financial instruments (Continued)

ii) Risks (Continued)

b) *Liquidity risk* (Continued)

| | Company 31-12-2012 | | | | | |
|---|---|---|---|---|---|---|
| | Book value | Contractual cash flow | Up to 1 year | 1-2 years | 2-5 years | Over 5 5 years |
| **Non-derivative financial liabilities** | | | | | | |
| Trade accounts payable | 40,742 | 40,742 | 40,742 | - | - | - |
| Guaranteed bank loans | 383,083 | 408,347 | 302,514 | 56,086 | 49,476 | 271 |
| Debt securities issued | 94,698 | 99,459 | 99,459 | - | - | - |
| Foreign exchange payable | 5,128 | - | - | - | - | - |
| **Derivative financial instruments** | | | | | | |
| Derivative instruments (assets) | (32,925) | (32,925) | (32,925) | - | - | - |
| Derivative instruments (liabilities) | 6,576 | 6,576 | 6,576 | - | - | - |
| | 497,302 | 522,199 | 416,366 | 56,086 | 49,476 | 271 |

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

## 21. Financial instruments (Continued)

ii) Risks (Continued)

c) *Foreign currency risk*

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

| | Consolidated | |
|---|---|---|
| | USD thousands | |
| | 06-30-2013 | 12-31-2012 |
| Trade accounts receivable | **50,612** | 42,768 |
| Foreign exchange payable | **-** | (2,509) |
| Guaranteed bank loans | **(166,818)** | (149,463) |
| Foreign suppliers | **(3,715)** | (6,170) |
| Advance on receivables | **(41,646)** | - |
| Net balance sheet exposure | **(161,567)** | (115,374) |

The exposure to consolidated foreign exchange risk includes the guaranteed bank loans from Taurus Holdings, Inc. for the amount of USD 45,181 at March 31, 2013 (USD 45,153 at December 31, 2012).

| | Company (restated) | |
|---|---|---|
| | USD thousands | |
| | 06-30-2013 | 12-31-2012 |
| Trade accounts receivable | **5,219** | 7,954 |
| Accounts receivable from foreign related parties | **7,157** | 6,547 |
| Foreign exchange payable | **-** | (2,509) |
| Guaranteed bank loans | **(119,825)** | (103,082) |
| Foreign suppliers | **(872)** | (957) |
| Net balance sheet exposure | **(108,321)** | (92,047) |

The following exchange rates were used during the period ended June 30, 2013 and year 2012:

| | Average rate | | Spot rate | |
|---|---|---|---|---|
| | 06-30-2013 | 12-31-2012 | 06-30-2013 | 12-31-2012 |
| R$/USD | **2,0329** | 1,9588 | **2,2156** | 2,0435 |

## 21. Financial instruments (Continued)

ii) Risks (Continued)

c) *Foreign exchange risk* (Continued)

*Sensitivity analysis*

The devaluation of the Real to the US dollar, at June 30, 2013 decreased equity and net income as reported below. This analysis is based on the expected exchange rate of year end, which is of R$ 2.13 (probable scenario), based on the Focus report of July 5, 2013, issued by the Central Bank of Brazil. The analysis considered that all the other variables, particularly interest rates, would remain constant.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **Equity** | **Gain (loss) for the year** | **Equity** | **Gain (loss) for the year** |
| **June 30, 2013** | | | | |
| R$/USD (forecast rate 2.13) | **13,830** | **13,830** | **9,272** | **9,272** |
| R$/USD (25% - forecast rate 2.66) | **(72,205)** | **(72,205)** | **(48,409)** | **(48,409)** |
| R$/USD (50% - forecast rate 3.20) | **(158,240)** | **(158,240)** | **(106,090)** | **(106,090)** |

d) *Interest rate risk*

*Sensitivity analysis of the fair value for fixed rate instruments*

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

## 21. Financial instruments (Continued)

ii) <u>Risks</u> (Continued)

d) *Interest rate risk* (Continued)

*<u>Sensitivity analysis of cash flows for variable rate instruments</u>*

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

| | Consolidated | |
|---|---|---|
| | Book value | |
| | **06-30-2013** | **12-31-2012** |
| **Fixed rate instruments** | | |
| Financial liabilities | **130,154** | 133,281 |
| **Variable rate instruments** | | |
| Financial assets | **193,895** | 185,350 |
| Financial liabilities | **649,740** | 579,871 |

| | Company | |
|---|---|---|
| | Book value | |
| | **06-30-2013** | **12-31-2012** |
| **Fixed rate instruments** | | |
| Financial liabilities | **30,616** | 21,917 |
| **Variable rate instruments** | | |
| Financial assets | **131,548** | 129,805 |
| Financial liabilities | **496,489** | 467,566 |

A variation of 10 percentage points in interest rates, on the reporting date of the financial statements, would increase (reduce) equity and net income for the year on the balance for interest not liquidated, by the amounts presented below. The analysis considers that all variables, particularly foreign currency, would remain stable. The analysis was made considering the same base for June 30, 2013 and December 31, 2012.

## 21. Financial instruments (Continued)

ii) Risks (Continued)

d) *Interest rate risk* (Continued)

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

| | Consolidated | |
|---|---|---|
| | Equity and net income for the year | |
| | **06-30-2013** | **12-31-2012** |
| Change in interest rate on financing | **(2,834)** | (2.418) |
| Change in interest rate on short-term investments | **568** | 523 |

| | Company | |
|---|---|---|
| | Equity and net income for the year | |
| | **06-30-2013** | **12-31-2012** |
| Change in interest rate on financing | **(1,923)** | (1.380) |
| Change in interest rate on short-term investments | **331** | 334 |

iii) Fair value versus book value

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

| | | | Consolidated (restated) | |
|---|---|---|---|---|
| | **06-30-2013** | | **12-31-2012** | |
| | **Book value** | **Fair value** | **Book value** | **Fair value** |
| **Assets stated at fair value** | | | | |
| Forward exchange contracts and interest rate swap contracts used for hedge operations | **46,548** | **46,548** | 33,513 | 33,513 |
| **Assets stated at amortized cost** | | | | |
| Cash and cash equivalents | **337,113** | **337,113** | 180,781 | 180,781 |
| Securities receivable | **180,427** | **180,427** | 148,847 | 148,847 |
| | **517,540** | **517,540** | 329,628 | 329,628 |
| **Liabilities stated at fair value** | | | | |
| Forward exchange contracts and interest rate swap contracts used for hedge operations | **692** | **692** | 7.750 | 7.750 |
| **Liabilities stated at amortized cost** | | | | |
| Guaranteed bank loans | **674,943** | **674,943** | 578,040 | 562,443 |
| Issue of debt securities | **79,892** | **79,892** | 94,697 | 96,195 |
| Foreign exchange payable | **-** | **-** | 5,128 | 5,018 |
| Suppliers and other accounts payable | **156,908** | **156,908** | 61,333 | 61,333 |
| Advance on real estate credits | **24,365** | **24,365** | 28,711 | 29,823 |
| | **936,108** | **936,108** | 767,909 | 754,812 |

## 21. Financial instruments (Continued)

iii) Fair value versus book value

| | | | | Company (restated) |
|---|---|---|---|---|
| | 06-30-2013 | | 12-31-2012 | |
| | Book value | Fair value | Book value | Fair value |
| **Assets stated at fair value** | | | | |
| Forward exchange contracts and interest rate swap contracts used for hedge operations | **46,291** | **46,291** | 32,925 | 32,925 |
| **Assets stated at amortized cost** | | | | |
| Cash and cash equivalents | **94,368** | **94,368** | 101,560 | 101,560 |
| Trade accounts receivable and other receivables | **51,181** | **51,181** | 57,803 | 57,803 |
| | **145,549** | **145,549** | 159,363 | 159,363 |
| **Liabilities stated at fair value** | | | | |
| Forward exchange contracts and interest rate swap contracts used for hedge operations | **-** | **-** | 6.576 | 6.576 |
| **Liabilities stated at amortized cost** | | | | |
| Guaranteed bank loans | **447,213** | **447,213** | 383,082 | 382,531 |
| Issue of debt securities | **79,892** | **79,892** | 94,698 | 96,195 |
| Foreign exchange payable | **-** | **-** | 5,128 | 5,018 |
| Suppliers and other accounts payable | **49,860** | **49,860** | 40,742 | 40,742 |
| | **576,965** | **576,965** | 523,650 | 524,486 |

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

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

## 21. Financial instruments (Continued)

iii) Fair value versus book value

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

## 22. Related parties

| | Outstanding balances of subsidiaries with the Company | | | | | Effect from result of operations of subsidiaries with the Company | |
|---|---|---|---|---|---|---|---|
| | Current assets (customers) | Noncurrent assets (receivables from related parties) | Total assets | Current liabilities (*) | Total liabilities | Revenue | Expenses |
| **December 31, 2012** | | | | | | | |
| Taurus Blindagens Ltda. | - | - | - | 2,594 | 2,594 | - | 2,124 |
| Taurus Holdings,Inc. (Note 10) | 13,379 | - | 13,379 | 699 | 699 | 244,809 | 3,997 |
| Taurus Security Ltda. | - | 547 | 547 | - | - | - | - |
| Taurus Investimentos Imobiliários Ltda.(**) | - | 5,811 | 5,811 | - | - | - | 4,694 |
| Taurus Máquinas-Ferramenta Ltda. | | 114,033 | 114,033 | - | - | - | - |
| Polimetal Metalurgia e Plásticos Ltda.(Note 10) | 3,216 | - | 3,216 | 24,156 | 24,156 | 7,921 | 103,726 |
| | 16,595 | 120,391 | 136,986 | 27,449 | 27,449 | 252,730 | 114,541 |
| **June 30, 2013** | | | | | | | |
| Taurus Blindagens Ltda. | - | - | - | 5 | 5 | - | 4 |
| Taurus Holdings,Inc. (nota 10) | 10,644 | - | 10,644 | 1,116 | 1,116 | 104,228 | 1,785 |
| Taurus Security Ltda. | - | 547 | 547 | - | - | - | - |
| Taurus Investimentos Imobiliários Ltda. (**) | 5,811 | - | 5,811 | - | - | - | 2,416 |
| Taurus Máquinas-Ferramenta Ltda. | - | 131,579 | 131,579 | - | - | - | - |
| Polimetal Metalurgia e Plásticos Ltda. (Note 10) | 930 | - | 930 | 36,943 | 36,943 | 2,285 | 40,629 |
| | **17,385** | **132,126** | **149,511** | **38,064** | **38,064** | **106,513** | **44,834** |

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

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

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

## 22. Transaction with related parties (Continued)

The transactions with related parties are carried out under the price and terms agreed by the parties as well as usual market conditions, according to management's evaluation.

Subsidiary Taurus Máquinas-Ferramentas Ltda. has intercompany loan payable to the controlling company Forjas Taurus S.A. in the amount of R$ 131,579 at June 30, 2013 (R$ 114,033 at December 31, 2012). Subsidiary Taurus Security Ltda. has intercompany loan payable to the controlling company Forjas Taurus S.A. in the amount of R$ 547 at June 30, 2013 and December 31, 2012. The loans are not subject to monetary restatement or interest.

<u>Management fees</u>

At June 30, 2013, remuneration paid to key management personnel amounted to R$ 9,443 (R$ 11,674 at June 30, 2012), and includes salaries, fees and benefits.

Key management personnel compensation:

| | **Consolidated** | | **Company** | |
|---|---|---|---|---|
| | **06-30-2013** | **06-30-2012** | **06-30-2013** | **06-30-2012** |
| Remuneration and benefits of statutory directors and board members | **3,741** | 4,393 | **3,741** | 4,393 |
| Remuneration of key personnel | **5,702** | 7,281 | **2,650** | 2,897 |
| Total | **9,443** | 11,674 | **6,391** | 7,290 |

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

## 22. Transaction with related parties (Continued)

Operations of directors and key management personnel

The directors and key management personnel directly control 47.03% of the Company's voting capital.

Some of the key management personnel hold units of interest in other entities, resulting in them having control or significant influence over the financial or operating policies of these companies. There were no transactions between the Company and these parties in the years ended June 30, 2013 and December 31, 2012, except for salaries.

Sureties between related parties

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

| | 06-30-2013 | 12-31-2012 |
|---|---|---|
| Taurus Máquinas-Ferramenta Ltda. | **-** | 5,410 |
| Taurus Holdings, Inc. | **100,102** | 92,271 |
| | **100,102** | 97,681 |

## 23. Equity (Company)

a) Capital

Capital at June 30, 2013 amounted to R$ 257,797 (R$ 257,797 at December 31, 2012).

*Preferred shares*

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

*Authorized shares (in thousands of shares)*

| | 06-30-2013 | 12-31-2012 |
|---|---|---|
| Common shares | **51,851** | 51,851 |
| Preferred shares | **103,702** | 103,702 |
| | **155,553** | 155,553 |

## 23. Equity (Company) (Continued)

*Shares issued and fully paid up*

| | Common | | Preferred | |
|---|---|---|---|---|
| | Number in thousands | R$ thousands | Number in thousands | R$ thousands |
| **December 31, 2012** | | | | |
| ON - R$ 3.25 - PN - R$ 2.90* | 47,138 | 153,199 | 94,275 | 273,398 |
| **June 30, 2013** | | | | |
| ON - R$ 3.40 - PN - R$ 2.50* | 47,138 | 160,269 | 94,275 | 235,688 |

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

b) Treasury stock

Treasury shares refer to repurchased capital. The amount of remuneration paid includes directly attributable costs, net of any tax effects. When treasury shares are sold or subsequently re-issued, the amount received is recognized as an increase in equity, and the resulting excess or deficit are transferred to/from retained earnings.

c) Reserves

*Legal reserve*

Legal reserve is set at a 5% ratio of the net profit determined for each year in accordance with Article 193 of Law No. 6404/76, up to the limit of 20% of its capital.

*Statutory reserve and profit retention*

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

*Equity valuation adjustments*

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

*Accumulated translation adjustments*

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

## 23. Equity (Company) (Continued)

d) Earnings per share

Basic earnings per share were calculated based on profit for the period attributable to controlling and non-controlling shareholders of the Company up to March 31, 2013, and the respective average number of common outstanding shares in this period, compared to the period ended March 31, 2012, as presented below:

| | 06-30-2013 (restated) | 06-30-2012 (restated) |
|---|---|---|
| Net income for the period from continuing operations | **(15,950)** | 29,415 |
| Loss from discontinued operations | **-** | (132,216) |
| Net income attributable to Company shareholders | **(15,950)** | (102,801) |
| Basic and diluted earnings per share – in R$ | **(0.1128)** | (0.7270) |
| Basic and diluted earnings per share –from continuing operations-R$ | **(0.1128)** | 0.2080 |

At June 30, 2013, the Company's basic and diluted earnings per share have the same amount since there are no financial instruments convertible into shares and its common shares are not entitled to differentiated participation in profits.

## 24. Operating income

| | Consolidated | (restated) | Company | (restated) |
|---|---|---|---|---|
| | 06-30-2013 | 06-30-2012 | 06-30-2013 | 06-30-2012 |
| Product sales | **492,633** | 412,465 | **197,754** | 206,157 |
| Rendering of services | **23** | 1,885 | **21** | 25 |
| Total gross revenue | **492,656** | 414,350 | **197,775** | 206,182 |
| Sales taxes | **(57,869)** | (55,577) | **(12,791)** | (18,852) |
| Returns and rebates | **(2,208)** | (5,016) | **(8,452)** | (2,056) |
| Total net operating revenue | **432,579** | 353,757 | **176,532** | 185,274 |

## 25. Financial income (expenses)

| | Consolidated (restated) | | | Company |
|---|---|---|---|---|
| | 06-30-2013 | 06-30-2012 | 06-30-2013 | 06-30-2012 |
| **Financial expenses** | | | | |
| Interest | **(28,684)** | (24,270) | **(20,934)** | (20,677) |
| Capitalized interest on fixed assets | **336** | 249 | **336** | 208 |
| Foreign exchange losses | **(32,823)** | (44,049) | **(31,656)** | (43,792) |
| Tax on Financial Transactions (IOF) | **(584)** | (58) | **(67)** | (9) |
| Swap on financial operations | **(10,925)** | (14,969) | **(10,593)** | (14,969) |
| Other expenses | **(3,394)** | (3,861) | **(792)** | (1,481) |
| | **(76,074)** | (86,958) | **(63,706)** | (80,720) |
| **Financial income** | | | | |
| Interest | **11,729** | 6,961 | **5,302** | 3,327 |
| Foreign exchange losses | **9,867** | 31,960 | **9,169** | 31,323 |
| Swap on financial operations | **22,163** | 27,326 | **21,952** | 26,974 |
| Other income | **283** | 818 | **244** | 231 |
| | **44,042** | 67,065 | **36,667** | 61,855 |
| **Financial income (expenses), net** | **(32,032)** | (19,893) | **(27,039)** | (18,865) |

## 26. Expenses with income and social contribution taxes

Reconciliation of expenses, calculated by applying combined nominal tax rates, as well as income and social contribution tax expenses in P&L, is as follows:

| | Consolidated (restated) | | | Company |
|---|---|---|---|---|
| | 06-30-2013 | 06-30-2012 | 06-30-2013 | 06-30-2012 |
| Income before income and social contribution taxes | **13,310** | (84,232) | **(4,753)** | (100,426) |
| Combined tax rate | **34%** | 34% | **34%** | 34% |
| Income and social contribution taxes: | | | | |
| At combined tax rate | **(4,525)** | 28,639 | **1,616** | 34,145 |
| Permanent additions: | | | | |
| Non-deductible expenses | **(250)** | (105) | **(250)** | (96) |
| Permanent exclusions: | | | | |
| Tax exempt income – equity pickup | **-** | 242 | **7,347** | (31,175) |
| Other – Law No. 11196/05 | **86** | 747 | **-** | - |
| Tax losses not recognized in assets | **(19,480)** | (31,351) | **(15,138)** | (6,187) |
| Nondeductible provisions | **(1,448)** | (19,595) | **-** | - |
| Other items | **(1,106)** | 2,854 | **(23)** | 938 |
| Income and social contribution taxes in the P&L for the year | **(24,511)** | (18,569) | **(6,448)** | (2,375) |
| Income and social contribution taxes in the P&L for the year: | | | | |
| Current | **(14,811)** | (12,729) | **-** | - |
| Deferred | **(9,700)** | (5,840) | **(6,448)** | (2,375) |
| | **(24,511)** | (18,569) | **(6,448)** | (2,375) |
| Effective rate | **184.15%** | -22.05% | **-135.66%** | -2.36% |

## 27. Insurance coverage

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

At June 30, 2013, the Company's insurance coverage was as follows

| | 06-30-2013 | |
|---|---|---|
| | **Consolidated** | **Company** |
| Material damages | 204,637 | 83,225 |
| Civil liability | 38,653 | 8,000 |
| Loss of profits | 5,874 | - |

## 28. Expenses by nature

The Company elected to present the consolidated income statement by function. As required by IFRS, the Company sets out below a detailed consolidated income statement by nature:

| | | **Consolidated (restated)** | | **Company (restated)** |
|---|---|---|---|---|
| | **06-30-2013** | **06-30-2012** | **06-30-2013** | **06-30-2012** |
| **Expenses by function** | | | | |
| Cost of products sold | **(294,128)** | (213,740) | **(144,929)** | (142,009) |
| Selling expenses | **(51,977)** | (43,027) | **(14,110)** | (15,630) |
| General and administrative | **(37,075)** | (27,882) | **(16,421)** | (15,586) |
| Other operating expenses | **(10,431)** | (4,362) | **(2,158)** | (2,524) |
| | **(393,611)** | (289,011) | **(177,618)** | (175,749) |
| **Expenses by nature** | | | | |
| Depreciation and amortization | **(16,783)** | (15,438) | **(5,330)** | (5,839) |
| Personnel expenses | **(65,841)** | (50,491) | **(58,827)** | (68,601) |
| Raw material and use and consumption materials | **(228,961)** | (153,701) | **(84,442)** | (73,857) |
| Freight | **(9,398)** | (8,429) | **(4,160)** | (3,434) |
| Commissions | **(15,712)** | (16,482) | **(4,277)** | (6,499) |
| Third-parties services | **(7,348)** | (5,701) | **(3,765)** | (3,329) |
| Advertising and publicity | **(10,324)** | (8,504) | **(1,320)** | (1,187) |
| Bad debits provision | **(10,587)** | (8,527) | **(16)** | 88 |
| Other expenses | **(28,657)** | (21,738) | **(15,481)** | (13,091) |
| | **(393,611)** | (289,011) | **(177,618)** | (157,749) |

## 29. Business combination

Acquisition of Heritage Manufacturing, Inc.

On May 2, 2012, the subsidiary Taurus Holdings, Inc. acquired for USD10 million the controlling interest in Heritage Manufacturing, Inc., based in Opa Locka, Florida, company engaged in manufacturing of Single Action revolvers. With this transaction the Company intended to supplement its portfolio of products in the US market. The consideration was fully paid in cash, without assuming any liability in connection with the transaction, also there is no contingent consideration.

We set out below a summary computation of goodwill, considering Heritage's balance sheet at May 2, 2012. The fair value was determined by a specialized company.

| | **R$ thousand** |
|---|---|
| Fixed assets | 1,660 |
| Intangible assets | 14,152 |
| Other assets | 4,647 |
| Deferred Taxes | (5,366) |
| Liabilities | (1,746) |
| Total identifiable assets, net | 13,347 |
| (-) Amount of consideration | (19,256) |
| Goodwill paid | (5,909) |

The costs related to the acquisition were recognized in P&L under Administrative expenses.

# RELEASE

# 2Q13

Release republished on 03/28/2014 due to the restatement of the Quarterly Information for the 2nd quarter of 2013

# FORJAS TAURUS S.A.
# Revenue grows 16% in 2Q13 and 22% in 1H13

***Porto Alegre, March 28, 2014 -*** Forjas Taurus S.A. (**BM&FBOVESPA:** FJTA3, FJTA4), a company in the segments of ***(i) Defense and Security*** – as the largest weapon manufacturer in Latin America and one of the largest in the world; and of ***(ii) Metallurgy and Plastics*** – as market leader in the production of helmets for motorcyclists, and in the production of bulletproof vests, antiriot shields, plastic containers and forged and molded parts (M.I.M – Metal Injection Molding), informs hereby the voluntary restatement of result for the 2nd quarter of 2013 (2Q13) and for the first half of 2013 (1H13), as established by **CPC 23 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors** (equivalent to IAS 8).

Due to the amendment of the Purchase and Sale Contract ("Contract") in connection with disposal of operations of Taurus Máquinas-Ferramenta Ltda. ("TMFL"), occurred on September 12, 2013, the asset sale amount was decreased from R$ 115,35 million to R$ 57.52 million, resulting in a loss of R$57.83 million. Company management, in a review of all contracts and correspondence related to this operation, concluded that the events that lead to decrease in value was already present on the sale of the asset, whose original contract was signed on June 21, 2012.

As a result, decided to restate the quarterly results related to 2012 and 2013, including 2Q13, thus eliminating the following: (i) the independent auditor's qualified conclusion on the financial position; and (ii) the independent auditor's adverse conclusion on the result and cash flows for the restated periods.

Considering the changes made for purposes of voluntary restatement of the financial information, a new process for approval of the Company's Quarterly Information ("ITRs") ended at June 30, 2013 was conducted by management and, in accordance with **CPC 24 – Subsequent Events**, the impacts from subsequent events were also considered, occurred between the period of the ITR and approval for the restatement thereof.

A consolidated net profit of R$ 11.2 million in the 2Q13 was performed after ITR's restatement, as shown in Section 1.9 of this report.

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

The impact from restatement of the financial statements is basically: (i) non-recurrent; and (ii) minimized for not representing significant outflows in the Company's cash flow, also the additional provisions may be reversed as the installments related to sale of TMFL operations are paid and if the contingencies do not materialize.

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

The Company maintained the market apprised of the request of renegotiation that occurred in the 2nd and 3rd quarter of 2013, through the following actions:

- **08/14/13: Material News Release** about amendment to the quarterly information - ITR due to the request of renegotiation and the complexity of the proposal and the need of measuring the accounting impacts in the 2Q13;
- **08/20/13: Communication to Market** in reply to Official Document GAE 3263/13, dated 08/16/2013, of BM&FBOVESPA, with the estimate of concluding the renegotiation within up to 30 days;
- **09/12/13: Material News Release** about conclusion of the renegotiation of the Contract for sale of TMFL, with execution of an amendment thereto adjusting the sales value to R$ 57.52 million;
- **09/16/13: BMF&BOVESPA** established a new term of up to **10/15/13** for the Company, through Official Document DRE 159/13, dated 09/16/2013, to disclose financial information for 2Q13;
- **09/16/13: Minutes of the General Debenture Holders' Meeting and Communication to Market** in which 2nd issue debenture holders in the General Debenture Holders' Meeting authorized the trustee Oliveira Trust not to declare accelerated maturity, as provided for in the debenture issue indenture and establishing the deadline for filing the quarterly information - ITR for 2Q13 of up to 10/31/13;

- **10/11/13: Minutes of the General Debenture Holders' Meeting** in which 1st issue debenture holders in the General Debenture Holders' Meeting authorized the trustee Pentágono not to declare accelerated maturity, as provided for in the debenture issue indenture and establishing the deadline for filing the quarterly information - ITR for 2Q13 of up to 10/31/13.

## HIGLIGHTS FOR 1ST HALF OF 2013 (1H13) - RESTATED

✓ **Fundamentals related to demand continue positive, with consolidated net revenue of R$ 432.6 million, up 22,3%** compared to 1H12, mainly due to the increase in sales in the foreign market;

✓ **Demand remained kindled in the international market** and started to recover in the **domestic market with new orders** from certain states in the Northeast and Southeast regions, already perceiving the historic seasonal trend in the second half of the year of increase in orders;

✓ **Increase in the share of sales in the North American market in relation to total revenue; namely:** 66% in 1H13 compared to 55% in 1H12; stable at 4% for the other countries; and decrease in the domestic market to 30% in 1H13 (compared to 41% in 1H12);

✓ **Significant increase of 45.5% in exports reaching R$ 304.5 million in 1H13,** due to favorable demand and foreign exchange rate (70.4% of total revenue in 1H13);

✓ **Net revenue from the weapons segment reached R$ 333.2 million in 1H13,** up 34.5%, accounting for 77% of total net revenue (70.1% in 1H12);

✓ **Gross profit of the weapons segment amounted to R$ 108.5 million in 1H13, up 21.2% compared to 1H12,** with gross margin of 32.6% (compared to 36.1% in 1H12);

✓ **Performance above that expected for Heritage in the USA** (acquisition in June/12) and for **DiamondBack** (exclusive global product distribution agreement entered into in January/13) with trend of increase in revenue;

✓ **Increasing recovery in helmet sales with revenue of R$ 63.5 million and gross profit of R$ 23.8 million, with margin of 37.5% in 1H13,** improving quarter after quarter, especially from 1Q13 to 2Q13;

✓ **Adjusted EBITDA of R$ 77.1 million**, with margin of 17.8% in 1H13, eliminating the non-recurrent events, particularly due to the accounting effects from renegotiation of TMFL sale;

## Projects in progress and structural changes at the Company occurred at 1S13 and subsequent events:

1. **Substitution of the Industrial Executive Officer,** as from January/13, who implemented several changes with the support and guidance from Company management;
2. **Hiring of a new Administrative and Financial Vice CEO** on August/09/13;
3. **Project for Working Capital Optimization generates results:** 39% reduction in inventories of finished products (compared to Dec/12) and tax recovery increases 1.5% on the balance at Dec/31/12;
4. **Focus on Quality Project:** continuous improvement and increasing level of requirements in inspections of products in Brazil and the USA, looking for volume with increasing quality, which already resulted in improvement in the non-compliance indicators in the production lines in the six-month period;
5. **Project for implementation of a new manufacturing management model, with implementation of a Lean Manufacturing pilot project in August 2013)** in the Rossi long guns production line (Pigeon Model);
6. **Significant change in the profile of employees from the industrial area**, with significant substitution of employees in the positions of coordination and supervision as well as certain managers (Industrial, Quality and PCP), with profile committed to lean manufacturing;
7. **Project for reduction in industrial process verticalization:** through production of parts and components by third parties, assuming higher quality, lower cost and that they are not strategic for the production process;

8. **Project for Production Decommissioning and Rendering of Forging Services to Third Parties:** started in April/13;

9. **Project for industrial consolidation in the São Leopoldo plant** (Av. São Borja): in progress, with transfer of Steelinject from Caxias do Sul (RS) concluded in July 2013 and the migration of Rossi long guns production scheduled for up to June/14 already using lean manufacturing layout; and

10. **Products Marketing Project for the USA:** repositioning of products exported to the USA in the 2H13, seeking to change customer perception, several marketing campaigns, engaging of shooting champions and icons such as Jessie Duff (Female Shooting Championships) and Alex Larche (Junior Shooting Championships) for the Taurus team and ongoing improvement in quality and customer services (SAC and other initiatives).

**These factors generated volatility** in production volume and unproductivity, due to the oscillation in production volume in the period, which is expected to be regularized and stabilized along the year. The segment of revolvers was also impacted by problems in the production line of revolver frames and barrels, generating bottlenecks in guns assembly (maintenance of older equipment), increase in costs and consequent decrease in margins. However, with the implementation of new projects and the maintenance of the aforementioned actions, the Company will increase productivity within medium and long term.

**The factors related to production bottlenecks and noncompliance** of certain products are being corrected and the quality indicators and scrap decrease have continuously improved.

**The changes in the manufacturing management model**, in addition to the cultural changes, affect business management and production planning of the Company. The approach for production planning and control has become every time leaner and more aligned with the commercial vision and market dynamics, therefore oscillations in production in this period of changes and transition are understandable.

## HIGHLIGHTS FOR THE 2ND QUARTER OF 2013 (2Q13)

✓ **Consolidated net revenue of R$ 203.9 million is up 16.2%** compared to 2Q12, mainly due to the increase in exports and US dollar appreciation;

✓ **Breakdown of net revenue for 2Q13:** 59% to EUA and Canada; 6% - other countries; and 35% - domestic market;

✓ **Net revenue from export of R$ 132 million** (64.7% of total revenue in 2Q13 compared to 57.4% in 2Q12), up 31.1% compared to 2Q12;

✓ **Net revenue in the domestic market of R$ 71.9 million,** up 28.1% compared to 1Q13, representing 35.3% of total revenue for 2Q13; (24.6% in 1Q13);

✓ **Revenue from the weapons segment reaches R$151.8 million in 2Q13,** up 30.1%, accounting for 74.5% of net revenue (66.6% in 2Q12)**;**

✓ **Gross profit of the weapons segment amounted to R$ 44.8 million** compared to R$ 45.7 million in 2Q12**;**

✓ **Recovery in revenue from helmet sales that increased 12.4% in 2Q13 compared to 1Q13 and up 0.7% compared to 2Q12,** reaching R$ 33.6 million or 16.5% of net revenue;

✓ **Gross profit from helmets of R$ 13.5 million in 2Q13, up 30.9% compared to 1Q13**, mainly due to the improvement in prices and products mix;

✓ **Increase in gross margin on net revenue of helmets to 40.1% in 2Q13** compared to 34.5% in 1Q13, returning to the historic average margin (close to the 41.2% margin in 2Q12);

✓ **Despite the good performance of sales, adjusted EBITDA** decreased to R$ 30.1 million, with margin of 14.8% in 2Q13, affected by the decrease in margins (change in mix of products, markets and unproductivity); unrealized profit from inventories in process due to higher care to avoid non-compliant products; sale of residual products of Taurus Máquinas for amounts that are lower than those recorded in inventories.

## 1– Economic and Financial Performance

## 1.1 - Main Economic and Financial Indicators

Consolidated amounts in millions of Brazilian reais, except where otherwise indicated

| | | | | | | Variation % | | |
|---|---|---|---|---|---|---|---|---|
| **Ratios** | **2Q13** | **1Q13** | **2Q12** | **1H13** | **1H12** | **1H13/1H12** | **2Q13/2Q12** | **2Q13/1Q13** |
| **Net revenue** | **203.9** | **228.7** | **175.4** | **432.6** | **353.8** | **22.3%** | **16.2%** | **-10.8%** |
| Domestic market | 71.9 | 56.2 | 74.8 | 128.1 | 144.6 | -11.4% | -3.8% | 28.1% |
| Foreign market | 132.0 | 172.5 | 100.6 | 304.5 | 209.2 | 45.5% | 31.1% | -23.5% |
| COGS | 143.4 | 150.7 | 101.5 | 294.1 | 213.7 | 37.6% | 41.2% | -4.9% |
| Gross Profit | 60.5 | 78.0 | 73.9 | 138.5 | 140.0 | -1.1% | -18.1% | -22.4% |
| ***Gross Margin - %*** | **29.7%** | **34.1%** | **42.1%** | **32.0%** | **39.6%** | **-7.6 p.p.** | **-12.4 p.p.** | **-4.4 p.p.** |
| Operating Expenses | -52.2 | -40.9 | -36.4 | -93.1 | -72.1 | 29.1% | 43.6% | 27.6% |
| Operating Profit (EBIT) (1) | 8.3 | 37.0 | 37.5 | 45.3 | 67.9 | -33.2% | -77.8% | -77.6% |
| Net Financial Income | -19.0 | -13.0 | -18.0 | -32.0 | -19.9 | 61.0% | 5.8% | 45.9% |
| Depreciation and amortization (2) | 9.6 | 8.1 | 7.9 | 17.7 | 15.4 | 14.5% | 21.7% | 18.7% |
| Net Income - Continuing Operations | -20.4 | 9.2 | 12.1 | -11.2 | 29.4 | -138.1% | -268.4% | -321.8% |
| ***Net Income Margin - Cont. Operations*** | **-10.0%** | **4.0%** | **6.9%** | **-2.6%** | **8.3%** | **-10.9 p.p.** | **-16.9 p.p.** | **-14.0 p.p.** |
| Net Income - Descontinuing Operations | 0.0 | 0.0 | -127.1 | 0.0 | -132.2 | -100.0% | -100.0% | #DIV/0! |
| Net Income - Consolidated | -20.4 | 9.2 | -114.9 | -11.2 | -102.8 | -89.1% | -82.3% | -321.8% |
| ***Net Income Margin - Consolidated*** | **-10.0%** | **4.0%** | **-65.5%** | **-2.6%** | **-29.1%** | **26.5 p.p.** | **55.5 p.p.** | **-14.0 p.p.** |
| Adjusted EBITDA (3) | 30.1 | 47.0 | 44.5 | 77.1 | 80.7 | -4.6% | -32.4% | -35.9% |
| ***Adjusted EBITDA Margin - %*** | **14.8%** | **20.5%** | **25.4%** | **17.8%** | **22.8%** | **-5.0 p.p.** | **-10.6 p.p.** | **-5.8 p.p.** |
| Total Assets | 1,266.9 | 1,150.9 | 1,059.8 | 1,266.9 | 1,059.8 | 19.5% | 19.5% | 10.1% |
| Equity | 204.8 | 209.9 | 228.9 | 204.8 | 228.9 | -10.5% | -10.5% | -2.4% |
| Investiments (CAPEX) | 6.3 | 10.9 | 31.3 | 17.2 | 52.5 | -67.2% | -79.7% | -41.5% |

*(1) For EBIT calculation purposes, equity pickup result was not considered, contained in operating expenses of the ITR form.*

*(2) Depreciation and amortization: these amounts include total depreciation and amortization based on cash flow for ITR*

*(3) Adjusted EBITDA: Earnings before interest, tax, depreciation and amortization and net earnings from non-recurring operations.*

*The computing process was developed acording the CVM nº 527 instruction of October 04, 2012.*

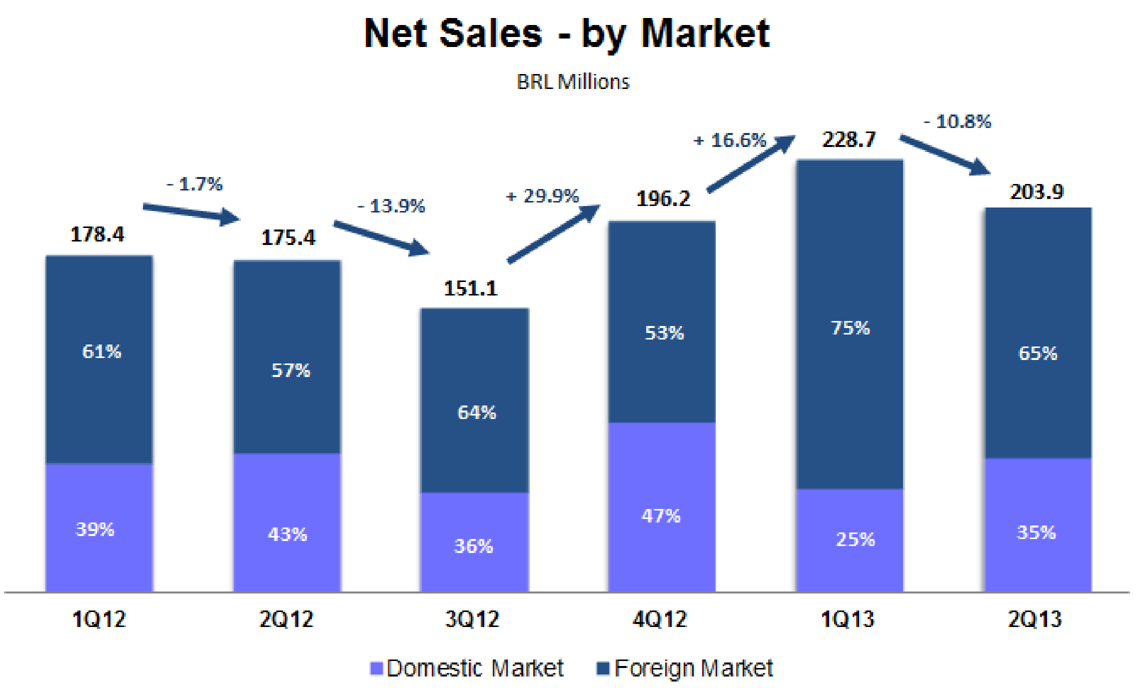
## 1.2 – Consolidated net revenue

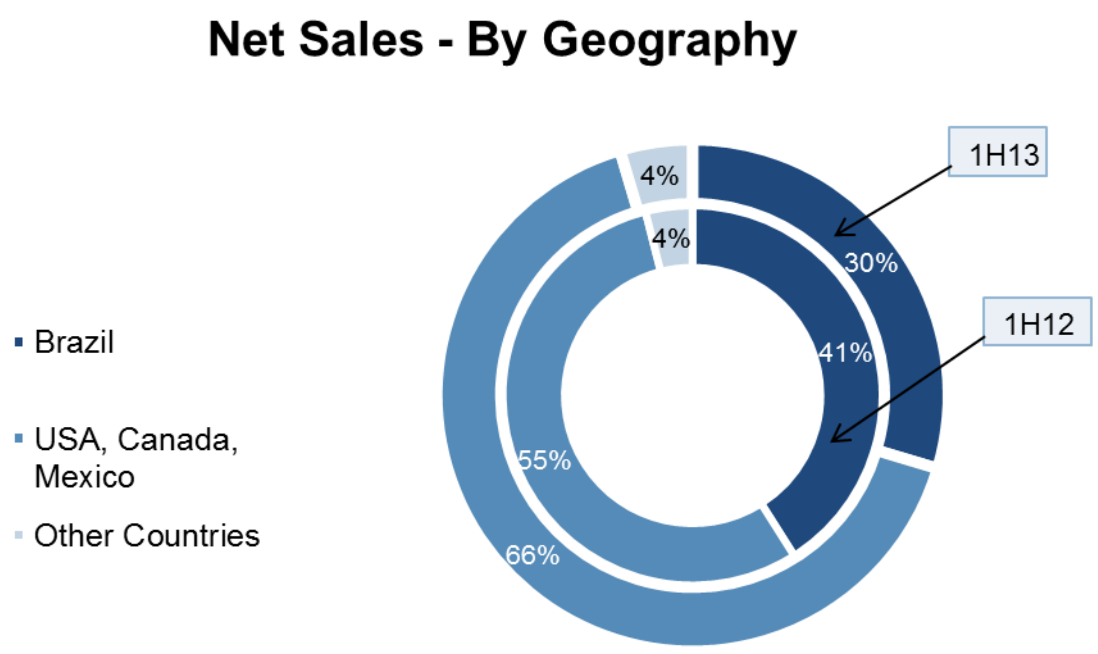
Total consolidated net revenue for 2Q13 totaled R$ 203.9 million, up 16.2% compared to R$ 175.4 million in 2Q12. This performance in the quarter is mainly due the 31.1% increase in exports, which accounted for 64.7% of total consolidated net revenue in 2Q13 compared to 57.4% in 2Q12. The domestic market is also starting to show signs of increase in demand, from share of total revenue of 24.6% in 1Q13 to 35.3% in 2Q13, being up 28.1%.

In 1H13, revenue breakdown shows share of the North American market of approximately 66% (55% in 1H12), share of domestic market of 30% (41% in 1H12), and of 4% for other countries (4% in 1H12).

Consumption in the American market did not present the expected decrease after Congress voting of measures at the beginning of 2013, which was against any measure restricting or banning gun use in the USA. On the contrary, demand continued kindled, which accounts for the good performance of the marks under our management: Taurus, Rossi, Heritage and DiamondBack in the North American market.

We illustrate below the Company's net revenue, by market, in millions of Brazilian reais, of the quarters under analysis:


Net Sales - by Market
BRL Millions
178.4
175.4
151.1
196.2
228.7
203.9
- 1.7%
- 13.9%
+ 29.9%
+ 16.6%
- 10.8%
61%
57%
64%
53%
75%
65%
39%
43%
36%
47%
25%
35%
1Q12
2Q12
3Q12
4Q12
1Q13
2Q13
Domestic Market
Foreign Market


Net Sales - By Geography
Brazil
USA, Canada, Mexico
Other Countries
1H13
1H12
4%
4%
30%
41%
55%
66%

## 1.3 - Segment information

The table below sets out consolidated financial highlights by segment:

**RESULTS BY BUSINESS SEGMENT**
**Consolidated amount in millions of reais**

**Comparative Six months - Year over Year**

| | Net Revenue | | | | | Gross Income | | | Gross Margin | | | Income before taxes | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1H13** | **Part. %** | **1H12** | **Part. %** | **Var.** | **1H13** | **1H12** | **Var.** | **1H13** | **1H12** | **Var.p.p** | **1H13** | **1H12** | **Var.** |
| **Firearms** | 333.2 | 77.0% | 247.8 | 70.1% | 34.5% | 108.5 | 89.5 | 21.2% | 32.6% | 36.1% | -3.6 | 14.2 | 9.9 | 44% |
| **Helmets** | 63.5 | 14.7% | 65.3 | 18.5% | -2.9% | 23.8 | 27.5 | -13.4% | 37.5% | 42.0% | -4.6 | 15.4 | 19.6 | -22% |
| **Others** | 35.9 | 8.3% | 40.6 | 11.5% | -11.6% | 6.2 | 23.0 | -73.2% | 17.2% | 56.8% | -39.6 | (16.2) | 18.5 | NS |
| **Total** | **432.6** | **100.0%** | **353.8** | **100.0%** | 22.3% | **138.5** | **140.0** | -1.1% | **32.0%** | **39.6%** | **-7.6** | **13.3** | **48.0** | -72% |

**Comparative Quarter - Year over Year**

| | Net Revenue | | | | | Gross Income | | | Gross Margin | | | Income before taxes | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2Q13** | **Part. %** | **2Q12** | **Part. %** | **Var.** | **2Q13** | **2Q12** | **Var.** | **2Q13** | **2Q12** | **Var.p.p** | **2Q13** | **2Q12** | **Var.** |
| **Firearms** | 151.8 | 74.5% | 116.7 | 66.6% | 30.1% | 44.8 | 45.7 | -2.1% | 29.5% | 39.2% | -9.7 | (6.4) | (2.9) | 124% |
| **Helmets** | 33.6 | 16.5% | 33.4 | 19.0% | 0.7% | 13.5 | 13.7 | -1.9% | 40.1% | 41.2% | -1.0 | 9.5 | 10.1 | -6% |
| **Others** | 18.5 | 9.1% | 25.3 | 14.4% | -27.0% | 2.3 | 14.4 | -84.3% | 12.3% | 57.0% | -44.7 | (13.8) | 12.3 | NS |
| **Total** | **203.9** | **100.0%** | **175.4** | **100.0%** | 16.2% | **60.5** | **73.9** | -18.1% | **29.7%** | **42.1%** | **-12.4** | **(10.7)** | **19.6** | NS |

**Comparative Quarter - Current Quarter x Previous Quarter**

| | Net Revenue | | | | | Gross Income | | | Gross Margin | | | Income before taxes | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2Q13** | **Part. %** | **1Q13** | **Part. %** | **Var.** | **2Q13** | **1Q13** | **Var.** | **2Q13** | **1Q13** | **Var.p.p** | **2Q13** | **1Q13** | **Var.** |
| **Firearms** | 151.8 | 74.5% | 181.4 | 79.3% | -16.3% | 44.8 | 63.8 | -29.8% | 29.5% | 35.1% | -5.7 | (6.4) | 20.6 | NS |
| **Helmets** | 33.6 | 16.5% | 29.9 | 13.1% | 12.4% | 13.5 | 10.3 | 30.9% | 40.1% | 34.5% | 5.7 | 9.5 | 5.9 | 61% |
| **Others** | 18.5 | 9.1% | 17.4 | 7.6% | 6.2% | 2.3 | 3.9 | -41.9% | 12.3% | 22.4% | -10.2 | (13.8) | (2.4) | NS |
| **Total** | **203.9** | **100.0%** | **228.7** | **100.0%** | -10.8% | **60.5** | **78.0** | -22.4% | **29.7%** | **34.1%** | **-4.4** | **(10.7)** | **24.0** | NS |

*(i) Weapons – operations conducted by Forjas Taurus S.A. and Taurus Holdings, Inc. (USA);*

*(ii) Helmets for motorcyclists – operations conducted by Taurus Blindagens Ltda., Taurus Helmets Indústria Plástica Ltda. and Taurus Blindagens Nordeste Ltda.;*

*(iii) Others- segments of forging, boiler making, bulletproof vests and plastic products.*

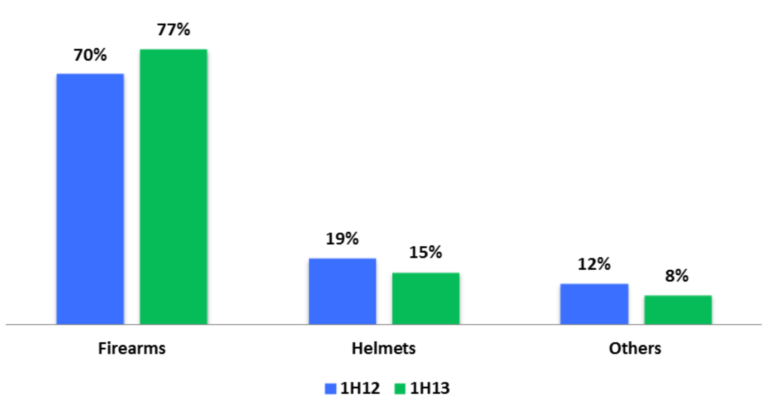
### I. Defense and Security Segment

This segment includes handguns (revolvers and pistols for military and civil use), long guns (rifles and carbines) and restricted use guns (rifles, submachine guns, machine guns and less lethal weapons).

The Company's main segment - Defense & Security – accounted for 77% of total consolidated net revenue in 1H13. Weapon sales in 1H13 totaled R$ 333.2 million, up 34.5% in 1H12 (R$ 247.8 million, equivalent to 70.1% of total consolidated net revenue). Gross profit amounted to R$ 108.5 million in 1H13, 21.2% up compared to 1H12, with margin of 32.6%, due to the increase in export sales and increase in CPS in excess of that in revenue.

Pretax income was up 44%, amounting to R$14.2 million in 1JH13 compared to 1H12.

**Net Sales by Segment**



In 2Q13 the share of weapons was of 74.5% (66.6% in 2Q12), with 30.1% increase in revenue from weapons, however with decrease in gross profit of 2.1%. Gross margin was of 29.5% in 2H13, down 5.7 percentage points, due to the following: (i) change in products mix; (ii) increase in exports due to the significant demand in the North American market and other countries; (iii) oscillations and decrease in production volume and lower productivity; (iv) increase in labor cost due to the agreed collective salary raise of metallurgic workers of 9.5% in July/13 (prepayment of 7.16% in May/13); and (v) sales forecast but not realized until June in the domestic market.

## II. Metallurgy and Plastics Segment

This segment accounted for 23% of net revenue in 1H13 (30% in 1H12), including the operations of Polimetal in the São Leopoldo unit (in the Rio Grande do Sul state) of M.I.M.- Metal Injection Molding, as well as the activities of the helmet for motorcyclists plants (in the Paraná and Bahia states) and production of bulletproof vests and plastic containers (in the Paraná state).

### (i) Helmets for motorcyclists

Sales of motorcyclist helmets represented 14.7% of net revenue, totaling R$ 63.5 million in 1H13, down 2.9% compared to 1H12. Gross profit amounted to R$ 23.8 million with margin of 37.5% in 1H13 (R$ 27.5 million and 42% in 1H12), with clear recovery quarter after quarter, particularly in the 2Q13 compared to 1Q13. This was possible thanks to focus on the control of costs and expenses, together with the increase in average sales price of helmets, thus improving revenue and profitability.

There was 10.5% decrease in the Company physical sales of motorcycle helmets in 1H13, however proportionally better than the 11.8% decrease in the motorcycle market, which has been facing problems owing to restriction to credit to class C, D and E consumers, who represent the main consumers of our products.

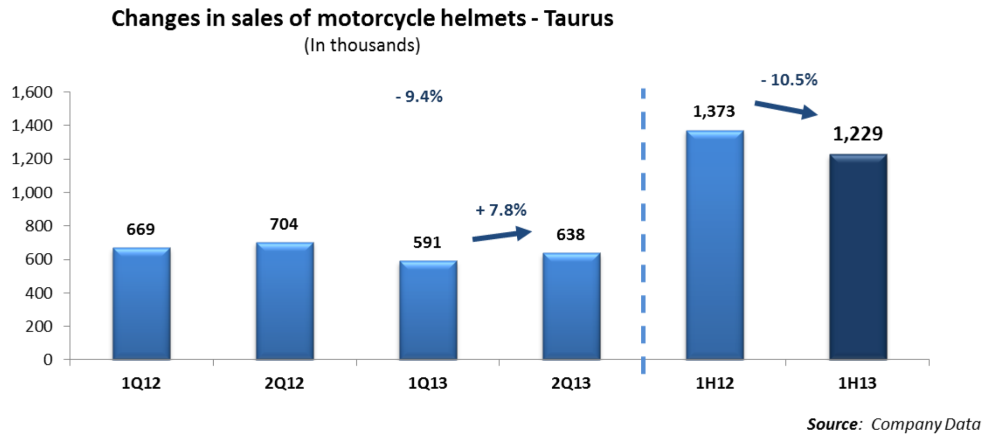
There was also 7.8% increase in sales volume in 2Q13 compared to 1Q13, with a quite positive evolution, with sale of 638 thousand helmets, while motorcycle sales in the Brazilian market increased proportionally more in the period, namely were up 12.5%, which is quite a positive evidence in terms of trend and potential for future sales.

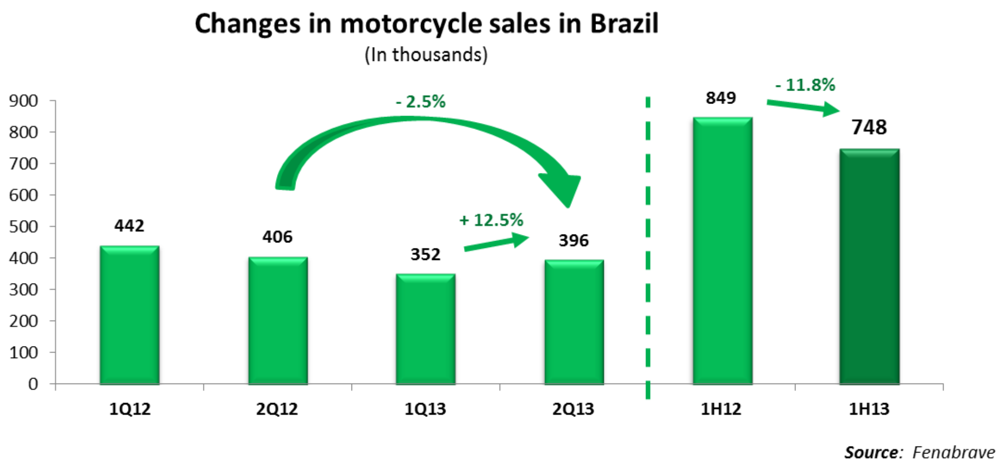
Considering competitiveness issues of financial nature, competitors have faced difficulties, which benefitted the company to obtain better margins, having reached market share of approximately 54% at the end of the six-month period, considering the volume share.

In 2Q13 there was revenue increase by 12.4% compared to 1Q13 and up 0.7% compared to 2Q12, reaching R$ 33.6 million. There was also increase in gross margin on net revenue of 40.1% compared to 34.5% in 1Q13, quite close to the 41.2% margin in 2Q12. Taurus is changing its products mix, with the import of helmets with more sophisticated design, with own or third-party marks, launching new lines to also compete in the premium market.

Gross profit amounted to R$ 13.5 million in 2Q13, up 30.9% compared to 1Q13 and almost stable in relation to R$ 13.7 million in 2Q12. With the recovery in margins, pretax income in 2Q13 amounted to R$ 9.5 million, up 61% compared to 1Q13, but down 6% compared to 2Q12, which was a good period for consumer goods, due to increased availability of consumer credit, which did not take place in 2013.

We illustrate below evolution of motorcycle sales and helmet for motorcyclists sales in Brazil by Taurus:




### (ii) Other products from the Metallurgy and Plastics segment

Consolidated net revenue from other products totaled R$ 35.9 million (including residual balances of TMFL), representing 8.3% of net revenue for 1H13, down 11.6% the R$ 40.6 million and 11.5% of revenue in 1H12. In addition, several products are considered in this sub segment – namely bulletproof vests, anti-riot shields, plastic containers and the areas of metallurgy and own forging of for third parties – and the products mix is always changing based on orders in each quarter, also we have an additional factor, impairing comparison with prior periods, namely the discontinued operations of Taurus Máquinas-Ferramenta Ltda., disposed of in June 2012.

## 1.4 – Gross profit and gross margin

Consolidated gross profit was down 1.1%, reaching R$ 138.3 million in 1H13 (compared to R$ 140 million in 1H12), with gross margin of 32% (compared to 39.6% in 1H12), due to 37.6% increase in CPS, well above the 22.3% increase in net revenue.

Gross profit and gross margin were mainly affected by the performance of 2Q13, reaching R$60.5 million and gross margin of 29.7%, mainly due to the following: (i) decrease in production owing to lack of revolver components (frames and barrels), with consequent decrease in productivity; (ii) focus on quality, with increase in the level of requirements in production with quality in all lines and in the components, initially expanding the index of noncompliance, but which is now in the phase of progressive reduction; (iii) change in the mix of products and markets; (iv) oscillations in production volume and increase in productivity; (v) adjustment of industrial costs and labor to lower production levels; and (vi) collective salary raise of metallurgic workers.

## 1.5 - Operating Expenses

Operating expenses totaled R$ 52.2 million in 2Q13 compared to R$ 36.4 million in 2Q12.

In 1H13, operating expenses totaled R$ 93.1 million (R$ 72.1 million in 1H12), up 29.1%, due to administrative expenses, other non-recurrent expenses with advisory firms and lawyers related to the renegotiation of sale of TMFL and other not related such as lawyers' fees in connection with recovery of taxes and other tax matters, as well as due to the consulting firms engaged for the selection of executives for the corporate and industrial reorganization that has been in progress since January 2013. There was also increase in expenses with severance pay due to the replacement of professionals occurred at the plants, due to the transfer of Steelinject and the gradual decommissioning of forging for third parties.

## 1.6 – Adjusted EBITDA and adjusted EBITDA Margin

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization and without non-recurrent revenues and expenses) based on the concept in CVM Rule No. 527/12, for 2Q13 amounted to R$ 30.1 million, with 14.8% margin, compared to R$ 44.5 million in 2Q12, due to the decrease in gross profit and the increase in operating expenses.

Consolidated cash generation in 1H13 totaled R$ 77.1 million, down 4.6% compared to 1H12, with margin of 17.8% in 1H13 (R$ 80.7 million and adjusted EBITDA margin of 22.8% in 1H12), due to the performance for 2Q13 that was impaired by lower gross profit, with decrease in gross margins. Among other purposes, the adjusted EBITDA is used as an indicator in the Company's commitments related to loans, financing and debentures

The table below sets out the calculation methodology for adjusted EBITDA, in accordance with CVM Rule No. 527/12:

**CONSOLIDATED EBITDA**

**In thousands of BRL**

| PERIOD | 1H12 | 1H13 |
|---|---|---|
| = NET PROFIT | (102,801) | (11,201) |
| (+) IR/CSLL | 18,569 | 24,511 |
| (+) Net Financial Expenses | 86,958 | 76,074 |
| (-) Net Interest Income | (67,065) | (44,042) |
| (+) Depreciation/Amortization | 15,438 | 17,679 |
| = EBITDA CVM Reg. 527/12 | (48,901) | 63,021 |
| (+) Income from Discontinued Operations (1) | 129,626 | - |
| (+) Loss of Taurus Máquinas-Ferramenta Ltda. (2) | - | 14,031 |
| = ADJUSTED EBITDA | 80,725 | 77,052 |

Among other purposes, adjusted EBITDA is used as indicator of Company commitments related to loans, financing and debentures. For this purpose, we used adjusted EBITDA according to the criteria contractually established by the parties.

### 1.7 – Financial income (expenses)

Net financial result for 2Q13 amounted to R$ -19 million (R$ -18 million in 2Q12). Net financial expenses in 1H13 totaled R$ -32 million, higher than net financial expenses of R$ -19.9 million in 1H12 mainly due to the following: (i) increase in financial charges on loans and financing due to the increase in the basic interest rate; (ii) the effect from net foreign exchange variation, due to appreciation of US dollar to several currencies and exposure of part of the debt denominated in US dollar without exchange hedge; and (iii) net exchange loss on loans (NCEs) with exchange swap (marking to market), partially offset (iv) by financial income and revenues for restatement of credits resulting from the favorable final unappelable decision for tax recovery (PIS and COFINS ineligibility). The Company maintains the understanding that, for having its costs almost fully stated in Brazilian reais and good net exposure to the North American market, foreign exchange rate devaluation will benefit it in the medium and long term with possible increases in revenues and margins.

### 1.8 – Net income (loss)

Consolidated net loss amounted to R$ 11.2 million in 1H13, representing negative net margin of 2.6% caused by lower margins and higher operating expenses.

The loss of R$102,8 million in 1H12 was impacted by the net loss of U.S. $ 132.2 million from discontinued operations. This result was affected by the performance for 2Q12, which generated a net loss of R$ 127.1 million when retroactively recorded the value reduction of TMFL's asset sale along with additional provisions transactions.

## 1.9 – Restatement of Quarterly Information

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

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

The accounting effect from the renegotiation entailed reduction of the sale value from R$115.35 million to R$57.52 million thus resulting in loss of R$57.83 million.

The Company revisited all contracts and correspondence related to the sale of TMFL operations, reaching the same conclusion as that of its independent auditor, i.e. that the events that led to the reduction of the original sales value were already present at June 30, 2012, reason why the loss should have been recognized as of that date.
In view of this, the Company decided to voluntarily correct all the effects determined on a retroactive basis in the financial statements as established by CPC 23 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors (equivalent to IAS 8), as under:

In Thousand of Reais

| | | | | | | At June 30, 2013 |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities and equity | | | |
| | Current assets | Noncurrent assets | Current liabilities | Noncurrent liabilities | Equity | Net income for the year |
| **Balance originally disclosed** | **868,715** | **475,744** | **719,448** | **339,248** | **285,763** | **(89,371)** |
| Write-off of accounts receivable (a) | - | - | - | - | - | 57,830 |
| Supplementary provision for losses (b) | (4,230) | (50,203) | 80 | - | (54,513) | 6,231 |
| Provision for inventory losses (c) | (9,499) | - | - | - | (9,499) | 67 |
| Allowance for doubtful accounts (c) | - | - | - | - | - | 8,320 |
| Provision for impairment of PP&E (c) | - | - | 786 | - | (3,374) | 6,303 |
| Provision for tax and civil contingencies (c) | - | (13,522) | - | 2,588 | (13,522) | - |
| Adjustments – transactions with subsidiaries | - | - | (100) | | 100 | 100 |
| Deferred taxes | - | (142) | - | - | (142) | (681) |
| **Restated balance** | **854,986** | **411,877** | **720,214** | **341,836** | **204,813** | **(11,201)** |

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

a) Write down of accounts receivable owing to the sale of the machinery activity as a result from the renegotiation that led to reduction in the sale amount, as described in Note 8 to the financial statements;

b) In addition to write down of accounts receivable for the sale of the machinery activities, as mentioned in (a) above, management recorded supplementary provision for losses on the balance receivable from Renil Participações, due to the deterioration of the credit conditions, difficulties in fully realizing the guarantees and lack of information on the current financial condition of debtor. In accordance with CPC24 on subsequent events occurred between the period of the financial statements and approval for the restatement thereof, this provision was also recorded at June 30, 2012.

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

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

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

The provisions and losses indicated above have not yet been substantially computed by subsidiary Taurus Máquinas-Ferramenta Ltda., which did not present the capacity of recovering income and social contribution taxes as of that date. Thus, for these provisions and losses no deferred income and social contribution tax asset has been recorded.

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

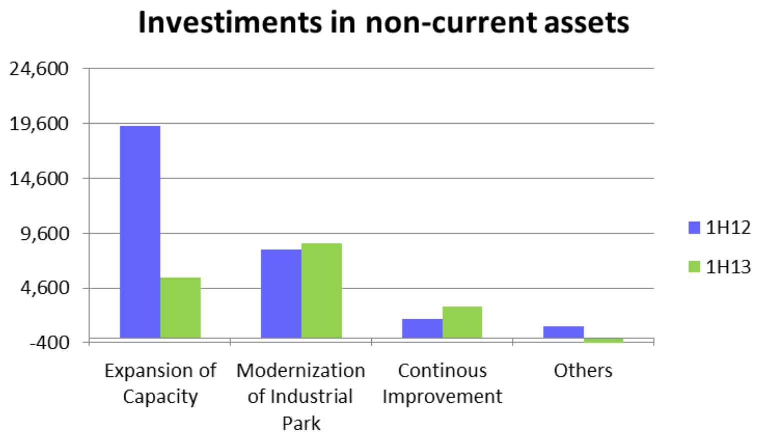
## 1.10 – Consolidated investments – CAPEX – Capital Expenditures

Consolidated investments in 2Q13 totaled R$ 6.3 million, compared to R$ 31.3 million in 2Q12.

In 1H13, CAPEX totaled R$ 17.2 million, compared to R$ 52.5 million, highlighting that in 2012 there was investment in the acquisition of SteelInject and Heritage totaling R$ 34 million, which did not occur in 2013. Depreciation and amortization totaled R$ 9.6 million in the quarter, compared to R$ 7.9 million in the same prior year period.

The Company's capital budget of R$ 39.7 million proposed by management for 2013 was approved by the Ordinary Shareholders' Meeting of April 26, 2013, of which 43.3% has already been realized until the 1H13.

The graphs below illustrate investments in property, plant and equipment in 1H13 and 1H12, with the following distribution:




## 1.11 – Financial position

Cash and short-term investments totaled R$ 337.1 million at Jun/30/13, up 151% compared to R$134.3 million at Jun/30/j12 and up 36% compared to R$ 247.3 million at Mar/31/13. Short-term investments earn interest at rates varying from 98 to 103% of CDI at Jun/30/13, and are made with first tier financial institutions.

Taurus' consolidated gross indebtedness totaled R$ 862.2 million at Jun/30/13, up 18% compared to R$ 728.4 million at Mar/31/13. The funds are destined mainly to finance: (i) working capital; (ii) investments for modernization of industrial premises; and (iii) exports. This increase takes into consideration the obtaining of financing lines at low cost, such as PROGEREN, taken out in 2Q13.

The balance of long-term loans and financing totaled R$ 309.6 million at Jun/30/13, down 6% compared to the balance at Mar/31/13. Breakdown of debt by currency is of 50% in foreign currency and 50% in local currency, being partially hedged. Management permanently seeks to extend debt payment terms and reduce financial costs, together with the Capital Optimization Program also aimed at developing the Company's cash management culture.

The balance of debentures, financing and advance on mortgage credits that had contractual covenants were classified in current liabilities (transferred from long to short-term portion), due to the non-disclosure of the quarterly information - ITR for 2Q13 and the indicators on the scheduled date have not been met.

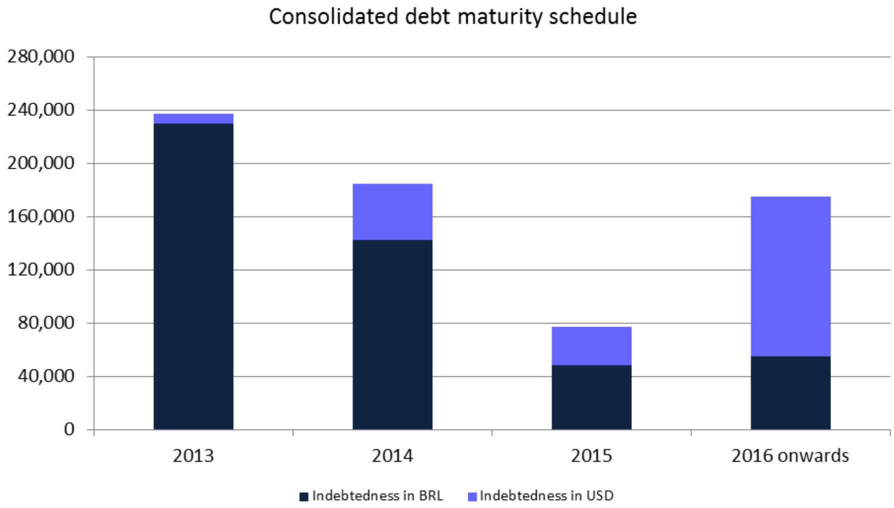
As a result, 58% of the debt was concentrated in the short term in 2Q13 compared to 40% in 1Q13.

Furthermore, we consider the prepayment of receivables as debt, even without recourse, in response to the request of the debenture holders at the General Meeting of Debenture Holders held in November 12, 2013 to voting on the no early settlement of the 1st and 2nd issues.

Net indebtedness at Jun/30/13 totaled R$ 525.1 million, up 6% in relation to net debt of R$ 420.7 million at Mar/31/13 and 2% lower compared to Jun/ 30/12.

Loans and financing maturing in 2013, both in local currency and US dollar are part of the Company's structural working capital, with lines renewed on a routine basis. They also include two portions of 1st and 2nd issue debentures maturing in 4Q13. The 1st issue debentures have final maturity in April 2014.

### Maturity of consolidated debt – In thousands of reais




We set out below the changes at Jun/30/13 compared to Mar/31/13 and Jun/30/12 and the main accounts related to the Company's financial position, as well as the main related indicators:

**In millions BRL**

| | 06/30/2013 | 03/31/2013 | 06/30/2012 | Var. Jun/13 x Jun/12 | Var. Jun/13 x Mar/13 |
|---|---|---|---|---|---|
| Short term indebtedness | 365.4 | 341.5 | 287.8 | 27% | 7% |
| Long term indebtedness | 309.6 | 228.8 | 186.0 | 66% | 35% |
| Exchange Serves | 0.0 | 5.1 | 49.8 | -100% | -100% |
| Debentures | 79.9 | 95.9 | 110.1 | -27% | -17% |
| Antecipation Mortages | 24.4 | 26.6 | 32.6 | -25% | -8% |
| Advance on Receivables | 128.8 | 60.3 | 17.9 | 622% | 114% |
| Derivatives | -45.9 | -29.8 | -15.2 | 202% | 54% |
| Gross Indetbetedness | 862.2 | 728.4 | 668.9 | 29% | 18% |
| (-) Cash available and financial investments | 337.1 | 247.3 | 134.3 | 151% | 36% |
| Net Indebtedness | 525.1 | 481.1 | 534.6 | -2% | 9% |
| Adjusted EBITDA | 126.6 | 141.0 | 155.2 | -18% | -10% |
| Net Indebtedness/Adjusted EBITDA | 4.15x | 3.41x | 3.45x | | |
| Adjusted EBITDA/Financial Expenses Net | 2.32x | 2.58x | 2.76x | | |

Because of the financial ratios were not met, debenture holders' meetings were convened to vote whether to settle early the 1st and 2nd issues or not, and obtain related waivers.

## 2 – Capital market

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

The Company has been listed at Level 2 of BM&FBovespa since Jul/07/11 and as a listed company for more than 30 years. The Company's articles of incorporation have been fully amended and consolidated addressing adoption of differentiated corporate governance practices provided for this corporate governance level and the Ordinary and Extraordinary Meeting of 04/26/13 approved amendment to article

56 of the articles of incorporation in order to include the updating occurred in Level 2 related regulations, referring to the Arbitration Chamber.

The Company's capital comprises the following number of shares at Jun/30/13:

**Common shares:** 47,137,539 representing **33.3%** of capital

**Preferred shares:** 94,275,078 representing **66.7%** of capital

**Total issued shares:** 141,412,617 representing **100%** of capital

Shares appreciation in 1H13 was 16.7% higher for ON and 13.1% higher for PN compared to 1H12. BM&FBOVESPA index was down 12.7% in the same period.

The table below shows the recent evolution of the main aspects related to liquidity, such as number of trades, financial volume and quantity of traded shares, as well as the market value, based on certain information about shares on BM&FBovespa in 2013 and 2012:

| | Jan/13 a Jun/13 | Jan/12 a Jun/12 | Var. |
|---|---|---|---|
| Ação FJTA3 - 47.137.539 ações | | | |
| Fechamento - R$ ação | 2.90 | 2.48 | **16.7%** |
| Negócios - Qtde. (média período) | 15,984 | 12,976 | **23.2%** |
| Negócios - Volume R$ (média período) | 47,166 | 27,494 | **71.6%** |
| Ação FJTA4 - 94.275.078 ações | | | |
| Fechamento - R$ ação | 2.50 | 2.21 | **13.1%** |
| Negócios - Qtde. (média período) | 234,436 | 325,477 | **-28.0%** |
| Negócios - Volume R$ (média período) | 626,743 | 655,428 | **-4.4%** |
| Valor de mercado FTSA - R$ mil | | | |
| 141.412.617 ações | 372,167 | 325,249 | **14.4%** |
| Ibovespa | | | |
| | 47,457 | 54,354 | **-12.7%** |

Fonte: BM&FBovespa

# 3 – Restructurings and Subsequent Events

- ***In the 1H13,*** there was continuity of the process for reorganization of the industrial area, with substitution of the industrial executive officer, position that was assumed by engineer Marco Capellozza, who had been the in-charge for the Company's production engineering area for the last 5 years. Implementation of a new manufacturing management model started in January 2013 (Lean Manufacturing). The manufacturing management methodology also led to substitution of key persons of middle and top management (industrial managers and supervisors), due to the required new way of thinking and a new profile of the professionals, including the desirable experience in Lean Manufacturing and in every time more rigorous quality standards.
- ***On August 9, 2013, the Board of Directors elected a new Administrative and Financial Vice CEO:*** Mr. Eduardo Feldmann Costa, 48 years old, assumed the position of Administrative and Financial Vice CEO. Feldmann has experience of more than 20 years working as executive of large and medium-sized industrial and energy companies, with emphasis on the economic and financial area and capital market, having majored in Economics from Universidade Federal do Rio Grande do Sul with graduate

course in Finance from Pontíficia Universidade Católica do Rio Grande do Sul. His last job was at the company Providência Indústria e Comércio as Financial and Investor Relations Officer.

## 4 – Guidance 2013

Company had provided growth projections for 2013 based on perspectives to the two main business segments of Defense & Security and Metallurgy & Plastics as by the original presentation of 2Q13. According on the ITRs restatements, we are comparing the original projected, the 2012 restatement as comparation and the 2013 projections review to market knowledge:

| In BRL Millions | Restatement 2012 | Guidance 2013 (Original) | Guidance 2013 (Reviewed) | Realized 2013 | Variation Guidance/Realized |
|---|---|---|---|---|---|
| **Net Revenue** | > R$ 701.0 | R$ 785.0 | R$ 850.0 | R$ 807.3 | -5.0% |
| **Adjusted EBITDA** | > R$ 130.3 | R$ 170.0 | R$ 151.0 | R$ 100.0 | -33.8% |
| **CAPEX** | R$ 90.2 | R$ 39.7 | R$ 39.7 | R$ 28.2 | -29.0% |

**Capital budget (CAPEX) of R$ 39.7 million** continues maintained as approved by the General Shareholders' Meeting for 2013, with realization of 43.3% of this amount in 1H13.

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

## Independent Auditor's Review Report on Quarterly Information

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

### Introduction

We have reviewed the individual and consolidated interim financial information of Forjas Taurus S.A. (Company), contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2013, which comprises the balance sheet as at June 30, 2013 and the related income statement and statement of comprehensive income for the three and six-month periods then ended, and the statement of changes in equity and cash flow statement for the six-month period then ended, including other explanatory information.

Management is responsible for the preparation of the individual interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) - Interim Financial Reporting, and consolidated interim financial information in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

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

### Conclusion on the individual interim financial information

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

### Conclusion on the consolidated interim financial information

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

### Emphasis of matter

On November 15, 2013, we issued a qualified review report on the financial position and an adverse conclusion on income statement, comprehensive income, cash flows and changes in equity for the three and six-month periods ended June 30, 2013, on account of: (i) non-preparation of an analysis on the capacity of realization of receivables in the amount of R$54,514 thousand, or verification whether receivables were recorded at present value; and (ii) recognition of loss amounting to R$57,830 thousand on consolidated P&L for the three and six-month period ended June 30, 2013, which, in our opinion, should have been recognized as at June 30, 2012. As described in Note 3(e), the Quarterly Information (ITR) for the quarter ended June 30, 2013 was changed and is being restated to reflect the corrections of the abovementioned accounting distortions. Consequently, the qualifications contained in our report previously issued are no longer necessary and, therefore, we are reissuing on this date our new conclusion herein, which does not include any qualification or any other kind of modification.

### Other matters

### Statements of value added

We also reviewed the individual and consolidated statement of value added (SVA), for the six-month period ended June 30, 2013, prepared under the responsibility of Company management, whose presentation in the interim financial information is required according to the rules issued by the Brazilian Securities and Exchange Commission (CVM), applicable to preparation of Quarterly Information (ITR) and considered supplementary information under IFRS, which do not require SVA presentation. These restated statements were submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would make us believe that they were not prepared, in all material respects, in accordance with the overall individual and consolidated interim financial information.

Porto Alegre, March 25, 2014.

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

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

**Representation of Supervisory Board**

The Supervisory Board of Forjas Taurus S.A., in compliance with legal and statutory requirements, reviewed the information for the second quarter of 2013, redone by management, the sight of justified reasons, properly presented in its report and in the notes that accompany and these are integral. Based on this review and further considering the Report on Review of Interim Financial Information, unqualified by the independent auditors, Ernst & Young Auditores Independentes S.S., dated March 25, 2014, and on information and explanations received from the directors of the Company, the Supervisory Board opines that these documents are able to be released.

Porto Alegre, March 28, 2014

Mauro César Medeiros de Mello

Amoreti Franco Gibbon

Juliano Puchalski Teixeira

Marcelo de Deus Saweryn

Reinaldo Fujimoto

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

REPRESENTATION LETTER OF FORJAS TAURUS S.A. OFFICERS ON THE FINANCIAL STATEMENTS FOR THE SECOND QUARTER OF 2013

Mr. André Balbi Cerviño, Mr. Eduardo Ermida Moretti, Mr. Eduardo Feldmann Costa and Mrs. Dóris Beatriz França Wilhelm, Officers of Forjas Taurus S.A., a company headquartered at Avenida do Forte, nº 511, Vila Ipiranga, Porto Alegre, Rio Grande do Sul (RS) state, enrolled with Brazilian IRS Registry of Legal Entities under No. 92.781.335/0001-02, for the purpose of items V and VI of article 25 of Brazilian Securities and Exchange Commission (CVM) Ruling No. 480, of December 7, 2009, do hereby represent that they have reviewed, discussed and agreed with the Financial Statements of Forjas Taurus S.A. and consolidated companies for the period from April 1, 2013 to June 30, 2013.

Porto Alegre, March 24, 2014.

André Ricardo Balbi Cerviño
Chief Executive Officer

Eduardo Ermida Moretti
Sales and Marketing Vice President Officer

Eduardo Feldmann Costa
Administrative and Finance Vice President Officer

Doris Beatriz França Wilhelm
Investor Relations Officer

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

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

Mr. André Balbi Cerviño, Mr. Eduardo Ermida Moretti, Mr. Eduardo Feldmann Costa and Mrs. Dóris Beatriz França Wilhelm, Officers of Forjas Taurus S.A., a company headquartered at Avenida do Forte, nº 511, Vila Ipiranga, Porto Alegre, Rio Grande do Sul (RS) state, enrolled with Brazilian IRS Registry of Legal Entities under No. 92.781.335/0001-02, for the purpose of items V and VI of article 25 of Brazilian Securities and Exchange Commission (CVM) Ruling No. 480, of December 7, 2009, do hereby represent that they have reviewed, discussed and agreed with the opinions expressed by Ernst & Young Terco Auditores Independentes S.S., issued on March 25, 2014, in the Independent Auditor's Special Review Report on the Financial Statements for the period from April 1, 2013 to June 30, 2013.

Porto Alegre, March 25, 2014.

André Ricardo Balbi Cerviño
Chief Executive Officer

Eduardo Ermida Moretti
Sales and Marketing Vice President Officer

Eduardo Feldmann Costa
Administrative and Finance Vice President Officer

Doris Beatriz França Wilhelm
Investor Relations Officer