Contents

Company information / Capital composition

Quantity of shares (Units)	Current quarter 09/30/2017
Paid-in capital	
Common (ON)	46,445,314
Preferred	18,242,898
Total	64,688,212
Treasury	
Common	0
Preferred	0
Total	0

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

Code of account	Account description	Current quarter 09/30/2017	Prior year 12/31/2016
1	Total assets	823,947	809,940
1.01	Current assets	254,377	212,008
1.01.01	Cash and cash equivalents	2,622	1,313
1.01.01.01	Cash and banks	2,244	611
1.01.01.02	Interbank funds applied	378	702
1.01.02	Interest earning bank deposits	348	2,552
1.01.03	Accounts receivable	55,775	45,701
1.01.03.01	Trade accounts receivable	55,775	45,701
1.01.04	Inventories	136,104	125,925
1.01.06	Recoverable taxes	28,890	7,269
1.01.06.01	Current taxes recoverable	28,890	7,269
1.01.07	Prepaid expenses	774	1,951
1.01.08	Other current assets	29,864	27,297
1.01.08.03	Other	29,864	27,297
1.01.08.03.03	Related parties - Financial loan	16,489	8,150
1.01.08.03.04	Other accounts receivable	13,375	19,147
1.02	Non-current assets	569,570	597,932
1.02.01	Long term assets	34,025	31,860
1.02.01.01	Interest earning bank deposits measured at fair value	2,084	430
1.02.01.01.01	Trading securities	2,084	430
1.02.01.06	Deferred taxes	8,404	8,404
1.02.01.06.01	Deferred income and social contribution taxes	8,404	8,404
1.02.01.08	Related party credits	14,437	16,941
1.02.01.08.04	Other related party credits	14,437	16,941
1.02.01.09	Other non-current assets	9,100	6,085
1.02.01.09.03	Recoverable taxes	195	195
1.02.01.09.04	Other	8,905	5,890
1.02.02	Investments	493,054	521,752
1.02.02.01	Ownership interest	493,054	521,752
1.02.02.01.02	Interest in subsidiaries	492,864	521,562
1.02.02.01.04	Other ownership interest	190	190
1.02.03	Property, plant and equipment	36,895	38,398
1.02.03.01	Fixed assets in operation	28,439	29,670
1.02.03.03	Constructions in progress	8,456	8,728
1.02.04	Intangible assets	5,596	5,922
1.02.04.01	Intangible assets	5,596	5,922

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

Code of account	Account description	Current quarter 09/30/2017	Prior year 12/31/2016
2	Total liabilities	823,947	809,940
2.01	Current liabilities	488,806	354,038
2.01.01	Social and labor obligations	18,849	14,849
2.01.01.01	Social charges	4,097	4,451
2.01.01.02	Labor obligations	14,752	10,398
2.01.02	Suppliers	191,795	125,076
2.01.02.01	Domestic suppliers	183,924	117,529
2.01.02.02	Foreign suppliers	7,871	7,547
2.01.03	Tax obligations	11,359	16,241
2.01.03.01	Federal tax obligations	10,399	13,669
2.01.03.01.01	Income and social contribution tax payable	0	1,943
2.01.03.01.02	Other Taxes	4,246	11,726
2.01.03.01.03	Federal tax obligations in installments	6,153	0
2.01.03.02	State tax obligations	920	2,531
2.01.03.02.01	State tax obligations	267	1,877
2.01.03.02.02	State tax obligations in installments	653	654
2.01.03.03	Municipal tax obligations	40	41
2.01.04	Loans and financing	117,429	20,799
2.01.04.01	Loans and financing	100,865	20,366
2.01.04.01.01	In domestic currency	4,324	3,638
2.01.04.01.02	In foreign currency	96,541	16,728
2.01.04.02	Debentures	16,564	433
2.01.05	Other liabilities	134,417	155,035
2.01.05.02	Other	134,417	155,035
2.01.05.02.01	Dividends and interest on own capital	3	3
2.01.05.02.04	Financial loan	32,589	28,835
2.01.05.02.05	Foreign exchange withdrawals	23,379	28,065
2.01.05.02.07	Advance from receivables	1,542	6,136
2.01.05.02.08	Advance from clients	65,564	65,769
2.01.05.02.09	Other liabilities	11,340	26,227
2.01.06	Provisions	14,957	22,038
2.01.06.01	Tax, social security, labor and civil provisions	8,193	16,916
2.01.06.01.02	Social security and labor provisions	7,000	15,776
2.01.06.01.03	Provisions to employee benefits	0	1,140
2.01.06.01.04	Civil provisions	1,193	0
2.01.06.02	Other provisions	6,764	5,122
2.01.06.02.01	Provision for guarantees	6,764	5,122
2.02	Non-current liabilities	553,833	627,803
2.02.01	Loans and financing	432,333	546,076
2.02.01.01	Loans and financing	374,458	478,065
2.02.01.01.01	In domestic currency	4,716	6,428
2.02.01.01.02	In foreign currency	369,742	471,637
2.02.01.02	Debentures	57,875	68,011
2.02.02	Other liabilities	95,637	79,887
2.02.02.01	Liabilities from Related parties	54,782	39,158
2.02.02.01.02	Debits with subsidiaries	5,103	5,250

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

Code of account	Account description	Current quarter 09/30/2017	Prior year 12/31/2016
2.02.02.01.04	Debts with other related parties	49,679	33,908
2.02.02.02	Other	40,855	40,729
2.02.02.02.03	Taxes payable	4,839	944
2.02.02.02.04	Provision for unsecured liability	33,227	36,709
2.02.02.02.05	Other liabilities	2,789	3,076
2.02.04	Provisions	25,863	1,840
2.02.04.01	Tax, social security, labor and civil provisions	25,863	1,840
2.02.04.01.02	Social security and labor provisions	25,863	1,840
2.03	Shareholders' equity	-218,692	-171,901
2.03.01	Realized capital	404,489	393,977
2.03.02	Capital reserves	-40,996	-40,832
2.03.02.06	Advance for future capital increase	0	164
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-717,348	-668,102
2.03.06	Equity valuation adjustments	48,591	49,736
2.03.07	Accumulated translation adjustments	86,572	93,320

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

Code of account	Account description	Current quarter 07/01/2017–09/30/2017	Accumulated of the current year 01/01/2017–09/30/2017	Same quarter of the prior year 07/01/2016–09/30/2016	Accumulated of the prior year 01/01/2016–09/30/2016
3.01	Revenue from sales of goods and/or services	144,309	434,522	146,257	334,036
3.02	Cost of goods and/or services sold	-117,755	-344,608	-145,074	-288,618
3.03	Gross income	26,554	89,914	1,183	45,418
3.04	Operating expenses/revenue	-50,309	-111,124	-33,883	-112,188
3.04.01	Sales expenses	-10,691	-30,395	-13,949	-27,173
3.04.02	General and administrative expenses	-23,649	-61,602	-13,415	-50,863
3.04.04	Other operating revenue	1,245	3,327	1,834	3,312
3.04.05	Other operating expenses	-1,001	-3,986	-14,626	-18,750
3.04.06	Equity in net income of subsidiaries	-16,213	-18,468	6,273	-18,714
3.05	Income (loss) before financial income and taxes	-23,755	-21,210	-32,700	-66,770
3.06	Financial income (loss)	4,424	-62,063	-22,743	23,363
3.06.01	Financial income	28,896	47,776	-4,581	89,861
3.06.02	Financial expenses	-24,472	-109,839	-18,162	-66,498
3.07	Income (loss) before income tax	-19,331	-83,273	-55,443	-43,407
3.08	Income and social contribution taxes	845	32,882	0	-745
3.08.02	Deferred assets	845	32,882	0	-745
3.09	Net income (loss) from continued operations	-18,486	-50,391	-55,443	-44,152
3.11	Income/loss for the period	-18,486	-50,391	-55,443	-44,152
3.99	Earnings per share - (Reais / Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	-0.28577	-0.77898	-0.95134	-0.75760
3.99.01.02	Preferred shares	-0.28577	-0.77898	-0.95134	-0.75760
3.99.02	Diluted earning per share				
3.99.02.01	Common shares	-0.28577	-0.77898	-0.95027	-0.75675
3.99.02.02	Preferred shares	-0.28577	-0.77898	-0.95027	-0.75675

Individual financial statements / Statement of comprehensive income (In thousand of Reais)

Code of account	Account description	Current quarter 07/01/2017–09/30/2017	Accumulated of the current year 01/01/2017–09/30/2017	Same quarter of the prior year 07/01/2016–09/30/2016	Accumulated of the prior year 01/01/2016–09/30/2016
4.01	Net income for the period	-18,486	-50,391	-55,443	-44,152
4.02	Other comprehensive income	-9,990	-6,748	2,956	-46,507
4.02.01	Translation adjustments in the period	-9,990	-6,748	2,956	-46,507
4.03	Comprehensive income for the period	-28,476	-57,139	-52,487	-90,659

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

Code of account	Account description	Accumulated of the current year 01/01/2017–09/30/2017	Accumulated of the prior year 01/01/2016–09/30/2016
6.01	Net cash from operating activities	41,209	36,861
6.01.01	Cash generated in operations	-4,895	39,594
6.01.01.01	Net income for the year before income and social contribution taxes	-83,273	-43,407
6.01.01.02	Depreciation and amortization	5,641	4,990
6.01.01.03	Cost of permanent asset written-off	736	4,306
6.01.01.04	Allowance for doubtful accounts	297	2,654
6.01.01.05	Equity in net income of subsidiaries	18,468	18,714
6.01.01.07	Provision for Derivative financial instruments	0	8,139
6.01.01.08	Provision for interest on loans	52,674	42,043
6.01.01.10	Provision for inventory loss	9,629	35,000
6.01.01.11	Provision for contingencies	19,190	2,383
6.01.01.12	Provision for guarantees	1,642	107
6.01.01.13	Exchange-rate change on loans and others	-17,573	-37,550
6.01.01.14	Write-off of goodwill on investment	0	2,215
6.01.01.15	Provision for freight and commissions	-12,326	0
6.01.02	Changes in assets and liabilities	46,104	-2,733
6.01.02.01	(Increase) decrease in trade accounts receivable	-10,077	152
6.01.02.02	(Increase) in inventories	-19,808	-86,304
6.01.02.03	Decrease (increase) in other accounts receivable	-26,026	9,414
6.01.02.04	Increase in suppliers	66,808	25,283
6.01.02.05	Increase in accounts payable and provisions	35,207	48,722
6.02	Net cash used in investment activities	-973	-20,790
6.02.01	Receivables with related companies	2,504	-19,807
6.02.04	In property, plant and equipment	-3,922	-12,372
6.02.05	In intangible assets	-105	-1,859
6.02.06	Interest earning bank deposits	550	13,248
6.03	Net cash from financing activities	-38,927	-30,629
6.03.02	Borrowings	8,314	222,399
6.03.03	Payments of loans	-45,000	-239,436
6.03.05	Capital increase	10,512	17,541
6.03.06	Payment of Interest on loans	-28,359	-22,482
6.03.07	Debts with related companies	15,770	-8,651
6.03.08	Advance for future capital increase	-164	0
6.05	Increase (decrease) in cash and cash equivalents	1,309	-14,558
6.05.01	Opening balance of cash and cash equivalents	1,313	15,822
6.05.02	Closing balance of cash and cash equivalents	2,622	1,264

Individual financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2017–09/30/2017 (In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	394,141	-40,996	0	-668,102	143,056	-171,901
5.03	Adjusted opening balances	394,141	-40,996	0	-668,102	143,056	-171,901
5.04	Capital transactions with partners	10,348	0	0	0	0	10,348
5.04.01	Capital increases	10,348	0	0	0	0	10,348
5.05	Total comprehensive income	0	0	0	-49,246	-7,893	-57,139
5.05.01	Net income for the period	0	0	0	-50,391	0	-50,391
5.05.02	Other comprehensive income	0	0	0	1,145	-7,893	-6,748
5.05.02.04	Translation adjustments in the period	0	0	0	0	-6,748	-6,748
5.05.02.06	Realization of equity valuation adjustments	0	0	0	1,145	-1,145	0
5.07	Closing balances	404,489	-40,996	0	-717,348	135,163	-218,692

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2016–09/30/2016 (In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	364,735	-29,295	0	-566,155	170,599	-60,116
5.03	Adjusted opening balances	364,735	-29,295	0	-566,155	170,599	-60,116
5.04	Capital transactions with partners	29,242	-11,701	0	0	0	17,541
5.04.01	Capital increases	29,242	-11,701	0	0	0	17,541
5.05	Total comprehensive income	0	0	0	-43,162	-47,497	-90,659
5.05.01	Net income for the period	0	0	0	-44,152	0	-44,152
5.05.02	Other comprehensive income	0	0	0	990	-47,497	-46,507
5.05.02.04	Translation adjustments in the period	0	0	0	0	-46,507	-46,507
5.05.02.06	Realization of equity valuation adjustments	0	0	0	990	-990	0
5.07	Closing balances	393,977	-40,996	0	-609,317	123,102	-133,234

Individual financial statements / Statement of added value (In thousand of Reais)

Code of account	Account description	Accumulated of the current year 01/01/2017–09/30/2017	Accumulated of the prior year 01/01/2016–09/30/2016
7.01	Revenues	439,319	362,331
7.01.01	Sale of goods, products and services	437,141	361,673
7.01.02	Other revenues	2,475	3,312
7.01.04	Formation/reversal of allowance for doubtful accounts	-297	-2,654
7.02	Inputs acquired from third parties	-380,773	-316,445
7.02.01	Cost of products, goods and services sold	-375,685	-150,039
7.02.02	Materials, Energy, outsourced services and other	-5,088	-166,406
7.03	Gross added value	58,546	45,886
7.04	Retentions	-5,640	-4,990
7.04.01	Depreciation, amortization and depletion	-5,640	-4,990
7.05	Net added value produced	52,906	40,896
7.06	Added value received as transfer	5,804	71,147
7.06.01	Equity in net income of subsidiaries	-18,468	-18,714
7.06.02	Financial income	24,272	89,861
7.07	Total added value payable	58,710	112,043
7.08	Distribution of added value	58,710	112,043
7.08.01	Personnel	52,701	46,022
7.08.01.01	Direct remuneration	41,762	38,921
7.08.01.02	Benefits	8,034	4,394
7.08.01.03	Severance Pay Fund (FGTS)	2,905	2,707
7.08.02	Taxes, rates and contributions	-20,233	41,945
7.08.02.01	Federal	-20,293	21,672
7.08.02.02	State	2	20,136
7.08.02.03	Municipal	58	137
7.08.03	Third-party capital remuneration	76,633	68,228
7.08.03.01	Interest	76,400	66,498
7.08.03.02	Rentals	233	1,730
7.08.04	Remuneration of own capital	-50,391	-44,152
7.08.04.03	Retained earnings / Loss for the period	-50,391	-44,152

Consolidated financial statements / Balance sheet - Assets (In thousands of reais)

Code of account	Account description	Current quarter 09/30/2017	Prior year 12/31/2016
1	Total assets	923,059	893,057
1.01	Current assets	508,233	472,452
1.01.01	Cash and cash equivalents	6,586	26,708
1.01.01.01	Cash and banks	6,058	25,890
1.01.01.02	Interbank funds applied	528	818
1.01.02	Interest earning bank deposits	348	2,552
1.01.03	Accounts receivable	166,162	150,197
1.01.03.01	Trade accounts receivable	166,162	150,197
1.01.04	Inventories	251,498	244,197
1.01.06	Recoverable taxes	63,256	20,497
1.01.06.01	Current taxes recoverable	63,256	20,497
1.01.07	Prepaid expenses	5,600	5,957
1.01.08	Other current assets	14,783	22,344
1.01.08.03	Other	14,783	22,344
1.01.08.03.02	Other accounts receivable	14,783	22,344
1.02	Non-current assets	414,826	420,605
1.02.01	Long term assets	65,353	57,284
1.02.01.01	Interest earning bank deposits measured at fair value	2,326	634
1.02.01.01.01	Trading securities	2,326	634
1.02.01.06	Deferred taxes	46,680	44,536
1.02.01.06.01	Deferred income and social contribution taxes	46,680	44,536
1.02.01.09	Other non-current assets	16,347	12,114
1.02.01.09.03	Recoverable taxes	478	707
1.02.01.09.04	Other	15,869	11,407
1.02.02	Investments	50,457	50,457
1.02.02.01	Ownership interest	349	349
1.02.02.01.04	Other ownership interest	349	349
1.02.02.02	Investment property	50,108	50,108
1.02.03	Property, plant and equipment	226,782	238,650
1.02.03.01	Fixed assets in operation	206,809	220,428
1.02.03.03	Constructions in progress	19,973	18,222
1.02.04	Intangible assets	72,234	74,214
1.02.04.01	Intangible assets	72,234	74,214

Consolidated financial statements / Balance sheet - Liabilities (In thousand of Reais)

Code of account	Account description	Current quarter 09/30/2017	Prior year 12/31/2016
2	Total liabilities	923,059	893,057
2.01	Current liabilities	513,067	385,897
2.01.01	Social and labor obligations	43,554	34,645
2.01.01.01	Social charges	10,115	10,806
2.01.01.02	Labor obligations	33,439	23,839
2.01.02	Suppliers	182,174	128,712
2.01.02.01	Domestic suppliers	153,519	111,341
2.01.02.02	Foreign suppliers	28,655	17,371
2.01.03	Tax obligations	40,118	39,170
2.01.03.01	Federal tax obligations	28,586	35,097
2.01.03.01.01	Income and social contribution tax payable	6,015	3,416
2.01.03.01.02	Other Taxes	14,655	31,681
2.01.03.01.03	Federal obligations in installments	7,916	0
2.01.03.02	State tax obligations	11,491	4,029
2.01.03.02.01	State obligations	8,123	3,375
2.01.03.02.02	State obligations in installments	3,368	654
2.01.03.03	Municipal tax obligations	41	44
2.01.04	Loans and financing	123,023	26,989
2.01.04.01	Loans and financing	106,459	26,556
2.01.04.01.01	In domestic currency	8,832	8,746
2.01.04.01.02	In foreign currency	97,627	17,810
2.01.04.02	Debentures	16,564	433
2.01.05	Other liabilities	91,704	105,199
2.01.05.02	Other	91,704	105,199
2.01.05.02.01	Dividends and interest on own capital	3	3
2.01.05.02.04	Derivative financial instruments	358	543
2.01.05.02.05	Foreign exchange withdrawals	23,379	28,065
2.01.05.02.08	Advance from receivables	15,620	6,136
2.01.05.02.09	Advance from clients	30,590	26,282
2.01.05.02.10	Other liabilities	21,754	44,170
2.01.06	Provisions	32,494	51,182
2.01.06.01	Tax, social security, labor and civil provisions	19,887	40,090
2.01.06.01.01	Tax provisions	318	318
2.01.06.01.02	Social security and labor provisions	13,800	33,235
2.01.06.01.04	Civil provisions	5,769	6,537
2.01.06.02	Other provisions	12,607	11,092
2.01.06.02.01	Provision for guarantees	12,607	11,092
2.02	Non-current liabilities	628,684	679,061
2.02.01	Loans and financing	556,209	641,123
2.02.01.01	Loans and financing	498,334	573,112
2.02.01.01.01	In domestic currency	10,053	15,045
2.02.01.01.02	In foreign currency	488,281	558,067
2.02.01.02	Debentures	57,875	68,011
2.02.02	Other liabilities	9,807	5,572
2.02.02.02	Other	9,807	5,572
2.02.02.02.04	Taxes payable	7,018	2,496

Consolidated financial statements / Balance sheet - Liabilities (In thousand of Reais)

Code of account	Account description	Current quarter 09/30/2017	Prior year 12/31/2016
2.02.02.02.05	Other liabilities	2,789	3,076
2.02.03	Deferred taxes	14,627	15,190
2.02.03.01	Deferred income and social contribution taxes	14,627	15,190
2.02.04	Provisions	48,041	17,176
2.02.04.01	Tax, social security, labor and civil provisions	42,758	11,741
2.02.04.01.01	Tax provisions	0	6,732
2.02.04.01.02	Social security and labor provisions	39,863	2,114
2.02.04.01.04	Civil provisions	2,895	2,895
2.02.04.02	Other provisions	5,283	5,435
2.02.04.02.01	Provision for guarantees	5,283	5,435
2.03	Consolidated shareholders' equity	-218,692	-171,901
2.03.01	Realized capital	404,489	393,977
2.03.02	Capital reserves	-40,996	-40,832
2.03.02.06	Advance for future capital increase	0	164
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-717,348	-668,102
2.03.06	Equity valuation adjustments	48,591	49,736
2.03.07	Accumulated translation adjustments	86,572	93,320

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

Code of account	Account description	Current quarter 07/01/2017–09/30/2017	Accumulated of the current year 01/01/2017–09/30/2017	Same quarter of the prior year 07/01/2016–09/30/2016	Accumulated of the prior year 01/01/2016–09/30/2016
3.01	Revenue from sales of goods and/or services	211,120	605,055	222,951	606,785
3.02	Cost of goods and/or services sold	-177,410	-465,980	-174,695	-447,981
3.03	Gross income	33,710	139,075	48,256	158,804
3.04	Operating expenses/revenue	-67,272	-188,942	-77,171	-229,175
3.04.01	Sales expenses	-26,798	-82,455	-34,464	-88,339
3.04.02	General and administrative expenses	-40,442	-108,718	-29,304	-103,338
3.04.04	Other operating revenue	3,037	12,746	2,807	4,630
3.04.05	Other operating expenses	-3,069	-10,515	-15,907	-40,324
3.04.06	Equity in net income of subsidiaries	0	0	-303	-1,804
3.05	Income (loss) before financial income and taxes	-33,562	-49,867	-28,915	-70,371
3.06	Financial income (loss)	3,835	-64,982	-24,417	25,317
3.06.01	Financial income	28,697	49,453	-5,115	96,610
3.06.02	Financial expenses	-24,862	-114,435	-19,302	-71,293
3.07	Income (loss) before income tax	-29,727	-114,849	-53,332	-45,054
3.08	Income and social contribution taxes	11,241	64,458	-2,111	902
3.08.01	Current	8,155	12,784	-3,274	1,869
3.08.02	Deferred assets	3,086	51,674	1,163	-967
3.09	Net income (loss) from continued operations	-18,486	-50,391	-55,443	-44,152
3.11	Income/loss for the period	-18,486	-50,391	-55,443	-44,152
3.11.01	Attributed to the Parent company's partners	-18,486	-50,391	-55,443	-44,152
3.99	Earnings per share - (Reais / Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	-0.28577	-0.77898	-0.95134	-0.75760
3.99.01.02	Preferred shares	-0.28577	-0.77898	-0.95134	-0.75760
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	-0.28577	-0.77898	-0.95027	-0.75675
3.99.02.02	Preferred shares	-0.28577	-0.77898	-0.95027	-0.75675

Consolidated financial statements / Statement of comprehensive income (In thousand of Reais)

Code of account	Account description	Current quarter 07/01/2017–09/30/2017	Accumulated of the current year 01/01/2017–09/30/2017	Same quarter of the prior year 07/01/2016–09/30/2016	Accumulated of the prior year 01/01/2016–09/30/2016
4.01	Consolidated net income for the period	-18,486	-50,391	-55,443	-44,152
4.02	Other comprehensive income	-9,990	-6,748	2,956	-46,507
4.02.01	Translation adjustment in the period	-9,990	-6,748	2,956	-46,507
4.03	Consolidated comprehensive income for the period	-28,476	-57,139	-52,487	-90,659
4.03.01	Attributed to the Parent company's partners	-28,476	-57,139	-52,487	-90,659

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

Code of account	Account description	Accumulated of the current year 01/01/2017–09/30/2017	Accumulated of the prior year 01/01/2016–09/30/2016
6.01	Net cash from operating activities	11,988	45,331
6.01.01	Cash generated in operations	-38,018	17,240
6.01.01.01	Net income before income and social contribution taxes	-114,849	-45,054
6.01.01.02	Depreciation and amortization	26,367	25,363
6.01.01.03	Cost of permanent asset written-off	2,900	8,815
6.01.01.05	Equity in net income of subsidiaries	0	1,805
6.01.01.06	Provision for Derivative financial instruments	0	8,411
6.01.01.07	Allowance for doubtful accounts	-1,838	3,476
6.01.01.10	Provision for interest on loans	53,588	45,038
6.01.01.11	Exchange-rate change on loans and others	-20,103	-50,107
6.01.01.13	Write-off of investments	0	2,636
6.01.01.14	Write-off of goodwill on investment	0	2,215
6.01.01.16	Provision for inventory loss	9,629	35,000
6.01.01.18	Provision for contingencies	17,250	-18,845
6.01.01.19	Provision for guarantees	1,364	-1,513
6.01.01.20	Provision for freight and commissions	-12,326	0
6.01.02	Changes in assets and liabilities	50,006	29,052
6.01.02.01	(Increase) decrease in trade accounts receivable	-13,592	43,545
6.01.02.02	(Increase) in inventories	-16,930	-93,162
6.01.02.03	(Increase) in other accounts receivable	-39,075	-16,042
6.01.02.04	Increase in suppliers	53,386	66,231
6.01.02.05	Increase in accounts payable and provisions	66,217	28,480
6.01.03	Other	0	-961
6.01.03.02	Payment of IRPJ (Corporate Income Tax) and CSLL (Social contribution tax)	0	-961
6.02	Net cash used in investment activities	-17,614	717
6.02.01	Receivables with related companies	0	1
6.02.03	In investments	0	5,000
6.02.04	In property, plant and equipment	-17,482	-28,651
6.02.05	In intangible assets	-644	-3,045
6.02.06	Interest earning bank deposits	512	27,412
6.03	Net cash from financing activities	-14,496	-82,953
6.03.02	Borrowings	70,797	278,858
6.03.03	Payment of loans	-66,770	-354,281
6.03.05	Capital increase	10,512	17,541
6.03.06	Advance for future capital increase	-164	0
6.03.10	Payment of Interest on loans	-28,871	-25,071
6.05	Increase (decrease) in cash and cash equivalents	-20,122	-36,905
6.05.01	Opening balance of cash and cash equivalents	26,708	60,312
6.05.02	Closing balance of cash and cash equivalents	6,586	23,407

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2017–09/30/2017 (In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	394,141	-40,996	0	-668,102	143,056	-171,901	0	-171,901
5.03	Adjusted opening balances	394,141	-40,996	0	-668,102	143,056	-171,901	0	-171,901
5.04	Capital transactions with partners	10,348	0	0	0	0	10,348	0	10,348
5.04.01	Capital increases	10,348	0	0	0	0	10,348	0	10,348
5.05	Total comprehensive income	0	0	0	-49,246	-7,893	-57,139	0	-57,139
5.05.01	Net income for the period	0	0	0	-50,391	0	-50,391	0	-50,391
5.05.02	Other comprehensive income	0	0	0	1,145	-7,893	-6,748	0	-6,748
5.05.02.04	Translation adjustments in the period	0	0	0	0	-6,748	-6,748	0	-6,748
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	1,145	-1,145	0	0	0
5.07	Closing balances	404,489	-40,996	0	-717,348	135,163	-218,692	0	-218,692

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2016–09/30/2016 (In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	364,735	-29,295	0	-566,155	170,599	-60,116	0	-60,116
5.03	Adjusted opening balances	364,735	-29,295	0	-566,155	170,599	-60,116	0	-60,116
5.04	Capital transactions with partners	29,242	-11,701	0	0	0	17,541	0	17,541
5.04.01	Capital increases	29,242	-11,701	0	0	0	17,541	0	17,541
5.05	Total comprehensive income	0	0	0	-43,162	-47,497	-90,659	0	-90,659
5.05.01	Net income for the period	0	0	0	-44,152	0	-44,152	0	-44,152
5.05.02	Other comprehensive income	0	0	0	990	-47,497	-46,507	0	-46,507
5.05.02.04	Translation adjustments in the period	0	0	0	0	-46,507	-46,507	0	-46,507
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	990	-990	0	0	0
5.07	Closing balances	393,977	-40,996	0	-609,317	123,102	-133,234	0	-133,234

Consolidated financial statements / Statement of added value (In thousand of Reais)

Code of account	Account description	Accumulated of the current year 01/01/2017–09/30/2017	Accumulated of the prior year 01/01/2016–09/30/2016
7.01	Revenues	613,031	689,452
7.01.01	Sale of goods, products and services	610,366	688,298
7.01.02	Other revenues	3,355	4,630
7.01.04	Formation/reversal of allowance for doubtful accounts	-690	-3,476
7.02	Inputs acquired from third parties	-466,295	-426,679
7.02.01	Cost of products, goods and services sold	-532,765	-260,280
7.02.02	Materials, Energy, outsourced services and other	66,470	-166,399
7.03	Gross added value	146,736	262,773
7.04	Retentions	-26,913	-25,363
7.04.01	Depreciation, amortization and depletion	-26,913	-25,363
7.05	Net added value produced	119,823	237,410
7.06	Added value received as transfer	28,588	94,806
7.06.01	Equity in net income of subsidiaries	0	-1,804
7.06.02	Financial income	28,588	96,610
7.07	Total added value payable	148,411	332,216
7.08	Distribution of added value	148,411	332,216
7.08.01	Personnel	134,867	169,774
7.08.01.01	Direct remuneration	105,377	146,765
7.08.01.02	Benefits	22,072	16,268
7.08.01.03	Severance Pay Fund (FGTS)	7,418	6,741
7.08.02	Taxes, rates and contributions	-31,724	128,806
7.08.02.01	Federal	-32,025	98,473
7.08.02.02	State	14	30,083
7.08.02.03	Municipal	287	250
7.08.03	Third-party capital remuneration	95,659	77,788
7.08.03.01	Interest	94,854	70,933
7.08.03.02	Rentals	805	6,855
7.08.04	Remuneration of own capital	-50,391	-44,152
7.08.04.03	Retained earnings / Loss for the period	-50,391	-44,152

Performance comment

    

3Q17

PRESS RELEASE

Performance comment

São Leopoldo, November 10, 2017 - Forjas Taurus S.A., listed in Level 2 for BM&FBOVESPA Corporate Governance (Symbols: **FJTA3, FJTA4),** one of the world's largest manufacturers of light firearms and domestic leader in motorcycle helmets, as well as acting in areas involving Containers, Plastics and M.I.M. *(Metal Injection Molding),* announces the income (loss) for the **third quarter of 2017 (3Q17).**

1. Highlights of 3rd quarter of 2017 (3Q17)

Conference Call of Results*

Tuesday, November 14, 2017.

Time: 1:00 pm (Brazil / 10 am (US-EST)

Accesses in Portuguese:
http://cast.comunique-se.com.br/taurus/3T17

Accesses in English:
http://cast.comunique-se.com.br/taurus/3Q17

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

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✓ **The contraction of the US market,** as already indicated in the prior quarter, continues to generate relevant impacts on the Company`s result. The NICS Index presented a new drop of 5.4% in 3Q17 compared to 2Q17.

✓ **Consolidated net revenue reached R$ 211.1 million in 3Q17,** an increase of 16.3% compared to 2Q17, mainly affected by higher sales in the domestic market, higher exports to other countries as well as by sales of inventory products in the United States, with discounts, to reinforce the Company's working capital.

✓ **Consolidated gross margin recorded 16.0% in 3Q17,** 10 p.p. lower than in 2Q17, related to lower production, due to the lower demand in the US market, as well as to lower prices practiced in that country, whose promotional environment remains intense.

✓ **EBITDA records negative value of R$ 24.9 million in 3Q17**, and is affected again by the US market performance and by new provisions for civil and labor contingencies.

✓ **New Products:** the first shipments of Hammer Pistol have already been made, destined to Asia. The production of the new T4 Rifle, in turn, has already begun, and the first shipments are scheduled to occur during 4Q17.

Performance comment

Performance comment

2. Economic and financial performance - Consolidated

The table that follows reflects the Company's consolidated economic and financial performance for 3Q17 as compared to performance recorded for 2Q17 and 3Q16.

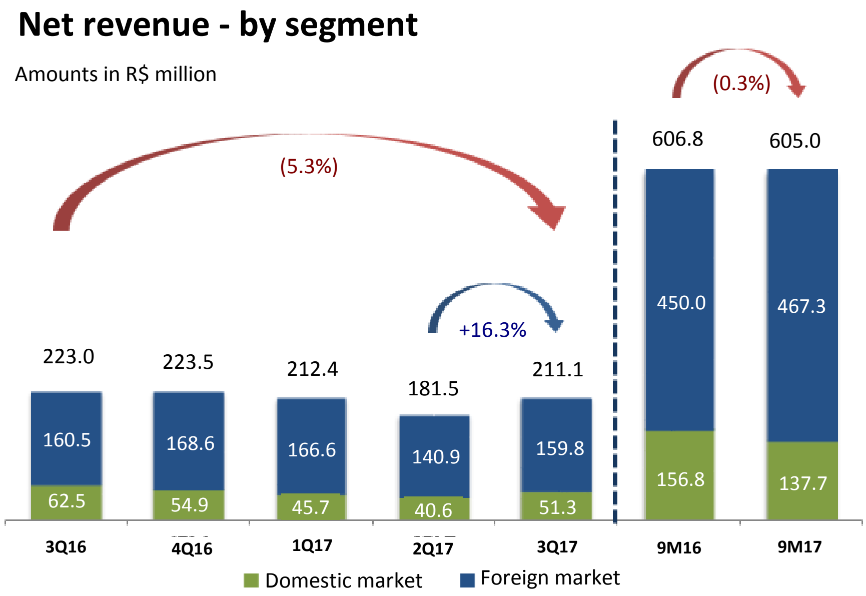
Consolidated Financial and Economic Summary

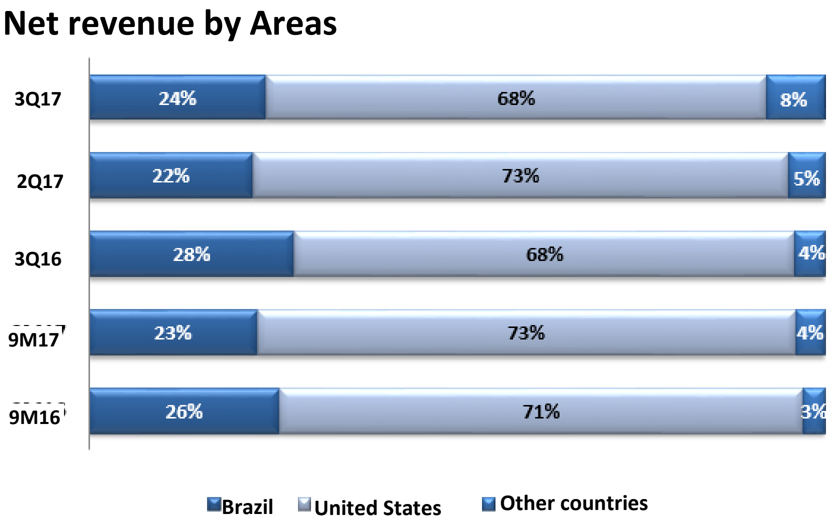
Indicators	3Q17	2Q17	3Q16	9M17	9M16	Change		
						3Q17/2Q17	3Q17/3Q16	9M17/9M16
Net revenue	**211.1**	**181.5**	**223.0**	**605.0**	**606.8**	**16.3%**	**-5.3%**	**-0.3%**
Domestic market	51.3	40.6	62.5	137.7	156.8	26.4%	-17.9%	-12.2%
Foreign market	159.8	140.9	160.5	467.3	450.0	13.4%	-0.4%	3.8%
CPV	177.4	133.2	174.7	464.8	448.0	33.2%	1.5%	3.8%
Gross income	33.7	48.3	48.3	140.2	158.8	-30.2%	-30.2%	-11.7%
Gross margin - %	**16.0%**	**26.6%**	**21.7%**	**23.2%**	**26.2%**	**-10.6 p.p.**	**-5.7 p.p.**	**-3.0 p.p.**
Operating expenses - SG&A	-67.3	-62.3	-77.2	-190.1	-229.2	8.0%	-12.8%	-17.1%
Operating income (EBIT)	-33.6	-14.0	-28.9	-49.9	-70.4	140.0%	16.3%	-29.1%
EBIT Margin %	**-15.9%**	**-7.7%**	**-13.0%**	**-8.2%**	**-11.6%**	**-8.2 p.p.**	**-3.0 p.p.**	**3.4 p.p.**
Net financial income (loss)	3.8	-68.4	-24.4	-70.6	25.3	-	-	-
Depreciation and amortization	8.6	9.3	8.4	26.4	25.4	-7.5%	2.4%	3.9%
Consolidated income / loss	-18.5	-31.0	-55.4	-55.9	-44.2	-40.3%	-66.7%	26.7%
Consolidated Net Margin - %	**-8.8%**	**-17.1%**	**-24.9%**	**-9.2%**	**-7.3%**	**8.3 p.p.**	**16.1 p.p.**	**-2.0 p.p.**
EBITDA	-24.9	-4.7	-20.5	-23.5	-44.9	429.8%	21.5%	-47.7%
EBITDA Margin – %	**-11.8%**	**-2.6%**	**-9.2%**	**-3.9%**	**-7.4%**	**-9.2 p.p.**	**-2.6 p.p.**	**3.5 p.p.**
Total assets	923.1	934.7	929.5	923.1	929.5	-1.2%	-0.7%	-0.7%
Unsecured liability	-218.7	-190.2	-133.2	-218.7	-133.2	15.0%	64.2%	64.2%

Net revenue

In 3Q17, the Company's consolidated net revenue totaled R$ 211.1 million, a growth of 16.3% in relation to 2Q17. This growth originates mainly from the domestic market, which presented expansion of 26.4%, reaching R$ 51.3 million, mainly in the segment of firearms, which grew 60.0% in the domestic market in the period. In the USA, the demand follows at lower levels, as commented in the prior quarter, due to the results of the US presidential elections and the process of reduction of inventories in the distributors, causing greater competition and intensification of the promotional environment in that country. Accordingly, sales of firearms in the USA recorded a growth of 8.8% in the quarter compared to 2Q17, mainly due to sales efforts of inventory items, with the purpose of strengthening the Company`s working capital and cash. For the calendar year of 2017, the Company's consolidated net revenue is virtually stable, showing a slight decrease of 0.3% in relation to the same period of 2016.

Performance comment





Company's exports in the quarter increased 13.4% in relation to 2Q17, reaching R$ 159.8 million. The highlight of the line is exports to other countries which R$ 15.8 million, which represents a growth of 88.1% in the period. The growth of sales to other countries is related to the beginning of the production and shipment of the new Hammer pistol in this quarter. In the accumulated for the nine months of 2017, consolidated exports recorded increase of 3.8%, compared to the same period of 2016, whereas exports of firearms to other countries increased 30.0% in the period.

Performance comment

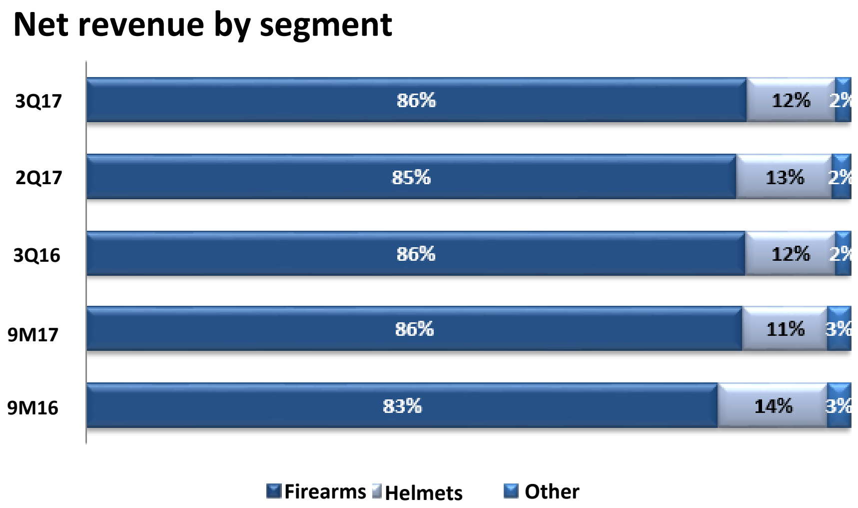


Chart above presents distribution of the Company's consolidated net revenue per business segment. The higher performance of firearms domestic market caused this segment to gain its share in consolidated net revenue from 85% in 2Q17 to 86% in 3Q17. On the other hand, the helmets segment, recorded a lower share, reaching 12% in 3Q17, against 13% in the previous quarter. In turn, the "Others" segment remained stable with 2% in its share.

Information per business segment

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

Quarterly Comparison - Current vs. Previous Quarter

	Net revenue					Gross margin		
	3Q17	Int.%	2Q17	Int.%	Change	3Q17	2Q17	Change
Firearms	182.5	86%	154.6	85%	18.0%	12.6%	24.6%	-12.0 p.p.
Helmets	24.5	12%	22.9	13%	7.0%	31.8%	28.8%	3.0 p.p.
Other	4.1	2%	4.0	2%	2.5%	70.7%	62.5%	8.2 p.p.
Total	211.1	100%	181.5	100%	16.3%	16.0%	26.0%	-10.0 p.p.

Performance comment

Quarterly comparison - Year x Year

	Net revenue					Gross margin		
	3Q17	**Int.%**	**3Q16**	**Int.%**	**Change**	**3Q17**	**3Q16**	**Change**
Firearms	182.5	86%	192.5	86%	-5.2%	12.6%	19.4%	-6.8 p.p.
Helmets	24.5	12%	26.0	12%	-5.8%	31.8%	28.5%	3.4 p.p.
Other	4.1	2%	4.5	2%	-8.9%	70.7%	80.0%	-9.3 p.p.
Total	**211.1**	**100%**	**223.0**	**100%**	**-5.3%**	**16.0%**	**21.7%**	**-5.7 p.p.**

Nine-month period comparison

	Net revenue					Gross margin		
	9M17	**Int.%**	**9M16**	**Int.%**	**Change**	**9M17**	**9M16**	**Change**
Firearms	522.7	86%	503.1	83%	3.9%	21.5%	23.4%	-1.9 p.p.
Helmets	67.5	11%	86.1	14%	-21.6%	30.4%	34.1%	-3.8 p.p.
Other	14.8	3%	17.6	3%	-15.9%	41.9%	66.5%	-24.6 p.p.
Total	**605.0**	**100%**	**606.8**	**100%**	**-0.3%**	**23.0%**	**26.2%**	**-3.2 p.p.**

I. Firearms

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

						Change		
NET REVENUE In millions of **R$**	**3Q17**	**2Q17**	**3Q16**	**9M17**	**9M16**	**3Q17/2Q17**	**3Q17/3Q16**	**9M17/9M16**
Firearms	**182.5**	**154.6**	**192.4**	**522.7**	**503.0**	**18.0%**	**-5.1%**	**3.9%**
Brazil	24.0	15.0	33.5	58.5	56.8	60.0%	-28.4%	3.0%
Exports	158.5	139.6	158.9	464.2	446.2	13.5%	-0.3%	4.0%
United States	142.7	131.2	149.9	436.9	425.2	8.8%	-4.8%	2.8%
Other countries	15.8	8.4	9.0	27.3	21.0	88.1%	75.6%	30.0%

Net sales of firearms amounted to R$ 182.5 million in 3Q17, 18.0% higher than in 2Q17. In the domestic market, sales of firearms were affected by a seasonal recovery of governmental sales and by a better performance in the civil market. Compared to the same period of last year, sales in the domestic market declined 28.4%. In the year, sales of firearms in the Brazilian market totaled R$ 58.5 million, which represents a growth of 3.0% compared to the first nine months of 2016.

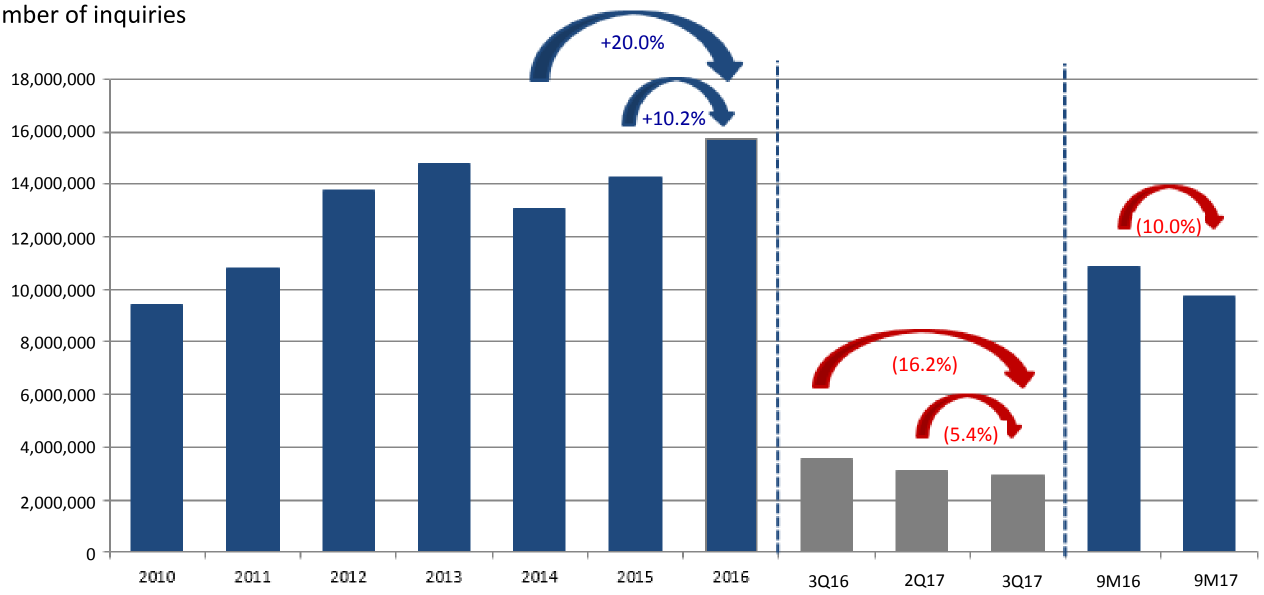
Performance comment

In the USA, the scenario, in 3Q17, continued with a lower level of demand and higher competition as indicated in the prior quarter. Such environment is mainly due to the results of the US presidential elections, that caused a significant decrease in the record volumes of firearm sales recorded up to the end of 2016; and changes in decrease of inventories by distributors, since there was a need to preserve cash. Accordingly, a promotional environment became more intense in that country.

This scenario of lower demand is evidenced in the analysis of the *Adjusted NICS* (*National Instant Background Check System*) market indicator, which allows to determine firearm purchase intentions in the USA. In 3Q17, there was a decrease of 5.4% compared to 2Q17, and of 16.2% compared to the same period of 2016. For the calendar year of 2017, the indicator accumulated a drop of 10.0%.

Adjusted NICS – *National Instant Background Check System*

Number of inquiries



With the adverse scenario, the Company`s sales in the USA were pushed forward with adjustments of prices of a few specific products, in order to reduce the inventory volume and strengthen the cash of the Operation. Sales in this quarter presented growth of 8.8% compared to 2Q17, however, compared to the same period of 2016, sales recorded a decrease of 4.8%. In the accumulated for the nine months of 2017, net revenue reached R$ 436.9 million in the country, which represents a growth of 2.8% compared to the same period of 2016, but with margins significantly lower than those formerly recorded.

Sales to other countries were another important highlight in the quarter, recording R$ 15.8 million, which represents a growth of 88.1%. This growth is related to the beginning of the production and shipment of the new

Performance comment

Hammer pistol in this quarter, destined to Asia. For the calendar year of 2017, exports to other countries recorded an increase of 30.0% compared to the same period of 2016.

The gross margin of firearms, on the other hand, recorded 12.6% in 3Q17, a decrease of 12p.p. compared to 2Q17. This result is due to the higher competition and lower demand in the USA, which reduced the price levels in that market and also caused the retraction of the Company`s production level so as to adjust to the new moment of the market, and to the specific movement of realization of certain higher inventories with discount prices in this quarter. Compared to 3Q16, gross margin for the segment decreased 6.8%. In the accumulated for 2017, the index presents a slight reduction of 1.9% compared to 2016, recording 21.5%.

II. Helmets

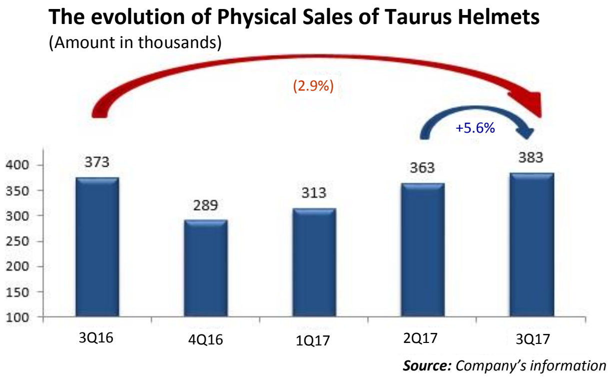
The segment of helmets is the second largest in the company, with the production units of Taurus Blindagens Ltda., in Mandirituba/PR, and Taurus Blindagens Nordeste Ltda., in Simoes Filho/BA.

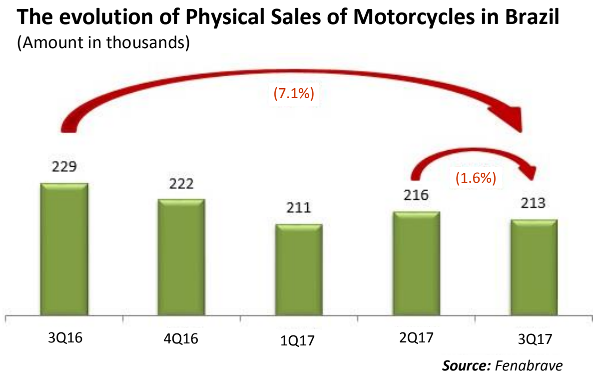
						Change		
NET REVENUE In millions of **R$**	**3Q17**	**2Q17**	**3Q16**	**9M17**	**9M16**	**3Q17/2Q17**	**3Q17/3Q16**	**9M17/9M16**
Helmets	**24.5**	**22.9**	**26.0**	**67.6**	**86.1**	**7.0%**	**-5.7%**	**-21.5%**
Brazil	24.0	22.9	26.0	67.1	86.1	4.8%	-7.7%	-22.1%
Exports	0.5	-	-	0.5	-	-	-	-

Sales of helmets which are related to levels of Brazilian economic activity totaled R$ 24.5 million in 3Q17, a growth of 7.0% in relation to 2Q17. Compared to the same period of last year, however, the net revenue of this segment still accumulates a retraction of 5.7%, and in the accumulated for 2017, sales of helmets decreased 21.5% compared to the same period of 2016.

In the following chart, comparing the evolution of physical sales of the Company's helmets with physical sales of motorcycles in Brazil, there was an increase of 5.6% in the Company's sales of helmets in 3Q17 compared to 2Q17. On the other hand, sales of motorcycles in Brazil fell 1.6% in the same period, thus showing a Taurus market solid share rebound in the quarter. Compared to 3Q16, physical sales of helmets of the Company in 3Q17 decreased 2.9%, whereas physical sales of motorcycles decreased 7.1%.

Performance comment





The gross margin of this segment increased 3.0 p.p. in 3Q17 compared to 2Q17, recording 31,8%. In the calendar year of 2017, the gross margin of helmets reached 30.4%, 3.8 p.p. below the first nine months of 2016.

III. Other

In addition to firearms and helmets, Taurus also operates in other segments, such as the manufacture of plastic containers, motorcycle trunks, and metal-injection molded (MIM) parts. Only M.I.M. technology is used in Polimetal Metalurgia e Plásticos Ltda. unit in São Leopoldo/RS, and other products are produced at the Parana unit - Taurus Blindagens.

						Change		
NET REVENUE In millions of **R$**	**3Q17**	**2Q17**	**3Q16**	**9M17**	**9M16**	**3Q17/2Q17**	**3Q17/3Q16**	**9M17/9M16**
Others	**4.1**	**4.0**	**4.5**	**14.9**	**17.6**	**2.5%**	**-8.9%**	**-15.3%**
Brazil	3.3	2.7	3.0	12.2	13.8	22.2%	10.0%	-11.6%
Exports	0.8	1.3	1.6	2.5	3.8	-38.5%	-50.0%	-34.2%

This segment presented R$ 4.1 million in net sales in 3Q17, a 2.5% growth in relation to 2Q17. This segment has little representation in the company's revenue, and presents specific demands. Year-to-date revenue from this segment totaled R$ 14.9 million, 15.3% lower than the income recorded in the same period of 2016.

Performance comment

Operating expenses

In 3Q17, operating expenses totaled R$ 67.3 million, 10.1% greater compared to 2Q17, and a retraction of 12.8% compared to 3Q16. Regarding net revenue, operating expenses in 3Q17 represented 31.9%, 1.8 p.p. lower than in 2Q17, and 2.7 p.p. lower than the 34.6% recorded in 3Q16. During the year, operating expenses totaled R$ 188.9 million, 17.6% lower compared to the same period of 2016.

During this quarter, new restatements and additions of provisions for labor and civil contingencies in a relevant amount, which had a negative impact on income (loss). In 3Q17, the Company recorded R$ 11.7 as a supplement in this caption (R$ 6.6 million and R$ 5.6 million were recorded in 2Q17 and 1Q17, respectively), and mainly related to the restatement of amounts, recording of provision for new lawsuits identified.

OPERATING EXPENSES (SG&A)
In millions of R$

	3Q17	2Q17	3Q16	9M17	9M16	3Q17x2Q17	3Q17x3Q16	9M17x9M16
Operating expenses	67.3	61.1	77.2	188.9	229.2	10.1%	-12.8%	-17.6%
Net revenue	211.1	181.5	223.0	605.0	606.8	16.3%	-5.3%	-0.3%
% Operating expenses	31.9%	33.7%	34.6%	31.2%	37.8%	-1.8 p.p.	-2.7 p.p.	-6.5 p.p.

EBITDA

In 3Q17, the Company's cash flow measured by EBITDA recorded a negative balance of R$ 24.9 million in the quarter, also against negative results of R$ 4.7 million in 2Q17 and R$ 20.5 million in 3Q16. In addition to decreases in operating margins generated by a lower performance in the North American market, the Company's EBITDA was also impacted by the aforementioned additions of provisions for aforementioned contingencies, in the amount of R$ 11.2 million. For the calendar year of 2017, Company’s consolidated EBITDA records a negative balance of R$ 23.3 million, with a negative result of R$ 44.9 million in the same period of prior year.

Performance comment

CONSOLIDATED EBITDA
In millions of R$

	3Q17	2Q17	3Q16	9M17	9M16	3Q17x2Q17	3Q17x3Q16	9M17x9M16
= Income / loss for the period	(18.5)	(25.5)	(55.4)	(50.5)	(44.1)	-27.5%	-66.6%	14.5%
(+) IR/CSLL	(11.2)	(51.3)	2.1	(64.4)	(0.9)	-78.2%	-	7055.6%
(+) Net financial income.	(3.8)	62.8	24.4	65.0	(25.3)	-	-	-
(+) Depreciation/amortization	8.6	9.3	8.4	26.4	25.4	-7.5%	2.4%	3.9%
= EBITDA CVM Inst. 527/12	**(24.9)**	**(4.7)**	**(20.5)**	**(23.5)**	**(44.9)**	**429.8%**	**21.5%**	**-47.7%**

Financial income (loss)

In 3Q17, the calculated financial income (loss) was positive by R$ 3.8 million, against an income (loss), also negative by R$ 62.3 million in 2Q17. Such change is mainly related to the caption Changes in Exchange Rate, which is very sensitive to exchange rate volatility. In 3Q17, such caption recorded a positive balance of R$ 25.6 million, against a negative amount of R$ 28.1 million in 2Q17. This positive balance in 3Q17 refers to the closing rate of the US Dollar in Sep/2017, which recorded a depreciation of 4.2% in relation to Jun/17. It is worth remembering that with the adhesion of the Company to the Tax Regularization Program established by Provisional Measure 766, dated January 04, 2017 (PRT), fines relating to tax liabilities included in the program were recorded, in the amount of R$ 0.6 million in 3Q17 and R$ 8.8 million in 2Q17.

FINANCIAL INCOME (LOSS)
In millions of R$

	3Q17	2Q17	3Q16	9M17	9M16
Interest	(18.2)	(22.6)	(17.3)	(62.0)	(54.5)
Exchange-rate changes	25.6	(28.1)	(5.3)	13.9	93.3
Swap on financial operations	-	-	-	-	(9.1)
Deductible fines	(0.6)	(8.8)	-	(9.4)	-
Other income/expenses	(3.0)	(3.3)	(1.8)	(7.5)	(4.4)
Net financial income (loss)	**3.8**	**(62.8)**	**(24.4)**	**(65.0)**	**25.3**

Consolidated income (loss)

In 3Q17, the Company recorded a loss of R$ 18.5 million, against an income (loss), also negative of R$ 25.5 million in 2Q17. During nine months of 2017, the Company accumulates a loss of R$ 50.4 million, against a negative balance of R$ 44.2 million in the same period of 2016.

Performance comment

3. Financial position

On Sep/17, the Company's gross indebtedness was R$ 718.7 million, of which R$ 162.5 million maturing in the short-term, and R$ 556.2 million maturing in the long-term. In relation to Jun/17, the gross indebtedness recorded reduction of 2.2%, which is related to the depreciation of the US dollar, since around 85% of the Company`s current debt is denominated in US dollar.

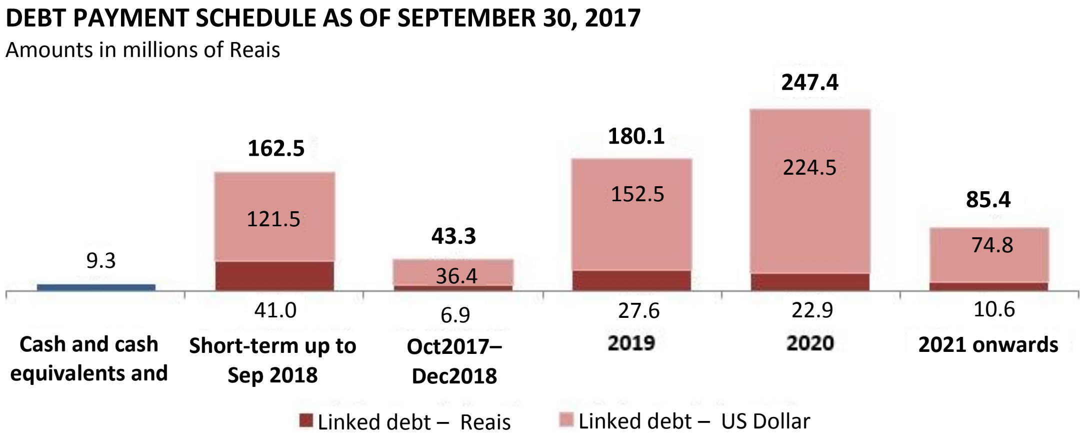
The lower performance in US market had an direct impact in Cash and cash equivalents and interest earning bank deposits amounting to R$ 9.3 million in Sep/17, 41.5% lower than R$ 15.9 million of Jun/17.

Accordingly, the Company's net indebtedness fell 1.3% in Sep/17 compared to Jun/17, recording R$ 709.4 million. The breakdown and schedule of Taurus debt repayment in Sep/17 is as follows:

INDEBTEDNESS
In millions of R$

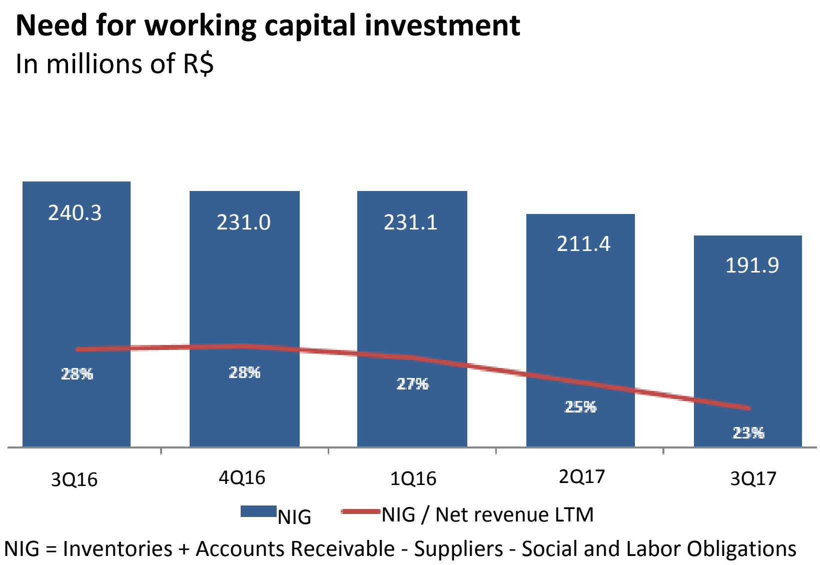
INDEBTEDNESS		Sep 2017	Jun 2017	Dec 2016	Sep 2017 x Jun 2017	Sep 2017 x Dec 2016
Short term	Loans and financing	106.5	80.4	26.6	32.5%	300.4%
	Debentures	16.6	12.5	0.4	32.8%	4050.0%
	Advance from receivables	15.6	11.9	6.1	31.1%	155.7%
	Foreign exchange withdrawals	23.4	21.8	28.1	7.3%	-16.7%
	Financial instruments	0.4	0.4	0.5	0.0%	-20.0%
	TOTAL SHORT-TERM	**162.5**	**127.0**	**61.7**	**28.0%**	**163.4%**
Long term	Loans and financing	498.3	544.8	573.1	-8.5%	-13.1%
	Debentures	57.9	63.0	68.0	-8.1%	-14.9%
	TOTAL LONG-TERM	**556.2**	**607.8**	**641.1**	**-8.5%**	**-13.2%**
TOTAL DEBT		**718.7**	**734.8**	**702.8**	**-2.2%**	**2.3%**
Cash and cash equivalents and interest earning bank deposits		9.3	15.9	29.9	-41.5%	-68.9%
Net indebtedness		**709.4**	**718.9**	**672.9**	**-1.3%**	**5.4%**

Performance comment



4. Working capital

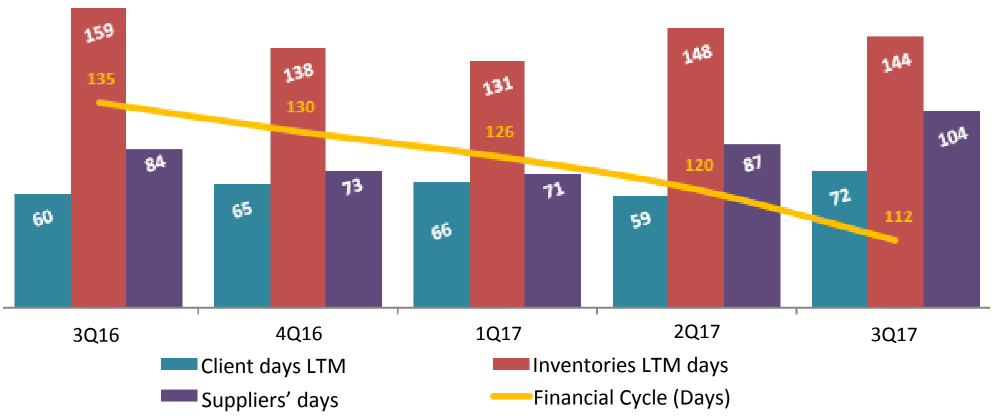
In the 3Q17, the Need for working capital investment had a retraction of R$ 19.5 million over the prior quarter. When related to annualized net revenue, the need for working capital investment reached 23% in 3Q17, a retraction of 2 p.p. in relation to 2Q17.



The Company's financial cycle was down 8 days in relation to 2Q17, recording 112 cycle days. However, this result continues affecting payment reschedules to suppliers due to cash restrictions faced throughout the year, mainly as a result of the adverse scenario in the American market. This positive effect on the financial cycle should be reduced by the regularization of these payments.

Performance comment

Trade accounts receivable, Inventories and Suppliers' days



5. Cash flow

In 3Q17, the Company had an operating cash flow of R$ 7.8 million. On the other hand, investment activities consumed R$ 0.9 million in the period, while financing activities had a negative balance of R$ 11.8 million in the quarter.

As a result, the Company recorded a cash consumption of R$ 4.9 million in 3Q17, compared to R$ 11.3 million in 2Q17. Thus, cash closing balance decreased 41.9% in 3Q17 compared to 3Q17, totaling R$ 6.8 million. For the calendar year of 2017, the cash consumption is R$ 20 million as compared to a consumption of R$ 36.9 million in the same period of 2016.

The table that follows reflects a breakdown of the Company's cash flow for 3Q17.

Performance comment

CASH FLOW – CONSOLIDATED In millions of R$	3Q17	2Q17	3Q16	9M17	9M16	3Q17 x 2Q17	3Q17 x 3Q16	9M17 x 9M16
Cash at the beginning of the period	**11.7**	**23.0**	**22.7**	**26.9**	**60.4**	**-49.1%**	**-48.5%**	**-55.5%**
Cash generated by operating activities	**7.8**	**3.0**	**(7.9)**	**12.2**	**45.4**	**160.0%**	**-**	**-73.1%**
Loss before income and social contribution taxes on net income	(29.7)	(76.7)	(53.3)	(114.8)	(45.1)	-61.3%	-44.3%	154.5%
Depreciation and amortization	8.6	9.3	8.4	26.4	25.4	-7.5%	2.4%	3.9%
Cost of permanent assets written-off	(1.6)	(1.0)	1.5	2.9	8.8	60.0%	-	-67.0%
Equity in net income of subsidiaries	-	-	0.3	-	1.8	-	-	-
Provisions for financial charges	19.1	16.1	11.2	53.6	53.4	18.6%	70.5%	0.4%
Provisions for contingencies	11.9	1.2	(29.2)	17.3	(18.8)	891.7%	-	-
Allowance for doubtful accounts	(3.5)	(1.6)	2.0	(1.8)	3.5	118.8%	-	-
Allowance for inventory losses	-	-	35.0	-	35.0	-	-	-
Provision for guarantees	(0.4)	-	0.3	1.4	(1.5)	-	-	-
Exchange rate change on loans and other	(29.2)	32.6	5.3	(20.1)	(50.1)	-	-	-59.9%
Changes in assets and liabilities	40.4	15.4	10.6	47.3	29.1	162.3%	281.1%	62.5%
Payment of IRPJ (Corporate Income Tax) and CSLL (Social contribution tax)	(7.8)	7.7	-	-	(1.0)	-	-	-
Write-off of investment (Famastil)	-	-	-	-	4.9	-	-	-
Investment activities	**(0.9)**	**(6.7)**	**(7.1)**	**(17.6)**	**0.7**	**-86.6%**	**-87.3%**	**-**
In property, plant and equipment	(2.0)	(5.9)	(6.4)	(17.5)	(28.7)	-66.1%	-68.8%	-39.0%
In intangible assets	(0.6)	0.1	-	(0.6)	(3.0)	-	-	-80.0%
Sale of investment (Famastil)	-	-	-	-	5.0	-	-	-
Interest earning bank deposits	1.7	(0.9)	(0.7)	0.5	27.4	-	-	-98.2%
Financing activities	**(11.8)**	**(7.6)**	**15.8**	**(14.6)**	**(83.0)**	**55.3%**	**-**	**-82.4%**
Borrowings	22.6	30.8	59.1	70.8	278.9	-26.6%	-61.8%	-74.6%
Payments of loans	(13.1)	(35.2)	(37.3)	(66.8)	(354.3)	-62.8%	-64.9%	-81.1%
Payment of Interest on loans	(21.3)	(3.2)	(6.0)	(28.9)	(25.1)	565.6%	255.0%	15.1%
Capital increase	-	-	-	10.5	17.5	-	-	-40.0%
Other	-	-	-	(0.2)	-	-	-	-
Cash generation	**(4.9)**	**(11.3)**	**0.8**	**(20.0)**	**(36.9)**	**-56.6%**	**-**	**-45.8%**
Cash at the End of the Period	**6.8**	**11.7**	**23.5**	**6.9**	**23.5**	**-41.9%**	**-71.1%**	**-70.6%**

6. Capital market and corporate governance

Forjas Taurus S.A. is a publicly-held Brazilian company, and has listed on the BM&FBOVESPA for more than 30 years, and since July/2011 has been ranked Level 2 in Corporate Governance. Below shows the evolution of share value and the market value of Taurus. In the end of 3Q17 the Company’s preferred shares had a appreciation of 47.7% as compared to 2Q17. As for common shares, 26.2% had an appreciation over the same period. As a result, the Company's market value, recorded an increase of 32.4% in 3Q17, compared to 2Q17, reaching R$ 144.8 million.

Performance comment

PERFORMANCE OF SHARES AND MARKET VALUE

Share quotation Closure	3Q17	2Q17	3Q16	Change 3Q17x2Q17	3Q17x3Q16	9M17x9M16
ON - FJTA3	R$ 2.12	R$ 1.68	R$ 1.65	26.2%	28.5%	31.7%
Preferred shares - FJTA4	R$ 2.54	R$ 1.72	R$ 1.75	47.7%	45.1%	41.1%
IBOVESPA	74,294	62,900	58,367	18.1%	27.3%	23.4%

Market value In millions of R$	3Q17	2Q17	3Q16	3Q17x2Q17	3Q17x3Q16	9M17x9M16
ON - FJTA3	R$ 98.5	R$ 78.0	R$ 73.7	26.2%	33.7%	37.0%
Preferred shares - FJTA4	R$ 46.3	R$ 31.4	R$ 23.9	47.7%	94.2%	88.8%
TOTAL	R$ 144.8	R$ 109.4	R$ 97.5	32.4%	48.5%	50.2%

Notes to the quarterly information - ITR

(In thousands of reais - R$, unless otherwise stated)

1 Operations

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

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

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

Abroad, besides distributing products of the TAURUS and ROSSI trademarks produced in Brazil, the Miami unit manufactures models of TAURUS pistols and HERITAGE revolvers. Exports to the US mainly serve the civil market and government agencies in other regions.

Going concern

In the first nine months of 2017, the Company continued to seek improving its operations and refining the integration with its suppliers, aiming to provide improvements in cash generation and recovery of operating margins. This period was also used to improve the ERP system, to enable a better integration between the Company and its suppliers, which resulted in operations with higher volumes produced in the first semester of the year, however with a significant drop from the US policy and market conditions.

The Company's operations were affected by changes in the North American economic and political environment, the main destination of firearm sales, during 2017. In the third quarter of 2017, the Company`s consolidated net revenue increased 16.3% in relation to the second quarter of 2017. However, when compared to the same period of 2016, the income had a decrease of 5.3%. Such result is due to three main factors observed in the US: (1) a decrease in the record volumes of US firearm consumption recorded up to the end of 2016, mainly due to the results of the US presidential election; (2) distributors significantly reduced the volumes of their inventories due to the need to preserve cash and the seasonality during this summer vacation in the US; and (3) distributors focusing their purchases and sales on promotional products and with relevant discounts offered by the industry, delaying purchases to obtain a greater advantage in product acquisitions.

These changes in the North American market had a negative impact on the sales and operating margins of 2Q and 3Q, as well as cash generation of the operation. In view of this scenario, the Company adopted some cash preservation measures, such as the renegotiation of interest payments due to the bank syndicated, which matured on July 3, 2017, and the payment postponement of overdue amounts to suppliers, which had to be reviewed to better fit the current scenario.

Notes to the financial statements

With respect to the renegotiation of interest payments to the syndicate of banks, the Company has been complying with the new monthly payment schedule and the amount paid represented approximately 2/3 of the amount due, and the remaining balance is estimated to be settled up to December 2017. It is worth remembering that this transaction already has the formal agreement of all creditors.

The resumption of the profitability of transactions in the North American market is expected to occur during 2018, especially due to the adequacy of the product mix to the current market standard, and the start of production of the new pistol, called SPECTRUM, which is expected to start in this quarter and will be fully manufactured in the US plant. Among the adequacies made in the North American market, the launch of the SPECTRUM pistol, what already has a robust order backlog, should contribute to the resumption of part of the margin, since these products are out of the common price war of traditional products, reaching another niche in the market. Also in respect to new products, we highlight the first shipments of Hammer pistol already made in this third quarter to Asia, and the beginning of the production of the new T4 Rifle, whose first shipments are scheduled to occur during the fourth quarter of 2017. These two new products will significantly contribute to the development of new markets and to the recomposition of the Company`s operating margins in the domestic market.

Also, for the economic and financial balance of the operation, the Company has the possibility of divesting non-core assets. Thus, the Company continues to take administrative and operational actions aimed at increasing its efficiency to meet the growing demand for its products, improve its margins, recover profitability and balance its cash flows.

2 Presentation of quarterly information

2.1 Preparation basis

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

a. Statement of conformity

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

b. Statement of the Board of Directors

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

The issue of individual and consolidated quarterly information was authorized by the Board of Directors on November 09, 2017.

2.2 Basis of consolidation

		Equity interest	
	Country	09/30/2017	12/31/2016

Notes to the financial statements

Taurus Blindagens Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Blindagens Nordeste Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Holdings, Inc.	United States	**100.00%**	**100.00%**
Taurus Máquinas-Ferramenta Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Investimentos Imobiliários Ltda.	Brazil	**100.00%**	**100.00%**
Polimetal Metalurgia e Plásticos Ltda. *	Brazil	**100.00%**	**100.00%**
T. Investments Co. Inc.**	Panama	**100.00%**	**100.00%**
Taurus Plásticos Ltda.	Brazil	**100.00%**	**100.00%**

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

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

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

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

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

2.3 Functional and presentation currency

The individual and consolidated quarterly information is being presented in Brazilian Real, functional and presentation currency of the Company and its subsidiaries headquartered in Brazil. The functional currency of the subsidiary Taurus Holdings, Inc., headquartered in the US, and controlled T. Investments Co. Inc., headquartered in Panama is the US dollar and its assets and liabilities are converted into Reais, marked at the exchange rate on date of the balance sheet, their results are converted to the monthly average exchange rate. Foreign exchange differences arising from the translation process of foreign subsidiaries are reported in other comprehensive income, and presented as shareholders' equity.

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

3 Significant accounting judgments and sources of uncertainties about estimates

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

Notes to the financial statements

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

(i) Measurement of fair value

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

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

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

- Level 1: Prices quoted (not adjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).
- Level 3: Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

4 Significant accounting policies

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

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

a. Financial instruments

(i) Non-derivative financial assets

The Company has the following non-derivative financial assets: cash, cash equivalents, investments, trade accounts receivable and other accounts receivable.
These assets are classified as loans and receivables.

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

(ii) Non-derivative financial liabilities

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

(iii) Derivative financial instruments

The Company keeps financial hedge derivatives to hedge its exposures to foreign currency and interest rate changes.

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

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

b. Impairment

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

c. Statements of added value

The statement of added value is not required by IFRS and is presented in supplementary form in compliance with Brazilian corporate law. Its purpose is to disclose the wealth generated by the Company during the year, and well demonstrating how it was distributed among the various agents.

d. New standards, interpretations and reviews of non-effective standards

Several new standards, amendments to standards and interpretations will be effective for the years started after January 1, 2017. The Group did not adopt these amendments when preparing this quarterly information. The Group does not plan to adopt these standards in advance.

IFRS 15 Income from Contracts with Clients IFRS 15 introduces a comprehensive framework for determining whether and when income is recognized, and how income is measured. IFRS 15 replaces current income recognition standards, including CPC 30 (IAS 18) Income, CPC 17 (IAS 11) Construction Contracts, and CPC 30 Interpretation A (IFRIC 13) Client Loyalty Programs.

IFRS 15 becomes effective for annual periods starting on or after January 1, 2018. Early adoption is permitted only for financial statements in accordance with IFRS.

(i) Sale of products

For product sales, income is currently recognized when the goods are delivered to the client's location, considered as the time when the client accepts the goods and the risks and benefits related to ownership are transferred.

Notes to the financial statements

Income is recognized at this time, provided that the income and costs can be measured reliably, receipt of consideration is probable, and there is no continuous involvement of Management with the products.

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

According to IFRS 15, income from these agreements will be recognized to the extent it is probable that a significant reversal in the value of accumulated income will not occur. Consequently, for agreements in which the Company is unable to make a reasonable estimate of the returns, income is expected to be recognized prior to the expiry of the period of return or before it is possible to make a reasonable estimate. A reimbursement liability and an asset for recovery will be recognized for these contracts and will be reported separately on the balance sheet.

(ii) Transition

The Company will adopt IFRS 15 in its financial statements for the year ended December 31, 2018 and intends to use the retrospective approach. As a result, the Company will apply all the requirements of IFRS 15 to each comparative period presented, adjusting its financial statements previously reported.

The Company plans to use practical expedients for completed contracts. This means that completed contracts that started and ended in the same comparative reporting period, as well as those that are completed contracts at the beginning of the oldest period reported, will not be re-reported.

The Company is currently conducting a detailed evaluation of the impact resulting from the adoption of IFRS 15 and expects to disclose additional quantitative information prior to the adoption of the standard.

IFRS 9 Financial Instruments

IFRS 9 replaces guidelines of IAS 39 (CPC 38) Financial Instruments: Recognition and measurement. IFRS 9 includes new models for the classification and measurement of financial instruments and measurement of expected credit losses for financial and contractual assets, and new requirements on hedge accounting. The new standard maintains the IAS 39 guidelines about acknowledging and disacknowledging financial instruments.

IFRS 9 will become effective for annual periods starting on or after January 1, 2018, with early adoption allowed only to financial statements, pursuant to IFRSs.

The effective impact of the adoption of IFRS 9 on the Company’s financial statements in 2018 cannot be estimated with confidence, as it will depend on the financial instruments held by the Company and the economic conditions in 2018, as well as accounting decisions and judgment calls that the Company will make in the future. The new standard will require the Company to review its accounting procedures and internal controls related to the classification and measurement of financial instruments, and these changes are not yet finalized. The Company is currently conducting a detailed evaluation of the impact resulting from the adoption of IFRS 15 and expects to disclose additional quantitative information prior to the adoption of the standard.

Notes to the financial statements

(i) Classification - Financial assets

IFRS 9 contains a new approach to financial asset classification and measurement that reflects the business model in which the assets are managed and their cash flow characteristics.

IFRS 9 contains three main classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). The standard eliminates the categories existing in IAS 39 of held-to-maturity, loans and receivables, and available for sale.

According to IFRS 9, derivatives embedded in contracts where the host is a financial asset within the scope of the standard are never separated. In turn, the hybrid financial instrument as a whole is evaluated for classification.

(ii) Impairment - Financial and contractual assets

IFRS 9 replaces the “incurred losses” model of CPC 38 (IAS 39) with a prospective “expected credit losses” model. This will require a relevant judgment as to how changes in economic factors affect the expected credit losses, which will be determined based on weighted probabilities.

The new model of expected losses will be applied to financial assets measured at amortized cost or VFTOCI, with the exception of investments in equity instruments and contractual assets.

According to IFRS 9, the provisions for expected losses will be measured on one of the following bases:

Expected credit losses for 12 months, i.e., credit losses that result from potential delinquency events within 12 months after the reporting date; and Lifetime expected credit losses, i.e., credit losses that result from all possible delinquency events over the expected life of a financial instrument.

The measurement of lifetime expected credit losses applies if the credit risk of a financial asset at the reporting date has increased significantly since its initial recognition, and the 12-month credit loss measurement applies if the risk has not increased significantly since its initial recognition. An entity may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk on the reporting date. However, the measurement of lifetime expected credit losses always applies to trade accounts receivable and contractual assets without a significant financing component; an entity may opt to apply this policy also to trade accounts receivable and contractual assets with a significant financing component.

The Company believes that impairment losses should increase and become more volatile for assets under the model of IFRS 9. The Company has not yet finalized the methodology for impairment that it will apply under IFRS 9.

(iii) Classification - Financial liabilities

IFRS 9 retains a large part of the requirements of IAS 39 for the classification of financial liabilities.

However, according to IAS 39, all changes in fair value of the liabilities designated as FVTPL are recognized in Income, whereas, according to IFRS 9, these changes in fair value are generally reported as follows:

Notes to the financial statements

The amount of the change in fair value that is attributable to changes in the credit risk of the financial liability is presented in OCI; and

The remaining amount of the change in fair value is presented in income (loss).

(iv) Hedge accounting

In the initial application of IFRS 9, the Company may choose, as the accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the new requirements of IFRS 9. The Company is assessing the adoption of the requirements of IFRS 9.

IFRS 9 will require the Company to assure that hedge accounting relationships are aligned with the Company's risk management objectives and strategies, and that the Company applies a more qualitative and forward-looking approach to assessing the effectiveness of the hedge. IFRS 9 also introduces new requirements for rebalancing hedging relationships and prohibits the voluntary discontinuation of hedge accounting. According to the new model, it is likely that more risk management strategies, particularly those of a hedge of a risk component (other than foreign currency risk) of a non-financial item, may qualify for hedge accounting. Currently, the Company does not hedge such risk components.

The Company uses forward foreign exchange contracts to hedge the variability of cash flows arising from changes in foreign exchange rates relating to loans, receivables, sales and purchases of inventories in foreign currency.

The Company designates only changes in the fair value of the spot element of forward foreign exchange contracts as a hedge instrument, in cash flow hedge relationships. According to IAS 39, changes in the fair value of the future element of forward foreign exchange contracts are recognized immediately in income (loss).

With the adoption of IFRS 9, the Company may opt to account for changes in the fair value of the future element separately, as a hedge cost. In such a case, such changes would be recognized in OCI and accumulated in a hedge cost reserve as a separate component within shareholders' equity, and subsequently accounted for in the same way as the accumulated gains and losses in the cash flow hedge reserve.

According to IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to Income (loss) in the same period in which the expected cash flows of the hedged object impact the income (loss). However, according to IFRS 9, for cash flow hedges for the foreign currency risk associated with the expected purchases of non-financial assets, the amounts accumulated in the cash flow hedge reserve and in the hedge cost reserve will be included directly in the initial cost of the non-financial asset when it is recognized.

(v) Disclosures

IFRS 9 will require extensive new disclosures, specifically regarding hedge accounting and credit risk and expected credit losses. The Company is assessing the implementation of changes in its systems and controls in order to comply with the new requirements.

Notes to the financial statements

(vi) Transition

Changes in the accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except for the changes described below:

The Company intends to take advantage of the exemption that allows it not to re-report comparative information from prior periods resulting from changes in the classification and measurement of financial instruments (including credit losses). The differences in the book balances of financial assets and liabilities resulting from the adoption of IFRS 9 will generally be recognized in retained earnings and reserves on January 1, 2018.

The new requirements of hedge accounting should be adopted on prospective basis. However, the Company may opt to adopt the change expected in the accounting of changes in the fair value of the forward element of the exchange agreements on retroactive basis. The Company did not make any decision in regard to this option.

The following assessments should be made based on the facts and circumstances that existed on the date of the initial adoption:

Determination of the business model within which a financial asset is held.
The designation and revoke of previous designations of certain financial assets and liabilities measured at fair value through profit or loss.

The designation of certain investments in equity instruments not held for trading such as fair value through other comprehensive income (FVTOCI).

IFRS 16 Leases

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

IFRS 16 replaces the current lease standards, including CPC 06 (IAS 17) Commercial Lease Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Complementary Aspects of Commercial Lease Operations.

The standard is effective in years starting on or after January 1, 2019. Early adoption is permitted only for financial statements in accordance with IFRS's and only for entities that apply IFRS 15 Income from Contracts with Clients on or before the date in which IFRS 16 is first applied.

The Company began an initial evaluation of the potential impact on its financial statements. The Company is assessing the use of operating exemptions.

Notes to the financial statements

(i) Determine whether an agreement contains a lease

The Company has real estate lease agreements, where it operates. In the transition to IFRS 16, the Company may opt to:

- Adopt the definition of lease agreement under IFRS 16 to all its agreements; or
- Adopt a practical procedure and not reassess whether an agreement is, or contains, a lease.
- The Company is assessing if it will adopt the practical procedure and the potential impact on its financial statements, and if it will affect the number of agreements identified as lease in the transition.

(ii) Transition

As lessee, the Company may adopt the standard using a: Retrospective approach; or modified retrospective approach with optional practical expedients.

The lessee will apply this choice consistently to all of its leases. The Group must adopt the IFRS 16 on January 1, 2019. The Company has not yet determined which transition approach it will adopt.

The Company has not yet quantified the impact of the adoption of IFRS 16 on its assets and liabilities. The quantitative effect of the adoption IFRS 16 will depend specifically on the transition method chosen, the use of practical procedures and recognition exemptions, and any additional leases that the Company will sign. The Company expects to disclose its transition approach and quantitative information prior to the adoption.

Other changes

The following new standards or amended standards are not expected to have a significant impact on the Company’s financial statements.

Changes to CPC 10 (IFRS 2) – Share-based payment in relation to the classification and measurement of certain share-based payment transactions.

Changes to CPC 36 Consolidated Statements (IFRS 10) and CPC 18 Investments in Associates (IAS 28) in relation to sales or contributions of assets between an investor and its associated company or joint venture.

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

5 Financial risk management

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

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

Notes to the financial statements

5.1 Credit risk

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

Trade accounts receivable and other receivables

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

Credit approvals are analyzed individually before the terms and the standard terms of payment and delivery of the Company are offered. This analysis includes external evaluations and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum outstanding amount for which credit approval is not required; these limits are quarterly reviewed. Clients who fail to meet the credit limit established by the Company may only operate when there is a settlement of securities. For public bodies, the Company's management individually assesses the ability to pay and the bidding requirements for completion of the sale. The consolidated statement excludes related party transactions.

In the third quarter of 2017, no client represented more than 5% of the Company`s billing, except for the parent company of Forjas Taurus, CBC – Companhia Brasileira de Cartuchos, which represents approximately 10% of the Company`s billing.

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

Credit risk exposure

The maximum credit risk exposure on balance sheet date was:

	Consolidated		**Parent company**	
	Book value		**Book value**	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Financial assets held to maturity				
Trade accounts receivable	**166,162**	150,197	**55,775**	45,701
Cash and cash equivalents	**6,586**	26,708	**2,622**	1,313
Interest earning bank deposits	**2,674**	3,186	**2,432**	2,982
Total	**175,422**	180,091	**60,829**	49,996

Notes to the financial statements

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

	Consolidated		Parent company	
	Book value		Book value	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Domestic - trade accounts receivable	**96,032**	56,631	**41,196**	36,093
United States clients - trade accounts receivable	**83,134**	101,178	**-**	
Other	**16,758**	24,258	**13,856**	22,577
	195,924	182,067	**54,783**	58,670

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

	Consolidated		Parent company	
	Book value		Book value	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Clients - public agencies	**11,740**	19,511	**11,740**	17,228
Clients - distributors	**155,731**	149,996	**20,607**	32,032
End clients	**28,453**	12,560	**22,436**	9,410
Total	**195,924**	182,067	**54,783**	58,670

Impairment losses

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

	Consolidated			
	Gross	Gross	*Impairment*	*Impairment*
In days:	**09/30/2017**	**12/31/2016**	**09/30/2017**	**12/31/2016**
Not overdue	**126,332**	100,739	**-**	-
Overdue 0–30	**22,654**	32,981	**-**	-
Overdue 31–360 (1)	**17,482**	25,322	**(4,185)**	(8,846)
Overdue >361	**29,455**	23,025	**(25,578)**	(23,024)
Total	**195,924**	182,067	**(29,763)**	(31,870)

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

	Parent company			
	Gross	Gross	*Impairment*	*Impairment*
In days:	**09/30/2017**	**12/31/2016**	**09/30/2017**	**12/31/2016**
Not overdue	**24,349**	19,195	**-**	-
Overdue 0–30	**6,118**	8,680	**-**	-
Overdue 31–360 (1)	**11,207**	24,324	**(1,773)**	(6,498)
Overdue >361	**13,108**	6,471	**(11,343)**	(6,471)

Notes to the financial statements

Total	**54,782**	58,670	**(13,116)**	(12,969)

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

5.2 Liquidity risk

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

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

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

	Consolidated					
	09/30/2017					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	182,174	182,174	182,174	-	-	-
Loans and financing	604,793	727,395	108,817	236,123	382,454	-
Debentures	74,439	112,667	17,280	37,286	58,101	-
Foreign exchange advances	23,379	23,940	23,940	-	-	-
Advance from receivables	15,620	15,620	15,620	-	-	-
Derivative financial instruments						
Derivative instruments (liabilities)	358	358	358	-	-	-
	900,763	1,062,154	348,189	273,409	440,555	-

	Consolidated					
	12/31/2016					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	128,712	128,712	128,712			
Loans and financing	599,668	791,409	29,742	151,355	592,477	17,835
Debentures	68,444	144,442	537	24,099	119,806	-
Foreign exchange advances	28,065	31,507	-	31,507	-	-
Advance from receivables	6,136	6,136	6,136	-	-	-
Derivative financial instruments						
Derivative instruments (liabilities)	543	543	543			
	831,568	1,102,749	165,670	206,961	712,283	17,835

	Parent company					
	09/30/2017					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**

Notes to the financial statements

Non-derivative financial liabilities						
Suppliers	191,795	191,795	191,795	-	-	-
Loans and financing	475,323	565,640	103,146	206,798	255,696	-
Debentures	74,439	133,482	17,280	58,101	58,101	-
Foreign exchange advances	23,379	23,940	23,940	-	-	-
Advance from receivables	1,542	1,542	1,542	-	-	-
	766,478	916,399	337,703	264,899	313,797	-

	Parent company					
	12/31/2016					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	125,076	125,076	125,076	-	-	
Loans and financing	498,431	679,369	23,210	146,797	509,362	-
Debentures	68,444	144,442	537	24,099	119,807	-
Foreign exchange advances	28,065	31,507	-	31,507	-	-
Advance from receivables	6,136	6,136	6,136	-	-	-
	726,152	986,530	154,959	202,403	629,169	-

5.3 Market risk

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

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

(i) Currency risk (foreign exchange)

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

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

Notes to the financial statements

Sensitivity analysis

The probable base scenario for 2017 was defined through assumptions available in the market (source: Focus, Central Bank of Brazil), and sensitivity calculation considered the change between rates of the scenario estimated for 2017 and those prevailing on September 30, 2017.

The sensitivity analysis also considered a change from 25% to 50% on exchange-rate changes considered in the probable scenario.

Currencies and ratios		Rate 09/30/2017	Probable scenario	Possible scenario Δ 25%	Remote scenario Δ 50%
US dollar	Write-off	**3.17**	3.30	2.48	1.65
US dollar	Increase	**3.17**	3.30	4.13	4.95

Awareness of the changes in the foreign currency:

			Consolidated		
		Balance at 09/30/2017	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Assets - Depreciation of Dollar					
Accounts receivable	Dollar - USD	**37,279**	1,553	(7,294)	(17,568)
Liabilities - Increase in Dollar					
Loans and financing	Dollar - USD	**(184,974)**	(7,707)	(55,878)	(104,048)
Suppliers	Dollar - USD	**(9,045)**	(377)	(2,732)	(5,088)
Foreign exchange advances	Dollar - USD	**(7,380)**	(307)	(2,229)	(4,151)
Advance from clients	Dollar - USD	**(8,458)**	(352)	(2,555)	(4,758)
Other	Dollar - USD	**(27,623)**	(1,151)	(8,344)	(15,538)

			Parent company		
Assets - Depreciation of Dollar		Balance at 09/30/2017	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Accounts receivable	Dollar - USD	**10,476**	437	(2,292)	(5,020)
Liabilities - Increase in Dollar					
Loans and financing	Dollar - USD	**(147,185)**	(5,021)	(44,462)	(82,792)
Suppliers	Dollar - USD	**(2,485)**	(141)	(751)	(1,398)
Foreign exchange advances	Dollar - USD	**(7,380)**	(3,842)	(2,229)	(4,151)
Advance from clients	Dollar - USD	**(44,381)**	(532)	(13,407)	(24,964)
Other	Dollar - USD	**(27,903)**	(159)	(8,429)	(15,695)

e. Interest rate risk

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

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

Notes to the financial statements

On September 30, 2017, the Management considered CDI rate at 10.14% and TJLP of 7.0% as the probable scenario in 2017. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively. The scenarios below were estimated for the period of 1 year:

Currency	**09/30/2017**	**Probable scenario**	**Scenario ∆ 25%**	**Scenario ∆ 50%**
CDI decr.	8.14%	10.14%	7.61%	5.07%
CDI incr.	8.14%	10.14%	12.68%	15.21%
TJLP incr.	7.00%	7.00%	8.75%	10.50%
Selic	8.15%	8.75%	10.94%	13.13%
Libor 30 days	1.24%	1.24%	1.54%	1.85%
LIBOR 3 months	1.33%	1.33%	1.67%	2.00%
LIBOR 6 months	1.50%	1.50%	1.88%	2.26%

		Consolidated			
		Gain (loss)			
	Index	**Balance 09/30/2017**	**Probable scenario**	**Scenario 25%**	**Scenario 50%**
Interest earning bank deposits	CDI decr.	3,202	64	(17)	(98)
Loans	CDI incr.	(129,171)	(2,583)	(5,858)	(9,132)
Loans	TJLP	(6,366)	-	(111)	(223)
Libor 30 days	Libor 30 days	(105,023)	-	(324)	(649)
LIBOR 3 months	LIBOR 3 months	(413,579)	-	(1,378)	(2,756)
Taxes in installments	Selic	(8,742)	(52)	(244)	(435)

		Parent company			
		Gain (loss)			
	Index	**Balance 09/30/2017**	**Probable scenario**	**Scenario 25%**	**Scenario 50%**
Interest earning bank deposits	CDI decr.	2,810	56	(15)	(86)
Financial loans	CDI decr.	(35,288)	(706)	189	1,083
Loans	CDI incr.	(129,171)	(2,583)	(5,858)	(9,132)
Loans	TJLP	(6,172)	-	(108)	(216)
LIBOR 3 months	LIBOR 3 months	(413,579)	-	(1,378)	(2,756)
Taxes in installments	Selic	(6,845)	(41)	(191)	(341)

5.4 Capital management

The management's policy is to maintain a solid base of capital for the future development of the business, adding value for shareholders, creditors and the market in general, by monitoring the returns on capital. However, the results obtained in the past few years have deteriorated this parameter, as follows:

	Consolidated	
	09/30/2017	**12/31/2016**
Total liabilities	**1,158,641**	1,064,958
Less: Cash and cash equivalents and interest earning bank deposits	**(9,260)**	(29,894)
Net debt (A)	**1,149,381**	1,035,064

Notes to the financial statements

Total shareholders' equity (B)	**(218,692)**	(171,901)
Net debt to shareholders' equity ratio as of September 30, 2017 and December 31, 2016 (A/B)	**(5.25)**	(6.02)

6 Operating segments

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

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

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

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

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

Notes to the financial statements

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

	Firearms		Helmets		Other		Total	
	09/30/2017	**09/30/2016**	**09/30/2017**	**09/30/2016**	**09/30/2017**	**09/30/2016**	**09/30/2017**	**09/30/2016**
External income	**522,710**	503,144	**67,470**	86,017	**14,875**	17,625	**605,055**	606,786
Inter-segment income	**493,668**	376,234	**9,302**	2,068	**3,436**	5,329	**506,406**	383,631
Cost of sales	**(410,350)**	(385,388)	**(46,944)**	(56,715)	**(8,686)**	(5,879)	**(465,980)**	(447,982)
Gross income (loss)	**606,028**	493,990	**29,828**	31,370	**9,625**	17,075	**645,481**	542,435
Sales expenses	**(68,580)**	(72,942)	**(12,834)**	(14,392)	**(1,041)**	(999)	**(82,455)**	(88,333)
General and administrative expenses	**(97,511)**	(81,527)	**(6,508)**	(8,201)	**(3,467)**	(6,733)	**(107,486)**	(96,461)
Depreciation and amortization	**(797)**	(6,565)	**(420)**	(313)	**(15)**	(5)	**(1,232)**	(6,883)
Other operating income (expenses), net	**1,255**	(35,106)	**(600)**	(154)	**1,576**	(434)	**2,231**	(35,694)
Equity in net income of subsidiaries	**-**	-	**744**	993	**(744)**	(2,797)	**-**	(1,804)
	(165,633)	(196,140)	**(19,618)**	(22,067)	**(3,691)**	(10,968)	**(188,942)**	(229,175)
Operating income (loss)	**440,395**	297,850	**10,210**	9,303	**5,934**	6,107	**456,539**	313,260
Financial income	**44,882**	88,918	**6,195**	5,752	**(1,624)**	1,940	**49,453**	96,610
Financial expenses	**(111,181)**	(66,263)	**(4,049)**	(2,801)	**795**	(2,229)	**(114,435)**	(71,293)
Net financial income (loss)	**(66,299)**	22,655	**2,146**	2,951	**(829)**	(289)	**(64,982)**	25,317
Income (loss) per segment subject to be disclosed before income and social contribution taxes	**374,096**	320,505	**12,356**	12,254	**5,105**	5,818	**391,557**	338,577
Elimination of inter-segment income	**(493,668)**	(376,234)	**(9,302)**	(2,068)	**(3,436)**	(5,329)	**(506,406)**	(383,631)
Income before income and social contribution taxes	**(119,572)**	(55,729)	**3,054**	10,186	**1,669**	489	**(114,849)**	(45,054)
Income and social contribution taxes	**56,736**	2,531	**319**	(1,097)	**7,403**	(532)	**64,458**	902
Net income for the year	**(62,836)**	(53,198)	**3,373**	9,089	**9,072**	(43)	**(50,391)**	(44,152)
Assets of reportable segments	**747,665**	566,126	**90,037**	171,883	**102,247**	191,501	**939,949**	929,510
Liabilities of reportable segments	**1,088,746**	938,895	**48,447**	41,476	**21,448**	82,373	**1,158,641**	1,062,744

Notes to the financial statements

Geographical information

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

	Firearms		Helmets	
	09/30/2017	09/30/2016	09/30/2017	09/30/2016
Domestic market				
Southeastern region	**40,338**	28,274	**20,270**	22,785
South region	**7,790**	8,230	**3,854**	5,449
Northeastern region	**5,352**	3,631	**23,146**	32,000
Mid-west region	**3,576**	15,625	**10,069**	12,488
North region	**1,446**	778	**9,620**	13,295
	58,502	56,538	**66,959**	86,017
Foreign market				
United States	**436,940**	425,247	**511**	-
South Africa	**1,454**	1,482	-	-
Germany	**1,569**	526	-	-
Argentina	**3,248**	2,773	-	-
Australia	-	275	-	-
Bangladesh	**6,489**	5,266	-	-
Belgium	-	114	-	-
Bolivia	-	-	-	-
Bosnia	**124**	1,339	-	-
Burkina Faso	**1,736**	-	-	-
Cabo Verde	**57**	-	-	-
Chile	**2,320**	-	-	-
Costa Rica	**94**	56	-	-
Djibouti	-	-	-	-
El Salvador	**146**	301	-	-
Philippines	**714**	-	-	-
France	**2,728**	2,278	-	-
Haiti	**309**	136	-	-
Honduras	**1,638**	-	-	-
Israel	**151**	276	-	-
Italy	**779**	378	-	-
Jordan	-	2,305	-	-
Nicaragua	-	979	-	-
New Zealand	**149**	-	-	-
Pakistan	-	278	-	-
Paraguay	-	-	-	-
Peru	**1,302**	1,267	-	-
Kenya	**125**	58	-	-
Czech Republic	-	242	-	-
Russia	-	-	-	-
Senegal	**310**	-	-	-
Switzerland	-	142	-	-
Thailand	**196**	100	-	-
Ukraine	-	-	-	-
Zambia	**929**	79	-	-
Other countries	**701**	709	-	-
	464,208	446,606	**511**	-
	522,710	503,144	**67,470**	86,017

Notes to the financial statements

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

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

7 Cash and cash equivalents

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

	Consolidated		**Parent company**	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Cash balance	**25**	13	**8**	7
Demand deposits	**6,033**	25,877	**2,236**	604
Interest earning bank deposits	**528**	818	**378**	702
Cash and cash equivalents	**6,586**	26,708	**2,622**	1,313

Short-term investments classified as cash and cash equivalents are remunerated at rates that vary between 86.00% and 100% of CDI on September 30, 2017 (82.52% to 101.00% of CDI on December 31, 2016), having as counterparties financial institutions considered top-tier by Management.

8 Financial investments and linked accounts

	Consolidated		**Parent company**	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Money market investments in CDB	**2,674**	3,186	**2,432**	2,982
Total	**2,674**	3,186	**2,432**	2,982
Current	**348**	2,552	**348**	2,552
Non-current	**2,326**	634	**2,084**	430

Interest earning bank deposits are paid by the average variable rate of 98.79% of CDI at September 30, 2017, being held as guarantees for short-term financing, and their redemption scheduled takes place in conjunction with amortization, presented in current and non-current assets based on their redemption provisions.

9 Trade accounts receivable

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

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

Notes to the financial statements

	Consolidated		Parent company	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Domestic clients	**77,825**	71,035	**35,702**	36,093
Foreign clients	**118,100**	111,032	**33,189**	22,577
	195,925	182,067	**68,891**	58,670
Allowance for doubtful accounts - domestic	**(21,792)**	(21,245)	**(7,898)**	(7,601)
Allowance for doubtful accounts - abroad	**(7,971)**	(10,625)	**(5,218)**	(5,368)
	(29,763)	(31,870)	**(13,116)**	(12,969)
Total	**166,162**	150,197	**55,775**	45,701

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

	Consolidated	Parent company
Balance at December 31, 2016	**(31,870)**	**(12,969)**
Additions and/or reversal	**1,837**	**(297)**
Exchange-rate change	**270**	**150**
Balance at September 30, 2017	**(29,763)**	**(13,116)**

10 Inventories

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

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

	Consolidated		Parent company	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Finished goods	**120,138**	98,788	**28,878**	18,639
Raw material	**141,357**	147,697	**116,856**	109,574
(Provision for losses)	**(9,997)**	(2,288)	**(9,630)**	(2,288)
	251,498	244,197	**136,104**	125,925

11 Recoverable taxes

	Consolidated		Parent company	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
ICMS	**13,658**	8,740	**4,285**	920
IPI	**4,023**	842	**3,055**	5
PIS	**2,809**	932	**2,570**	617
COFINS	**11,822**	4,084	**10,676**	2,655
Income and social contribution taxes	-	6,566	-	3,267

Notes to the financial statements

REINTEGRA	**6,820**	-	**6,820**	-
Other	**3**	-	**-**	-
INSS	**37**	40	**-**	-
Total	**39,172**	21,204	**27,406**	7,464
Current	**38,695**	20,497	**27,211**	7,269
Non-current	**477**	707	**195**	195
Total	**39,172**	21,204	**27,406**	7,464

12 Other accounts receivable

	Consolidated		Parent company	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Advances to suppliers	**9,952**	17,478	**11,549**	15,508
Advances to employees	**3,097**	1,726	**1,220**	794
Judicial deposits (Note 23)	**15,869**	11,407	**8,905**	5,890
Receivables from insurance	**82**	2,339	**-**	2,257
Other receivables	**1,652**	801	**606**	588
	30,652	33,751	**22,280**	25,037
Current assets	**14,783**	22,344	**13,375**	19,147
Non-current assets	**15,869**	11,407	**8,905**	5,890

13 Income and social contribution taxes

The income and social contribution taxes of the year, both current and deferred, are calculated based on the nominal rate of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution, limited to 30% of the taxable income. For companies that calculate income and social contribution taxes based on estimated profits, the same rates as above are used but on percentage of revenue of 32%. The rate of income tax is 35% for the US subsidiary.

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

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

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

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

Notes to the financial statements

a. Breakdown of assets and deferred tax liabilities

	Consolidated		Parent company	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
On temporary differences of assets, tax loss and negative basis				
Provision for sales commissions	**964**	1,616	**525**	993
Provision of labor proceedings	**-**	3,946	**-**	1,826
Allowance for doubtful accounts	**9,455**	5,494	**4,295**	2,474
Provision for product warranty	**6,082**	7,297	**2,300**	2,190
Provision for legal risks	**2,946**	2,961	**405**	-
Provision for inventory loss	**3,274**	2,131	**3,274**	-
Derivative financial instruments	**-**	189	**-**	-
Tax loss and negative basis of social contribution on net income (i)	**29,577**	34,912	**4,356**	7,000
Inventories - unrealized profits	**4,703**	2,858	**-**	-
Other items	**1,463**	-	**-**	-
	58,464	61,404	**15,155**	14,483
On temporary liability differences				
Equity valuation adjustments	**(12,183)**	(12,183)	**(2,356)**	(2,356)
Difference for depreciation base	**-**	(7,484)	**-**	-
Goodwill allocation	**(9,899)**	(9,899)	**-**	-
Financial charges	**(1,499)**	(1,499)	**(1,370)**	(1,370)
Base difference of exchange-rate change	**(2,830)**	-	**(2,445)**	-
Other items	**-**	(993)	**(580)**	(2,353)
	(26,411)	(32,058)	**(6,751)**	(6,079)
Total assets and liabilities, net	**32,053**	29,346	**8,404**	8,404
Classified as noncurrent assets	**46,680**	44,536	**8,404**	8,404
Classified in the non-current liabilities	**(14,627)**	(15,190)	**-**	-

Changes in deferred taxes:	**Consolidated**	**Parent company**
Opening balance of deferred taxes, net	**29,346**	**8,404**
Allocated in income (loss)	**51,823**	**32,882**
Allocated to shareholders’ equity	**-**	**-**
Offsetting of the Tax Regularization Program	**(49,116)**	**(32,882)**
Closing balance of deferred taxes, net	**32,053**	**8,404**

Notes to the financial statements

(i) The Company's management considered the existence of accumulated income and social contribution tax losses recorded on net income in the Company and in subsidiaries Polimetal Metalurgia e Plásticos Ltda., Taurus Blindagens Ltda. and Taurus Holdings Inc. Assessment of the existence of future taxable income, which supports the recording of deferred tax assets, was based on the operating activities of Company segments.

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

	Consolidated		Parent company	
Year	**Total**	**% Interest**	**Total**	**% Interest**
2017	2,180	7%	-	0%
2018	2,527	8%	-	0%
2019	3,098	10%	94	1%
2020	4,859	16%	1,433	17%
2021	10,330	32%	5,856	70%
2022	9,059	28%	1,021	12%
	32,053	100%	8,404	100%

The amount of tax losses and negative basis of social contribution on which deferred taxes are not recorded totaled R$ 715,644 (R$ 651,215 as of December 31, 2016) in the consolidated, and R$ 286,014 (R$ 222,905 as of December 31, 2016) in the parent company.

Notes to the financial statements

Reconciliation of effective rate for income and social contribution taxes

	Consolidated		Parent company	
	09/30/2017	**09/30/2016**	**09/30/2017**	**09/30/2016**
Loss before income and social contribution taxes	(114,849)	(45,054)	(83,273)	(43,407)
Combined statutory rate:	34%	34%	34%	34%
Income and social contribution taxes at the combined statutory rates	39,049	15,318	28,313	14,758
Permanent additions:				
Non-deductible expenses	(678)	(235)	(326)	(117)
Equity in net income of subsidiaries	-	(613)	(6,279)	(6,362)
Permanent exclusions:				
Reintegra	2,353	-	2,353	-
Tax incentives of subsidiaries	1,332	-	-	-
Effects of differentiated rate of deemed profit subsidiaries	204	382	-	-
Offset of tax loss and negative basis in PRT (Tax Regularization Program)	49,116	-	32,882	-
Deferred taxes not formed on tax loss and negative basis of CSLL	(8,672)	(68,980)	(12,887)	(50,359)
Deferred charges not recorded on unrealized exchange-rate change	-	43,054	-	29,369
Deferred taxes not recorded on provision of labor lawsuits	(18,246)	12,886	(11,174)	11,965
Income and social contribution taxes in income (loss) for the year	**64,458**	**902**	**32,882**	**(745)**
Current	12,784	1,869	-	-
Deferred assets	51,674	(967)	32,882	(745)
Income and social contribution taxes in income (loss) for the year	**64,458**	**902**	**32,882**	**(745)**
Effective rate	-56.12%	2.00%	-39.49%	-1.72%

In 2017, the amount of R$ 12,784 related to current income and social contribution taxes is positive due to the use of the North American tax benefit in the company Taurus Holdings. The US Federal Law allows current losses to be offset by taxes paid within the previous two years.

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

Notes to the financial statements

The balance of deferred taxes not recognized due to the expectation of non-realization, as mentioned above, is as follows:

								Consolidated
				09/30/2017				**12/31/2016**
	Base	**25%**	**9%**	**Total**	**Base**	**25%**	**9%**	**Total**
Provision of labor proceedings	(53,664)	(13,416)	(4,830)	(18,246)	(35,349)	(8,837)	(3,181)	(12,018)
Tax loss and negative basis of social contribution on net income	(395,300)	(98,825)	(35,577)	(134,402)	(649,739)	(162,435)	(58,477)	(220,912)
	(448,964)	(112,241)	(40,407)	(152,648)	(685,088)	(171,272)	(61,658)	(232,930)

								Parent company
				09/30/2017				**12/31/2016**
	Base	**25%**	**9%**	**Total**	**Base**	**25%**	**9%**	**Total**
Provision of labor proceedings	(32,863)	(8,216)	(2,958)	(11,174)	(17,616)	(4,404)	(1,585)	(5,989)
Tax loss and negative basis of social contribution on net income	(149,965)	(37,491)	(13,497)	(50,988)	(123,839)	(30,960)	(11,146)	(42,106)
	(182,828)	(45,707)	(16,455)	(62,162)	(141,455)	(35,364)	(12,731)	(48,095)

14 Investment property

Investment property is initially measured at cost and, subsequently at fair value, and changes to fair value are recognized in the income (loss).

Gains and losses in the sale of an investment property (calculated by the difference between the net value received in the sale and the item book value) are recognized in the statement of income. When an investment property previously recognized as a fixed asset is sold, any amount recognized in equity valuation adjustment is transferred to retained earnings.

a. Reconciliation of book value

	Consolidated
	2017
Historical cost	21,204
Fair value	28,904
Balance at September 30, 2017	**50,108**

In 2016, Forjas Taurus S.A. transferred the operation from the Industrial Plant located in the city of Porto Alegre/RS to the Industrial Plant located in the city of São Leopoldo/RS. In view of the foregoing and considering the terms of CPC 28 - Investment Property, the Company, at the level of the consolidated financial statements, reclassified the items formerly classified as Property, plant and equipment to Investment Property. The adjustment to fair value was initially recorded in shareholders' equity, net of deferred income and social contribution taxes.

b. Measurement of fair value

(i) Fair value hierarchy

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

The measurement of fair value of all the investment properties was classified as Level 3 based on the inputs used (Note 3).

(ii) Characterization of evaluated assets

Location: Avenida do Forte, nº 511 - Porto Alegre (RS)

Industrial complex, not occupied, with 18,600.00 m^2 of built area in urban land of 29,900 m^2 of area.

(iii) Methodologies adopted

It was used the evolution method of evaluation, since in the local real estate market there are no properties with characteristics similar to the property evaluated to carry out the direct comparative method. Accordingly, the evaluations of buildings, improvements and land were performed separately, reaching a total value for the conjunction.

Notes to the financial statements

Buildings and improvements

The evaluation of buildings and improvements adopted the Method of Quantification of Cost of Improvements. With the analysis of the characteristics of the civil works, budgets of new constructions have been prepared, applying physical depreciations, through the "K" factor and Factor of Adjustment to Obsolescence and State of Conservation.

The other constructions such as bases, pavements, fences and other non-standardized structures were calculated through breakdown of costs.

Urban land

For evaluation of land it was used the Direct Comparative Method of Market Data for the enrollment numbers held in the local real estate market, offers, purchases and sales of similar properties for proper comparison through statistic treatment of market data.

For the other enrollment numbers it was used the involution method, based on the attestation that the best use of the land evaluated would be obtained by dividing it into lots, through a hypothetical project. The evaluation under this process considers the probable income from the trading of these lots and also all the expenses inherent in the transformation of the gross land into lots; and it also defines the maximum value to be attributed to the land so that it is economically feasible.

According to the location and other characteristics of each land, the value was determined after extensive survey of values traded and offered in the surroundings of the evaluated real estate, and based on consultation of competent people, connected to the local real estate market, business and offers published in local newspapers, websites, advertisements and real estate agencies.

After obtaining the survey values, it was applied a statistical treatment to calculate the most probable value of the properties.

(iv) Values and data presented

The appraisal report presented the depreciation rate, current market value or depreciated replacement cost, apparent age, remaining useful life, with the following definitions:

(a) Depreciation rate is the ratio between apparent age and total useful life of the asset;

(b) Current market value or depreciated replacement cost may be defined as the initial value that the Company would spend in the market to replace the asset, considering a normal deal between independent people without other interests, and the present conditions of use of the asset;

(c) Apparent age is the age of the asset in years, since its construction;

(d) Useful life represents the estimated remaining time of use of the evaluated asset, in years. This value is obtained through the difference between the apparent age and useful life of the project, pursuant to ABNT NBR 15575-1_2013.

Notes to the financial statements

(v) Survey of values

Buildings and improvements

Quantitative and qualitative budgets have been made related to the cost of reproduction of the buildings, and since they were built for an industry with singular characteristics, they may be used for other industrial and commercial purposes.

The replacement values were defined based on calculations of the current average acquisition cost of construction materials and the like. They result from a survey conducted in the supply market and were analyzed considering the components of each construction, plus labor costs, projects, fees, taxes and direct and indirect expenses.

Urban land

For the survey of values, consultations have been made with real estate agencies, newspapers, brokers, buyers and people connected to the real estate market.

(vi) Level of precision

Market value

In the evaluation, the Level of Foundation GRADE I and Level of Precision GRADE I have been attained, in conformity with the following standards of ABNT – Brazilian Association of Technical Standards, applicable to this evaluation:

NBR-14653-1 (Appraisal of assets - General procedures); NBR-14653-2 (Appraisal of assets - Urban Real Estate). The variables used in the model to determine the values of the evaluated area were:

(a) Total Area: quantitative variable representing the total area of the land in m²;

(b) Urban Sector: qualitative variable that characterizes data according to the district where they are located;

(c) Vocation: dichotomic variable that classifies the lots according to the best activity developed in the property, namely: lots with industrial or commercial vocation and lots with residential vocation;

(d) Date of event: dichotomic variable that classifies: lots currently for sale and lots of properties that were available for sale in 2014.

(e) Unit value of the Land: dependent variable expressed in reais by square meter.

Determination of asset values

	Consolidated
	2017
Buildings	11,775
Land	37,870
Improvements	463
Total	**50,108**

Notes to the financial statements

Notes to the financial statements

15 Investments

									Parent company	
	Taurus Blindagens Ltda.	**Taurus Blindagens Nordeste Ltda.**	**Taurus Plásticos Ltda.**	**Taurus Holdings, Inc.**	**T. Investments Co. Inc.**	**Taurus Investimentos Imobiliários Ltda.**	**Polimetal Metalurgia e Plásticos Ltda.**	**Taurus Máquinas-Ferramenta Ltda.(1)**	**09/30/2017**	**12/31/2016**
Current assets	36,569	28,902	4,026	247,853	32,539	8,856	89,941	1,511		
Non-current assets	98,960	63,107	942	125,560	-	63,824	244,723	2,572		
Current liabilities	17,311	39,139	1,812	50,868	-	1,383	83,082	34,307		
Non-current liabilities	8,666	1,905	27	143,367	-	8,980	31,444	22,514		
Capital	73,855	9,400	6,355	966	34,848	53,292	304,780	293,639		
Shareholders’ equity	109,552	50,965	4,495	179,178	32,539	62,317	220,138	(52,738)		
Net revenue	17,587	59,185	5,960	436,940	-	2,939	152,933	-		
Net income (loss) for the year	3,372	4,783	(1,171)	(28,341)	-	2,152	9,175	4,083		
Number of shares/quotas	14	9,400	636	302,505	11,000,000	43,623,159	304,779,837	185,007,117		
Direct ownership interest (%)	0.01%	0.10%	0.01%	100%	100%	81.86%	100%	63.00%		
Opening balances	1	47	1	210,604	33,473	68,068	209,368	-	**521,562**	518,067
Spin-off	-	-	-	-	-	-	-	-	-	1
Paid-up capital (3)	-	-	-	-	-	-	-	-	-	74,190
Equity income (loss) (2)	-	**3**	-	**(33,946)**	-	**2,020**	**9,973**	**3,483**	**(18,468)**	(32,275)
Capital investment loss	-	-	-	-	-	-	-	-	-	-
Exchange rate change over investments	-	-	-	**(5,812)**	**(935)**	-	-	-	**(6,747)**	(45,534)
Dividends received	-	-	-	-	-	-	-	-	-	-
Capital transactions	-	-	-	-	-	-	-	-	-	-
Equity valuation adjustments	-	-	-	-	-	-	-	-	-	19,077
Write-off Goodwill Famastil	-	-	-	-	-	-	-	-	-	(2,215)
Reclassified for provision for unsecured liability (1)	-	-	-	-	-	-	-	**(3,483)**	**(3,483)**	(9,749)
Closing balances (2)	**1**	**50**	**1**	**170,846**	**32,538**	**70,088**	**219,341**	**-**	**492,864**	521,562

(1) The unsecured liability of the subsidiary Taurus Máquinas-Ferramenta Ltda., in the amount of R$ 33,227, is recorded in “Related parties” in non-current liabilities.
(2) In order to determine the investment amounts, the value of shareholders' equity and of income (loss) of each investee is adjusted for unrealized profits in intercompany transactions.
(3) Capital paid-in in subsidiary Taurus Máquinas-Ferramenta Ltda. amounting to R$ 20,000 and in Polimetal metalurgia e Plásticos Ltda in the amount of R$ 54,190 were made in cash with the capitalization of the loan.

Foreign operation

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

		Taurus Holdings, Inc.
		Consolidated
	09/30/2017	**12/31/2016**
Assets	**373,413**	360,271
Liabilities	**194,235**	146,961
Net revenue	**436,940**	575,098
Loss for the year	**(28,341)**	(4,259)

16 Property, plant and equipment

Property, plant and equipment items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses. Every year, the Company evaluates the need to form an impairment for intangible assets and also for the recoverability of its fixed assets. The tests performed did not indicate the need of forming a provision for impairment losses on Company's property, plant and equipment.

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

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

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

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

Notes to the financial statements

Group	Useful life - in years:
Buildings	27
Machinery and equipment	10–20
Dies and tools	5
Furniture	15
Other components	5–6

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

Notes to the financial statements

Forjas Taurus S.A..
Quarterly information
June 30, 2017

Consolidated

	Land	Buildings	Machinery and facilities	Furniture and computers	Vehicles	Other	Construction in progress	Advances to suppliers	Total
Cost or deemed cost									
Balance at December 31, 2015	38,244	110,201	266,821	29,785	2,589	191	21,308	227	469,366
Additions	2,549	10,671	4,178	1,323	-	-	28,150	145	47,016
Disposals	(21,208)	(6)	(25,670)	(5,647)	(117)	(119)	(11,443)	-	(64,210)
Transfers	(67)	15,344	5,449	(667)	(190)	-	(19,793)	(76)	-
Effect of exchange-rate changes	(1,301)	(8,653)	(8,824)	(1,551)	(1,262)	(32)	-	-	(21,623)
Balance at December 31, 2016	18,217	127,557	241,954	23,243	1,020	40	18,222	296	430,549
Additions	-	499	8,637	709	-	-	7,525	112	17,482
Disposals	(2,152)	(1)	(3,114)	(2)	(113)	(40)	(148)	-	(5,570)
Transfers	(370)	2,414	2,755	809	18	-	(5,626)	-	-
Effect of exchange-rate changes	(255)	(1,227)	(1,349)	(232)	(5)	-	-	-	(3,068)
Balance at September 30, 2017	15,440	129,242	248,883	24,527	920	-	19,973	408	439,393
Depreciation									
Balance at December 31, 2015	(184)	(25,350)	(149,990)	(18,335)	(2,318)	-	-	-	(196,177)
Depreciation for the year	(44)	(4,498)	(26,950)	(1,977)	(65)	-	-	-	(33,534)
Disposals	34	811	20,430	4,698	1,500	-	-	-	27,473
Effect of exchange-rate changes	-	2,125	6,961	1,215	38	-	-	-	10,339
Balance at December 31, 2016	(194)	(26,912)	(149,549)	(14,399)	(845)	-	-	-	(191,899)
Depreciation for the year	-	(5,088)	(17,991)	(1,622)	(43)	-	-	-	(24,744)
Disposals	194	-	2,367	3	106	-	-	-	2,670
Transfers	-	-	-	-	-	-	-	-	-
Effect of exchange-rate changes	-	332	830	195	5	-	-	-	1,362
Balance at September 30, 2017	-	(31,668)	(164,343)	(15,823)	(777)	-	-	-	(212,611)
Book value									
December 31, 2016	18,023	100,645	92,405	8,844	175	40	18,222	296	238,650
September 30, 2017	15,440	97,574	84,540	8,704	143	-	19,973	408	226,782

Notes to the financial statements

Notes to the financial statements

Parent company

	Land	Buildings	Machinery and facilities	Furniture and computers	Vehicles	Other	Construction in progress	Advances to suppliers	Total
Cost or deemed cost									
Balance at December 31, 2015	-	3,177	64,003	8,903	1,464	-	7,585	-	85,132
Additions	-	3,194	221	631	-	-	8,728	-	12,774
Disposals	-	-	(7,084)	(3,548)	(104)	-	(482)	-	(11,218)
Transfers	-	3,739	3,374	(8)	(2)	-	(7,103)	-	-
Effect of exchange-rate changes	-	-	-	-	(1,224)	-	-	-	(1,224)
Balance at December 31, 2016	-	10,110	60,514	5,978	134	-	8,728	-	85,464
Additions	-	142	638	379	-	-	2,761	2	3,922
Disposals	-	-	(643)	-	(9)	-	(84)	-	(736)
Transfers	-	1,529	903	517	-	-	(2,949)	-	-
Effect of exchange-rate changes	-	-	-	-	-	-	-	-	-
Balance at September 30, 2017	-	11,781	61,412	6,874	125	-	8,456	2	88,650
Depreciation									
Balance at December 31, 2015	-	(1,357)	(42,168)	(5,946)	(1,323)	-	-	-	(50,794)
Depreciation for the year	-	(439)	(5,335)	(576)	(40)	-	-	-	(6,390)
Disposals	-	-	6,082	2,743	1,293	-	-	-	10,118
Effect of exchange-rate changes	-	-	-	-	-	-	-	-	-
Balance at December 31, 2016	-	(1,796)	(41,421)	(3,779)	(70)	-	-	-	(47,066)
Depreciation for the year	-	(837)	(3,897)	(462)	(14)	-	-	-	(5,210)
Disposals	-	-	519	-	2	-	-	-	521
Transfers	-	-	-	-	-	-	-	-	-
Effect of exchange-rate changes	-	-	-	-	-	-	-	-	-
Balance at September 30, 2017	-	(2,633)	(44,799)	(4,241)	(82)	-	-	-	(51,755)
Book value									
December 31, 2016	-	8,314	19,093	2,199	64	-	8,728	-	38,398
September 30, 2017	-	9,148	16,613	2,633	43	-	8,456	2	36,895

Notes to the financial statements

Construction in progress

The balance of construction in progress of R$ 8,456 in the parent company and R$ 19,723 – Consolidated in September 2017 (R$ 8,728 and R$ 18,222 in 2016, respectively) refers to machinery and equipment still in the phase of being implemented and construction in progress. These assets should come into operation during 2017.

Guarantee

The Company uses its assets as guarantees for the funds obtained from financial institutions. Although much of the fixed assets is guaranteeing loans and financing, the Company has been historically settling its obligations in the contractual terms, and the guarantees with assets have never been used. In 2017, the Company used the amount of R$ 66,990 in guarantees (R$ 94,773 in 2016).

Reclassification for investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as an investment property. Any gain on from this remeasurement is recognized in income (loss) as the gain reverses a impairment loss on the specific property, and any remaining gain recognized as other comprehensive income and presented under equity valuation adjustment account. Any loss is immediately recognized in income (loss).

17 Intangible assets

Goodwill

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

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

Other intangible assets

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

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

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

Notes to the financial statements

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

				09/2017	12/2016
	Cost	**Accumulated amortization**	**Effects of exchange-rate change**	**Net balance**	**Net balance**
Software	6,212	(2,250)	-	3,962	4,464
Trademarks and patents	21,043	(6,840)	(287)	13,916	14,203
Client Relationship	13,796	(7,444)	(206)	6,146	7,358
Goodwill	43,905	(947)	(283)	42,675	43,070
Product development	5,647	-	(112)	5,535	5,119
	90,603	(17,481)	(888)	72,234	74,214

Notes to the financial statements

						Consolidated
	Software	Trademarks and patents	Client Relationship	Goodwill	Product development	Total
Cost						
Balance at December 31, 2016	6,097	21,043	13,796	43,905	5,119	89,960
Acquisitions	115	-	-	-	574	689
Transfers	-	-	-	-	-	-
Write-offs	-	-	-	-	(46)	(46)
Effect of exchange-rate changes	-	(287)	(386)	(283)	(112)	(1,068)
Balance at September 30, 2017	6,212	20,756	13,410	43,622	5,535	89,535
Amortization						
Balance at December 31, 2016	(1,633)	(6,840)	(6,438)	(835)	-	(15,746)
Amortization for the year	(617)	-	(1,006)	-	-	(1,623)
Transfers	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-
Effect of exchange-rate changes	-	-	180	(112)	-	68
Balance at September 30, 2017	(2,250)	(6,840)	(7,264)	(947)	-	(17,301)
Book value						
December 31, 2016	4,464	14,203	7,358	43,070	5,119	74,214
September 30, 2017	3,962	13,916	6,146	42,675	5,535	72,234

Notes to the financial statements

Impairment test for cash generating units containing goodwill

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

Cash-generating unit	**2016**
Firearms	42,682

The impairment testing for CGUs mentioned above is performed annually based on the fair value, which is estimated based on discounted cash flows. On December 31, 2016, the tests performed did not indicate the need of forming a provision for impairment losses on goodwill and intangible assets with indefinite useful lives. There was no significant change related to goodwill for the quarter and a new valuation will be carried out in year ended December 31, 2017.

Main assumptions used for forecasting the discounted cash flows

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

	Discount rate WACC	**Average growth rate**
Cash-generating unit	**2016**	**2016**
Firearms	16.8%	9.4%

Discount rate

The discount rate for CGU is represented by a post-tax rate based on US Treasury Bonds for 20 years, adjusted for a risk premium that reflects the risks of investments in equity securities and the systematic risk of the unit in question. The company estimated, based on management's experience with assets of this CGU, the weighted average of the capital cost of the industry in which such CGU operates, which was calculated based on a possible debt/shareholders' equity ratio of 22.4% for Firearms CGU and of 36.9% for Armouring CGU, at the market interest rate of 14%.

Growth rate and perpetuity

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

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

Notes to the financial statements

18 Loans and financing

The terms and conditions of outstanding loans were as follows:

	Consolidated						
				09/30/2017		12/31/2016	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R$	CDI + 2.42–3.00% p.a.	2018	**2,500**	**2,030**	2,500	1,253
FINAME	R$	2.50–8.70% p.a	2021	**8,515**	**1,252**	8,515	2,284
FINEP	R$	4–5.25% p.a.	2020	**14,095**	**6,259**	14,095	8,348
BNDES	R$	3.50% p.a.	2020	**9,995**	**6,172**	9,995	7,675
FNE	R$	9.50% p.a.	2019	**9,806**	**3,172**	9,806	4,232
Advance from receivables	R$	23.90% p.a.	2017	**6,136**	**15,620**	6,136	6,136
Foreign exchange advance	USD	9.80% p.a.	2017	**28,065**	**23,379**	28,065	28,065
Working capital	USD	Libor + 1.55–5.6% p.a	2021	**499,162**	**515,113**	499,162	490,990
Working capital	USD	80–100% CDI p.a.	2019	**65,072**	**52,702**	65,072	65,466
Investments	USD	5.33% p.a.	2033	**6,035**	**14,602**	6,035	15,652
Investments	USD	Libor + 2.25% p.a.	2033	**1,731**	**3,491**	1,731	3,768
Total					**643,792**		633,869
Current liabilities					**145,458**		60,757
Non-current liabilities					**498,334**		573,112

Notes to the financial statements

				Parent company			
				09/30/2017		12/31/2016	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R$	CDI + 2.42–3.00%	2018	**2,500**	**2,030**	2,500	1,253
FINAME	R$	2.50–5.50%	2021	**2,304**	**838**	2,304	1,139
BNDES	R$	3.50%	2020	**9,995**	**6,172**	9,995	7,675
Advance from receivables	R$	24.60%	2017	**6,136**	**1,542**	6,136	6,136
Foreign exchange advances	USD	9.80%	2017	**28,065**	**23,379**	28,065	28,065
Working capital	USD	Libor + 3.41–5.60%	2021	**424,162**	**413,581**	424,162	422,898
Working capital	USD	85–100% CDI	2019	**65,072**	**52,702**	65,072	65,466
Total					**500,244**		**532,632**
Current liabilities					**125,786**		**54,567**
Non-current liabilities					**374,458**		**478,065**

Schedule of maturities of non-current liabilities:

	Consolidated		Parent company	
Year of maturity	**09/30/2017**	**12/31/2016**	**09/30/2017**	**12/31/2016**
2018	**37,920**	124,786	**35,723**	119,314
2019	**159,038**	167,547	**153,608**	162,119
2020	**226,776**	201,081	**123,984**	131,652
2021 onwards	**74,600**	79,698	**61,143**	64,980
	498,334	573,112	**374,458**	478,065

Notes to the financial statements

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

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

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

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

					09/30/2017
					Parent company
MATURITIES	**2018**	**2019**	**2020**	**2021**	**TOTAL**
PPE	30,531	122,123	122,123	61,127	**335,904**
DEBENTURES	5,259	21,038	21,038	10,540	**57,875**
TOTAL	**35,790**	**143,161**	**143,161**	**71,667**	**393,779**

Covenants

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

Interest payment

The maturity of the 1st interest payment of the bank syndicate occurred on July 7, 2017, whose amount was negotiated with the banks, resulting in an amortization agreement in the amount of R$ 10,003, and the balance of

Notes to the financial statements

R$ 17,049 paid in five monthly and consecutive installments, where the 1st and 2nd installment maturing on August 8, 2017 and September 3, 2017 were fully paid.

19 Debentures

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

Debentures	Principal R$	Issuing Date	Securities in the market	Financial charges	09/30/2017	12/31/2016
3rd issuance (a)	100,000	06/13/2014	10,000	DI rate + 10.30% (2016)	**74,439**	68,444
				Grand total	**74,439**	68,444
				Current liabilities	**16,564**	433
				Non-current liabilities	**57,875**	68,011
				Incurred cost transactions	**3,584**	3,584
				Appropriate cost transactions	**3,382**	2,962
				Unearned transaction costs	**202**	622

Covenants

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

Such ratios are duly monitored by management. The 3rd issue agreement requires that the indexes should be met on annual basis.

20 Other accounts payable

	Consolidated		Parent company	
	09/30/2017	12/31/2016	09/30/2017	12/31/2016
Performance bonus	**612**	191	**-**	-
Discounts granted	**1,106**	8,703	**-**	-
Royalties	**4,377**	3,846	**4,377**	3,846
Insurance and freight	**1,572**	15,749	**971**	11,777
FEE Banking Syndicate	**5,602**	-	**5,602**	-

Notes to the financial statements

Sales commissions	**2,086**	8,917	**1,083**	7,816
Other	**9,188**	9,840	**2,096**	5,864
	24,543	47,246	**14,129**	**29,303**
Current	**21,754**	44,170	**11,340**	26,227
Non-current	**2,789**	3,076	**2,789**	3,076

21 Salaries and social security charges

	Consolidated		Parent company	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Salaries	**5,306**	3,296	**3,706**	2,108
Social security charges	**10,115**	10,806	**4,097**	4,451
Provision for vacations and 13th salary	**28,133**	20,543	**11,046**	8,290
	43,554	34,645	**18,849**	14,849

22 Taxes, rates and contributions

	Consolidated		Parent company	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
ICMS	2,920	5,732	266	2,709
IPI	70	8,761	-	8,447
PIS	1,175	1,039	755	560
COFINS	4,973	4,820	3,087	2,578
SPECIAL TAX - FAET (USA)	15,582	13,872	-	-
IRRF (Withholding income tax)	6,015	3,054	-	1,943
Income and social contribution taxes	702	3,416	409	-
Installment payment of PRT and Pert	12,013	-	9,668	-
Other payments in installments	3,451	-	1,854	-
Other	235	972	159	948
	47,136	**41,666**	**16,198**	**17,185**
Current	40,118	**39,170**	11,359	**16,241**
Non-current	7,018	**2,496**	4,839	**944**

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

Notes to the financial statements

Statement of debts included in installment payment
Consolidated

	CIDE	IPI	IRPJ/CSLL	PIS/COFINS	IOF	IRRF/PCC	AFRMM/II	INSS	Total
Principal Value	236	30,136	3,451	7,659	1,896	1,098	497	491	45,464
Fine	47	6,027	791	2,575	385	225	99	257	10,406
Interest	13	4,108	1,277	2,372	208	127	81	397	8,583
	296	**40,271**	**5,519**	**12,606**	**2,489**	**1,450**	**677**	**1,145**	**64,453**
Offset of tax loss and negative basis of social contribution on net income	237	30,606	4,259	9,595	1,913	1,101	515	889	49,115
Balance - Payment in 24 installments	59	9,665	1,260	3,011	576	349	162	256	15,338
Payments	(15)	(2,077)	(285)	(650)	(130)	(75)	(34)	(59)	(3,325)
Balance at 09/30/2017	**44**	**7,588**	**975**	**2,361**	**446**	**274**	**128**	**197**	**12,013**

Statement of debts included in installment payment
Parent company

	CIDE	IPI	IRPJ/CSLL	PIS/COFINS	IOF	IRRF/PCC	AFRMM/II	INSS	Total
Principal Value	236	30,103	-	5,659	342	711	497	491	38,039
Fine	47	6,021	-	1,132	68	142	99	257	7,766
Interest	13	4,063	-	793	42	83	81	396	5,471
	296	**40,187**	**-**	**7,584**	**452**	**936**	**677**	**1,144**	**51,276**
Offset of tax loss and negative basis of social contribution on net income	237	30,542	-	5,775	344	711	515	889	39,013
Balance - Payment in 24 installments	59	9,645	-	1,809	108	225	162	255	12,263
Payments	(15)	(2,034)	-	(384)	(23)	(47)	(34)	(58)	(2,595)
Balance at 09/30/2017	**44**	**7,611**	**-**	**1,425**	**85**	**178**	**128**	**197**	**9,668**

23 Provisions for civil, labor and tax risks

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

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

	Consolidated			
			09/30/2017	**12/31/2016**
	Provision	**Judicial deposit (i)**	**Net**	**Net**
Labor	53,663	14,810	38,852	24,999
Civil	8,664	-	8,663	9,433
Tax	318	1,058	(738)	5,992
	62,645	15,868	46,777	40,424
Classified in current liabilities	19,887			
Classified in the non-current liabilities	42,758			

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

Notes to the financial statements

	Parent company			
			09/30/2017	12/31/2016
	Provision	Judicial deposit (i)	Net	Net
Labor	32,863	8,047	24,816	11,726
Civil	1,193	-	1,193	1,140
Tax	-	-	-	-
	34,056	8,047	26,009	12,866
Classified in current liabilities	8,193			
Classified in the non-current liabilities	25,863			

Changes in provisions are as follows:

	Consolidated		
	Civil and labor	Tax	Total
Balance at December 31, 2016	44,781	7,050	51,831
Provisions formed during the year	26,836	214	27,050
Provisions used during the year	(6,321)	-	**(6,321)**
Reversal of provision	(2,856)	(6,946)	(9,802)
Effect of change	(113)		(113)
Balance at September 30, 2017	**62,327**	**318**	62,645

	Parent company		
	Civil and labor	Tax	Total
Balance at December 31, 2016	18,756	-	18,756
Provisions formed during the year	19,233	-	19,233
Provisions used during the year	(3,889)	-	(3,889)
Reversal of provision	(44)	-	(44)
Balance at September 30, 2017	**34,056**	-	**34,056**

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

	Consolidated				Parent company			
	09/30/2017		12/31/2016		09/30/2017		12/31/2016	
	Possible	Remote	Possible	Remote	Possible	Remote	Possible	Remote
Tax	12,141	418	25,893	418	736	-	736	-
Civil	17,565	352	18,123	357	10,606	201	11,264	206
Labor	57,406	5,839	59,823	3,403	38,378	4,240	38,270	1,703
Other	8,006	712	8,006	722	7,728	330	7,728	340
	95,118	7,321	111,845	4,900	57,548	4,771	57,998	2,249

Notes to the financial statements

Hunter Douglas

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

By means of a signing of a Definitive Purchase and Sale and Credit Assignment Agreement, entered into on June 26, 2015, in which T. Investments Co. Inc., a company belonging to Taurus Group, a corporation headquartered in the city of Panama, acquired the credit of Hunter Douglas N.V. against Wotan Máquinas Ltda. and other rights in the amount of US$ 10,250,000. The fulfillment of this commitment resulted in the acquisition of the following by the Company: i) credit of Hunter Douglas N.V. before Wotan Máquinas Ltda.; ii) all rights linked or ancillary to the credit, especially mortgages, and iii) all rights arising from the proceeding, directly linked to credit or not.

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

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

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

Carter case

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

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

Notes to the financial statements

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

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

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

It is hereby ratified that all the other payments related to the agreement, in the total value of USD 12,438 thousand, were made in 2015.

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

Sanctioning Administrative Processes - PMESP

The Company was summoned to present defense in two (02) administrative processes filed by the Military Police of the State of São Paulo (Sanctioning Process CSMAM-002/30/16 and Sanctioning Process 003/30/2016 in addendum to Process CSMAM 01/30/14) which challenges the possibility or not of partial or total noncompliance with the agreements for acquisition and supply of 98,465 (ninety-eight thousand, four hundred and sixty-five) firearms, type pistol, models 24/7 and 640, between years 2007 and 2011, in the first process and also agreements for acquisition and supply of 5,931 (five thousand, nine hundred and thirty-one) firearms, type submachine gun, model SMT 40 in year 2011 in the second process and its addendum, in the total amount of R$ 22,681,184.00 (twenty-two million, six hundred and eighty-one thousand, one hundred and eighty-four reais).

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

In relation to Sanctioning Process CSMAM 01/30/14, administrative decision was given suspending the Company's right to contract with the public administration of the State of São Paulo, without the application of any monetary penalty.

Anyway, the declaration of suspension of the right to contract with administration is restricted to the federated entity of the declaring authority (State of São Paulo), not affecting negotiations with other States.

Notes to the financial statements

Finally, sales to the government of the State of São Paulo in the last 3 years represented less than 1% of the Company's consolidated sales in the period.

Djibouti

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

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

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

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

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

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

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

The Company affirms that it did not have the opportunity to present clarifications in the ambit of the civil inquiry preceding the filing of the lawsuit. The Company will adopt all the measures necessary to exercise its right of defense before the Judge, in order to prove that the claims made in the lawsuit are unjustified. In the opinion of Taurus' legal advisors, the present lawsuit is classified as risk of possible loss.

Punitive action - State of Goiás

The State of Goiás filed a lawsuit against Taurus due to alleged breach of contract derived from the sale by Taurus of 2,500 firearms manufactured by it, model pistol PT 24/7 PRO D, in the total amount of R$ 4,873,249.21 (four million, eight hundred seventy-three thousand, two hundred forty-nine reais and twenty-one centavos), firearms allegedly defective and that these defects would have not been solved by Taurus.

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

Taurus will adopt all the measures necessary to prove that the alleged defects in the firearms supplied by Taurus are unjustified and that the products traded do not have manufacturing defects. The Company believes that the risk of loss on this lawsuit is classified as possible.

24 Financial instruments

a. Derivatives

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

We summarize below our positions with derivative financial instruments:

	Consolidated		Parent company	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Derivative financial instruments liabilities	(358)	(543)	-	-
	(358)	(543)	-	-

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

					Consolidated
			09/30/2017		**12/31/2016**
Instrument	**Contracting currency referring to the notional amount**	**Notional in thousands**	**Fair value**	**Notional in thousands**	**Fair value**
Swap Fixed x Libor (i)	US Dollars - USD	**5,711**	**(358)**	**5,711**	**(543)**

Notes to the financial statements

	5,711	**(358)**	**5,711**	**(543)**

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

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

b. Fair value vs. book value

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

				Consolidated
	09/30/2017		**12/31/2016**	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**6,586**	**6,586**	26,708	26,708
Interest earning bank deposits (ii)	**-**	**-**	3,186	3,186
Accounts receivable (iii)	**166,162**	**166,162**	150,197	150,197
	172,748	**172,748**	180,091	180,091
Liabilities measured at fair value				
Forward exchange agreements and interest rate swap used for hedge operations (i)	**358**	**358**	543	543
Liabilities measured by the amortized cost				
Loans and financing (iv)	**604,793**	**473,917**	599,668	474,255
Debentures (iv)	**74,439**	**88,395**	68,444	74,276
Foreign exchange advances (iv)	**23,379**	**23,369**	28,065	24,698
Suppliers and advance from receivables (ii)	**197,794**	**197,794**	134,848	134,848
	900,405	**783,475**	831,025	708,077

				Parent company
		09/30/2017		**12/31/2016**
	Book value	**Fair value**	**Book value**	**Fair value**
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**2,622**	**2,622**	1,313	1,313
Interest earning bank deposits (ii)	-	-	-	-
Accounts receivable and other receivables (iii)	**55,775**	**55,775**	45,701	45,701
	58,397	**58,397**	47,014	47,014
Liabilities measured by the amortized cost				
Loans and financing (iv)	**475,323**	**473,917**	498,431	414,774
Debentures (iv)	**-**	**-**	68,444	74,276
Issuance of debt securities	**74,439**	**88,395**		
Foreign exchange withdrawals	**23,379**	**23,379**		
Foreign exchange advances (iv)	**-**	**-**	28,065	24,698
Suppliers and advance from receivables (ii)	**193,337**	**193,337**	131,212	131,212

Notes to the financial statements

	766,478	**779,028**	726,152	644,960

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

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

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

(v) The fair value that is determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on the date of presentation of the quarterly information. For liability convertible debt securities, the market interest rate is calculated by referring to similar liabilities that do not have the conversion option. For financial leases, the interest rate is calculated by referring to similar lease agreements.

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

25 Related parties

Balances of subsidiaries outstanding with the parent company					Effect on the result of transactions of subsidiaries with parent company				
	Current assets (ii)	**Non-current assets (credits with related parties) (iii)**	**Total assets**	**Current liabilities (i)**	**Non-current liabilities**		**Total liabilities**	**Income**	**Expense**
December 31, 2016									
Taurus Blindagens Ltda.	58	-	58	788	22,155	(iv)	22,943	-	694
Taurus Blindagens Nordeste Ltda.	86	-	86	328	18,586	(iv)	18,914	-	433
Taurus Holdings, Inc.	-	-	-	67,540	5,103	(v)	72,643	106,801	325
Taurus Investimentos Imobiliários Ltda.	265	-	265	1,107	-		1,107	-	184
Taurus Máquinas-Ferramenta Ltda.	-	18,266	18,266	-	37,101		37,101	526	-
Taurus Plásticos Ltda.	21	-	21	-	-		-	-	-
Polimetal Metalurgia e Plásticos Ltda.	8,916	-	8,916	37,989	-		37,989	97	45,812
	9,346	18,266	27,612	107,752	82,945		190,697	107,424	47,448
September 30, 2017									
Taurus Blindagens Ltda.	**71**	**-**	**71**	**945**	**17,755**	**(iv)**	**10,700**	**-**	**1,313**
Taurus Blindagens Nordeste Ltda.	**88**	**-**	**88**	**682**	**31,924**	**(iv)**	**32,607**	**-**	**1,255**
Taurus Holdings, Inc.	**13,244**	**-**	**13,244**	**65,483**	**5,103**	**(v)**	**70,586**	**348,352**	**-**
Taurus Investimentos Imobiliários Ltda.	**354**	**-**	**354**	**1,490**	**-**		**1,490**	**-**	**-**
Taurus Máquinas-Ferramenta Ltda.	**-**	**14,437**	**14,437**	**-**	**-**		**-**	**1,265**	**-**
Taurus Plásticos Ltda.	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**17,294**	**-**	**17,294**	**59,091**	**-**		**59,091**	**497**	**160,119**
	31,051	**14,437**	**45,488**	**127,691**	**54,782**		**174,474**	**350,114**	**162,687**

(i) Refers to amounts recorded under Suppliers - R$ 38,775, advance from clients, R$ 39,568 and financial loans, R$ 29,408 (2016). And for 2017, financial loans amounted to R$ 33,906. Loans are restated at 100% of the CDI (Interbank deposit certificate).

(ii) Refers to amounts recorded under Trade accounts receivable, R$ 560 and financial loans, R$ 8,828 (2016). And for 2017, financial loans amounted to R$ 16,489 and trade accounts receivable - R$ 65,080. Loans are restated at 100% of the CDI (Interbank deposit certificate).

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

(iv) Represent loan agreements with subsidiary Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda. are restated to 100% of the CDI (Interbank Deposit Certificate) in the amount of R$ 40,741 (2016) and in 2017 totals R$ 49,679.

(v) Refers to advances received from clients

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

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

The transactions carried out with related parties follow the price conditions and terms agreed between the parties.

With the capital increases, approved by the Board of Directors at the meetings held on 01.06.2016, 06.02.2016 and 06.27.2016, CBC Participações S.A., parent company of the Company, held on December 31, 2016, 91.91% of common shares and 2.51% of preferred shares, totaling 70.99% of the total capital of Taurus.

As of September 30, 2017, the operations involving Forjas Taurus S.A. and CBC mainly refer to sale of firearms to be traded and the purchase of ammunition. The amount of these operations is shown below:

Companhia Brasileira de Cartuchos	**Current assets**	**Current liabilities**	**Income**	**Expense**
December 31, 2016	-	25,023	61,769	25,071
September 30, 2017	4,710	54,929	67,958	29,292

Directors' fees and Board Members

As of September 30, 2017 and 2016, the Directors' fees include salaries, fees and benefits:

	Consolidated		**Parent company**	
	2017	2016	**2017**	2016
Salaries and benefits of statutory directors	**2,211**	1,477	**2,211**	1,477
Remuneration and benefits of the Board of Directors	**298**	150	**298**	150
Remuneration and benefits of the Tax Council	**284**	227	**284**	227
Total	**2,793**	1,854	**2,793**	1,854

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

Operations of directors and board members

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

Sureties among related parties

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

	2017	**2016**
Polimetal Metalurgia e Plásticos Ltda.	-	42,023

Forjas Taurus S.A.	**552,196**	95,934
Taurus Holdings, Inc.	**119,983**	-
Taurus Blindagens Ltda	**6,319**	494,807
	678,498	632,764

26 Shareholders' equity / Unsecured liability (parent company)

a) Capital

In the first nine months of 2017, there were new exercises of subscription bonus, resulting in a capital increase in the amount of R$ 10,511,814.52 (ten million, five hundred and eleven thousand, eight hundred fourteen reais and fifty-two cents), upon issuance of 6,409,643 (six million, four hundred and nine thousand, six hundred and forty-three) new shares, of which 1,802,855 (one million, eight hundred and two thousand, eight hundred and fifty-five) common shares and 4,606,788 (four million, six hundred and six thousand, seven hundred and eighty-eight) preferred shares, all at issue price of R$1.64 (one real and sixty-four cents) per share, as result of the exercise of 1,802,855 (one million, eight hundred and two thousand, eight hundred and fifty-five) subscription bonus class 1 and 4,606,788 (four million, six hundred and six thousand, seven hundred and eighty-eight) subscription bonus class 2, all issued in the context of the capital increase of the Company homologated on September 29, 2015.

As of September 30, 2017, the Company’s capital amounted to R$ 404,488,840.61 (four hundred four million, four hundred eighty-eight thousand, eight hundred forty and sixty-one centavos), represented by 64,688,212 (sixty-four million, six hundred eight-eight thousand and two hundred twelve) shares, of which 46,445,314 (forty-six million, four hundred forty-five thousand and three hundred fourteen) are common shares and 18,242,898 (eighteen million, two hundred forty-two thousand and eight hundred ninety-eight) are preferred shares, all nominative, book-entry and with no par value.

Subscription bonus

Subscription bonus issued in the context of the capital increase homologated at Special Shareholders’ Meeting held on September 29, 2015 had their maturity on 01.30.2017. Accordingly, the 8,618 subscription bonus class 1 and 55,628 subscription bonus class 2 issued and not exercised were canceled.

Preferred shares

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

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

(i) Transformation, Take-over, Merger or Spin-off of the Company;

(ii) approval of agreements entered into between the Company and its Controlling Shareholder, as defined in Level 2 Regulation, directly of by means of third parties, as well as other companies in which the Controlling

Notes to the financial statements

Shareholder holds interests, whenever, pursuant to law or statutory provision, such matters should be submitted to the General Meeting;

(iii) appraisal of assets earmarked for the capital increase subscription of the Company;

(iv) choice of a specialized company for determination of the Company's Economic Value; under Chapter VII hereof; and

(v) change or revocation of statutory provisions which change or modify any of the requirements established in item 4.1 Regulations of the Level 2, excepting that this voting right shall prevail only while the Contract of Participation of Level 2 Corporate Governance is in force.

Authorized shares (in thousands of shares)

	09/30/2017	09/30/2016
Common shares	**51,851**	51,851
Preferred shares	**103,702**	103,702
	155,553	155,553

Shares issued and fully paid-in

	Common		Preferred	
	Amount in thousands	Amount in R$ thousand	Amount in thousands	Amount in R$ thousand
September 30, 2016				
Com.shares R$1.78 - Pref.shares R$1.77*				
September 30, 2017	44,642	73,660	13,636	23,863
Com.shares R$2.12 - Pref.shares R$2.54*	**46,445**	**98,464**	**18,243**	**46,337**

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

b) Equity valuation adjustments

Deemed cost

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

Fair value of property investments

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

Accumulated translation adjustments

Accumulated translation adjustments include all foreign currency differences deriving from the translation of quarterly information of foreign operations.

c) Earnings per share

Basic earnings per share	**09/30/2017**	09/30/2016
Loss attributable to shareholders (in thousands of R$)	**(50,391)**	(44,152)
Balance of shares at the end of the year	**64,688,212**	58,278,569
Total shares	**64,688,212**	58,278,569
Earnings per share - Basic (in R$)	**(0.77898)**	(0.75760)

Diluted earnings per share	**09/30/2017**	09/30/2016
Loss attributable to shareholders (in thousands of R$)	**(50,391)**	(44,152)
Balance of shares at the end of the year	**64,688,212**	58,278,569
Bonus effect on share subscription*	-	65,646
Total shares considered	**64,688,212**	58,344,215
Earnings per share considering the bonus and diluted effect in R$	**(0.77898)**	(0.75675)

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

d) Capital transactions

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

27 Net operating income

Sale of assets

Operating income is recognized when:

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

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

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

Sales taxes

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

Notes to the financial statements

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

	Consolidated		**Parent company**	
	09/30/2017	**09/30/2016**	**09/30/2017**	**09/30/2016**
Sales of goods	**700,029**	703,905	**475,359**	367,054
Sales tax	**(79,488)**	(81,513)	**(28,900)**	(27,637)
Refunds and rebates	**(15,486)**	(15,607)	**(11,937)**	(5,381)
Total net operating revenue	**605,055**	606,785	**434,522**	334,036

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

Notes to the financial statements

Forjas Taurus S.A..
Quarterly information
September 30, 2017

28 Expenses per type

	Consolidated		Parent company	
	09/30/2017	**09/30/2016**	**09/30/2017**	**09/30/2016**
Expenses according to the role				
Cost of products sold	**(466,832)**	(447,981)	**(345,170)**	(288,618)
Sales expenses	**(82,481)**	(88,339)	**(30,395)**	(27,173)
General and administrative expenses	**(107,840)**	(103,338)	**(61,040)**	(50,863)
Other operating expenses	**(10,515)**	(40,324)	**(3,986)**	(18,750)
	(667,668)	(679,982)	**(440,591)**	(385,404)
Expenses per type				
Depreciation and amortization	**(26,367)**	(25,363)	**(5,641)**	(4,990)
Personnel expenses	**(212,375)**	(215,686)	**(64,254)**	(64,682)
Raw materials and use and consumption materials	**(212,934)**	(232,997)	**(144,346)**	(142,412)
Freight and insurance	**(27,665)**	(35,839)	**(13,183)**	(19,240)
Third party services	**(33,446)**	(24,976)	**(162,797)**	(123,920)
Advertising and publicity	**(14,327)**	(15,633)	**(2,921)**	(908)
Allowance for doubtful accounts	**(1,838)**	(3,476)	**(297)**	(2,654)
Expenses with product warranty	**(4,715)**	(4,785)	**(3,979)**	(3,198)
Water and electricity	**(13,500)**	(12,322)	**(2,540)**	(3,100)
Rentals	**(1,058)**	(6,855)	**(633)**	(1,730)
Travel and accommodation	**(4,190)**	(6,607)	**(2,571)**	
Commission expenses	**(13,718)**	(9,221)	**(426)**	2,782
Cost of write-off property, plant and equipment	**(2,900)**	(5,712)	**(215)**	(1,569)
Investment losses	-	(5,150)	-	(2,514)
Provision for contingencies	**(31,544)**	(21,383)	**(24,774)**	(8,323)
Auxiliary, conservation and maintenance materials	**(37,733)**	(29,206)	**(3,894)**	(2,530)
Other expenses	**(29,358)**	(24,771)	**(8,120)**	(3,546)
	(667,668)	(679,982)	**(440,591)**	(385,404)

29 Net financial income (loss)

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

	Consolidated		Parent company	
	09/30/2017	**09/30/2016**	**09/30/2017**	**09/30/2016**
Financial expenses				
Interest	**(63,111)**	(55,070)	**(62,126)**	(52,186)
Exchange-rate changes	**(32,199)**	(360)	**(32,339)**	-
IOF	**(1,391)**	(597)	**(968)**	(292)
Swap on financial operations	-	(9,894)	-	(9,893)
Deductible fines	**(9,393)**	-	**(9,005)**	-
Other expenses	**(8,341)**	(5,372)	**(5,401)**	(4,127)
	(114,435)	(71,293)	**(109,839)**	(66,498)
Financial income				
Interest	**1,148**	597	**1,482**	2,833
Exchange-rate changes	**46,103**	93,634	**45,210**	86,099
Swap on financial operations	-	836	-	836
Yield of interest earning bank deposit	**1,225**	-	**197**	-
Other income	**977**	1,543	**887**	93
	49,453	96,610	**47,776**	89,861
Net financial income (loss)	**(64,982)**	25,317	**(62,063)**	23,363

30 Insurance coverage

The Company adopts the policy of contracting insurance coverage for assets subject to risks to cover eventual claims, considering the nature of its activity. The adequacy of insurance coverage is determined by the Company's management, which considers it sufficient to cover any losses. In 2017, insurance coverage for the Company was as follows:

	09/30/2017	
	Consolidated	**Parent company**
Material damages	**405,792**	**80,000**
Civil liability	**197,021**	**15,000**
Loss of profit	**233,521**	**233,521**

31 Provision for product warranty

The Company quantifies and records an estimate for the costs related to the warranty, according to historical and current repair costs. The provision for product warranty ensures that the repair costs in case of replacement or repair do not affect the operating results for the periods in which these additional costs occurred. Therefore, amounts are recorded for the accrual basis of accounting. As of September 30, 2017 and December 31, 2016, the balances are shown as follow:

	Consolidated		**Parent company**	
	09/30/2017	**12/31/2016**	**09/30/2017**	**12/31/2016**
Domestic market	8,232	6,590	6,764	5,122
Foreign market	9,658	9,936	-	-
Total	17,890	16,526	6,764	5,122
Current liabilities	12,607	11,092	6,764	5,122
Non-current liabilities	5,283	5,435	-	-

Opinions and Statements / Special Review Report - Unqualified

Report on the review of quarterly information-ITR

To the Shareholders, Board Members and Directors of

Forjas Taurus S.A.

São Leopoldo - RS

Introduction

We have reviewed the interim, individual and consolidated financial information of Forjas Taurus S.A. ("Company”), contained in the Quarterly Information – ITR Form for the quarter ended September 30, 2017, which comprise the balance sheet as of September 30, 2017 and related statements of income, of comprehensive income for the 3 and 9-month periods then ended, of changes in shareholders' equity and of cash flows for the quarter then ended, including the explanatory notes.

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

Scope of the review

Our review was carried out in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim information

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim 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 issued by IASB and applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Other issues - Statements of added value

The individual and consolidated interim financial information related to statements of added value (DVA) for the six-month period ended September 30, 2017, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes, was submitted to review procedures carried out jointly with the audit of Company’s quarterly information. To form a conclusion, we evaluated whether these statements are reconciled with interim financial information and accounting records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

Porto Alegre, November 09, 2017

KPMG Auditores Independentes

CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

Opinions and Statements / Tax Council opinion or equivalent body

Fiscal council opinion

Tax Council of Forjas Taurus S.A., in compliance with legal and bylaws' provisions, reviewed information related to the third quarter of 2017. Based on this review and on information contained in the Quarterly Information Review Report, issued without qualifications by KPMG Auditores Independentes and dated November 09, 2017, in addition to information and explanations received from the Company's management, it represents that the mentioned documents are appropriate for disclosure.

São Leopoldo, November 09, 2017.

Haroldo Zago

President

Mauro César Medeiros de Mello

Board Member

Amoreti Franco Gibbon

Board Member

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

STATEMENT OF FORJAS TAURUS S.A. BOARD MEMBERS ON FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD OF 2017

Messrs. Marco Aurélio Salvany, Thiago Piovesan and Salésio Nuhs, Directors of Forjas Taurus S.A., a company with head office at Avenida São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the EIN 92.781.335/0001-02, in compliance with provisions of items V and VI of article 25 of CVM Instruction 480, of December 07, 2009, state that they have reviewed, discussed and agreed with Financial Statements of Forjas Taurus S.A. and consolidated companies for the period from January 01, 2017 to September 30, 2017.

São Leopoldo, November 09, 2017.

Marco Aurélio Salvany

CEO

Thiago Piovesan

Administrative and Financial Director Vice-President

Investor Relations Director

Salésio Nuhs

Director Vice-President of Sales and Marketing

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

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

Messrs. Marco Aurélio Salvany, Thiago Piovesan and Salésio Nuhs, Directors of Forjas Taurus S.A., a company with head office at Avenida São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the CNPJ [EIN] 92.781.335/0001-02, as provided in sections V and VI, article 25, CVM Instruction 480, dated December 07, 2009, hereby represent that they reviewed, discussed and agreed with the opinions expressed KPMG Auditores Independentes, contained in the Independent Auditors' Review Report with regard to the Financial Statements for the period from January 01, 2017 to September 30, 2017, issued on November 09, 2017.

São Leopoldo, November 09, 2017.

Marco Aurélio Salvany

CEO

Thiago Piovesan

Administrative and Financial Director Vice-President

Investor Relations Director

Salésio Nuhs

Director Vice-President of Sales and Marketing