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Company information / Composition of capital

Number of shares (Units)	Current quarter 03/31/2012
Paid-in capital	
Common	47,137,539
Preferred	94,275,078
Total	141,412,617
Treasury stock	
Common	2,827,206
Preferred	9,608,901
Total	12,436,107

Company information / Cash dividends

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

Individual financial statements / Balance sheet - Assets

(In thousands of reais)

Account code	Account description	Current quarter 03/31/2012	Prior year 12/31/2011
1	Total assets	903,547	863,369
1.01	Current assets	352,677	350,759
1.01.01	Cash and cash equivalents	29,219	12,397
1.01.01.01	Cash and banks	29,219	12,397
1.01.02	Short-term investments	87,673	58,923
1.01.02.02	Short-term investments states at amortized cost	87,673	58,923
1.01.02.02.01	Securities held to maturity	87,673	58,923
1.01.03	Accounts receivable	98,873	144,879
1.01.03.01	Trade accounts receivable	98,873	144,879
1.01.04	Inventories	76,767	86,216
1.01.06	Trade notes receivable	18,919	9,950
1.01.06.01	Taxes recoverable	18,919	9,950
1.01.07	Prepaid expenses	1,669	2,301
1.01.08	Other current assets	39,557	36,093
1.01.08.03	Other	39,557	36,093
1.01.08.03.01	Financial instruments	17,490	17,778
1.01.08.03.02	Advance on interest on equity	3,625	3,625
1.01.08.03.03	Other receivables	18,442	14,690
1.02	Non-current assets	550,870	512,610
1.02.01	Long-term receivables	71,060	64,283
1.02.01.08	Receivables from related parties	67,874	59,087
1.02.01.08.04	Receivables from other related parties	67,874	59,087
1.02.01.09	Other non-current assets	3,186	5,196
1.02.01.09.03	Taxes recoverable	1,174	3,210
1.02.01.09.04	Other	2,012	1,986
1,02,02	Investments	408,171	321,982
1.02.02.01	Investments	408,171	321,982
1.02.02.01.02	Investments in subsidiaries	407,981	321,852
1.02.02.01.04	Other investments	190	130
1.02.03	Property, plant and equipment	66,726	120,967
1.02.03.01	Property, plant and equipment in use	56,281	102,736
1.02.03.03	Construction in progress	10,445	18,231
1.02.04	Intangible assets	4,913	5,378
1.02.04.01	Intangible assets	4,913	5,378

Individual financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 03/31/2012	Prior year 12/31/2011
2	Total liabilities and equity	903,547	863,369
2.01	Current liabilities	311,328	305,697
2.01.01	Social and labor obligations	13,464	23,514
2.01.01.01	Social obligations	5,910	4,229
2.01.01.02	Labor obligations	7,554	19,285
2.01.02	Suppliers	26,560	15,823
2.01.02.01	Suppliers – domestic	25,316	14,841
2.01.02.02	Suppliers – foreign	1,244	982
2.01.03	Tax obligations	913	13,312
2.01.03.01	Federal tax obligations	856	5,402
2.01.03.01.01	Income and social contribution taxes payable	856	5,402
2.01.03.02	State tax obligations	51	7,892
2.01.03.03	Municipal tax obligations	6	18
2.01.04	Loans and financing	204,758	160,903
2.01.04.01	Loans and financing	126,366	85,112
2.01.04.01.01	In local currency	111,111	75,365
2.01.04.01.02	In foreign currency	15,255	9,747
2.01.04.02	Debentures	78,392	75,791
2.01.05	Other payables	64,130	90,680
2.01.05.02	Other	64,130	90,680
2.01.05.02.01	Dividends and interest on equity payable	14,991	15,270
2.01.05.02.04	Foreign exchange payable	23,985	39,626
2.01.05.02.05	Derivative financial instruments	8,827	19,358
2.01.05.02.06	Other payables	16,327	16,426
2.01.06	Provisions	1,503	1,465
2.01.06.01	Social security, labor and civil provisions	1,503	1,465
2.01.06.01.02	Social security and labor provisions	1,503	1,465
2.02	Non-current liabilities	257,877	232,337
2.02.01	Loans and financing	250,226	225,861
2.02.01.01	Loans and financing	200,643	176,322
2.02.01.01.01	In local currency	56,672	56,555
2.02.01.01.02	In foreign currency	143,971	119,767
2.02.01.02	Debentures	49,583	49,539
2.02.02	Other payables	4,089	4,371
2.02.02.02	Other	4,089	4,371
2.02.03	Deferred taxes	3,562	2,105
2.02.03.01	Deferred income and social contribution taxes	3,562	2,105
2.03	Equity	334,342	325,335
2.03.01	Paid-in capital	257,797	257,797
2.03.02	Capital reserves	-73,891	-73,891
2.03.02.05	Treasury stock	-32,895	-32,895
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.04	Income reserves	123,437	107,765
2.03.04.01	Legal reserve	25,718	25,718
2.03.04.08	Proposed additional dividends	469	469
2.03.04.10	Reserve for investments	97,250	81,578

Individual financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account Code	Account description	Current quarter 03/31/2012	Prior year 12/31/2011
2.03.06	Equity valuation adjustment	41,276	44,807
2.03.07	Cumulative translation adjustments	-14,277	-11,143

Individual financial statements / Income statement

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 03/31/2012	Prior year Accrued 01/01/2011 to 03/31/2011
3.01	Revenue from sale of goods and/or services	73,978	73,219
3.02	Cost of goods and/or services sold	-60,101	-59,250
3.03	Gross profit	13,877	13,969
3.04	Operating income (expenses)	1,199	-5,773
3.04.01	Selling expenses	-7,134	-8,437
3.04.02	General and administrative expenses	-7,968	-9,676
3.04.04	Other operating income	498	447
3.04.05	Other operating expenses	-1,338	-1,490
3.04.06	Equity pickup	17,141	13,383
3.05	Income before financial expenses and income taxes	15,076	8,196
3.06	Financial expenses, net	-1,480	-868
3.06.01	Financial income	44,416	6,751
3.06.02	Financial expenses	-45,896	-7,619
3.07	Income before income taxes	13,596	7,328
3.08	Income and social contribution taxes	-1,455	-191
3.08.02	Deferred charges	-1,455	-191
3.09	Net income from continuing operations	12,141	7,137
3.11	Net income for the period	12,141	7,137
3.99	Earnings per share - (Reais / share)		
3.99.01	Basic earnings per share		
3.99.01.01	ON	0.08585	0.05566
3.99.01.02	PN	0.08585	0.05566
3.99.02	Diluted earnings per share		
3.99.02.01	ON	0.08585	0.05566
3.99.02.02	PN	0.08585	0.05566

Individual financial statements / Statement of comprehensive income

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 03/31/2012	Prior year Accrued 01/01/2011 à 03/31/2011
4.01	Net income for the period	12,141	7,137
4.02	Other comprehensive income (losses)	-3,134	-2,186
4.02.01	Cumulative translation adjustments for the period	-3,134	-2,186
4.03	Comprehensive income for the period	9,007	4,951

Individual financial statements / Cash flow statement - Indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 03/31/2012	Prior year Accrued 01/01/2011 to 03/31/2011
6.01	Net cash provided by (used in) operating activities	-1,817	26,057
6.01.01	Cash from operations	-1,143	252
6.01.01.01	Net income for the year	12,141	7,137
6.01.01.02	Depreciation and amortization	2,880	3,579
6.01.01.03	Cost of permanent assets disposed of	502	627
6.01.01.04	Deferred income and social contribution taxes	1,455	191
6.01.01.05	Equity pickup	-17,141	-13,383
6.01.01.06	Provision for derivative financial instruments	288	2,084
6.01.01.07	Equity valuation adjustment write-off	0	-18
6.01.01.08	Change in investment in subsidiaries	40	35
6.01.01.09	Allowance for doubtful accounts	-42	0
6.01.01.10	Provision for interest on loans and financing	9,265	0
6.01.01.11	Swap related to financial operations	-10,531	0
6.01.02	Changes in assets and liabilities	-674	17,603
6.01.02.01	Decrease in trade accounts receivable	46,048	48,974
6.01.02.02	(Increase) in inventories	-6,079	-3,604
6.01.02.03	Decrease in other accounts receivable	-12,947	2,738
6.01.02.04	(Decrease) Increase in suppliers	10,354	-1,330
6.01.02.05	(Decrease) in accounts payable and provisions	-38,050	-29,175
6.01.03	Other	0	8,202
6.01.03.01	Receipt of profits and dividends from subsidiaries	0	8,202
6.02	Net cash used in investing activities	-11,285	-14,765
6.02.01	Receivables from related companies	-8,787	-2,078
6.02.02	Other long-term receivables	422	-241
6.02.03	In investments	-565	-430
6.02.04	In property, plant and equipment	-2,355	-11,893
6.02.05	In intangible assets	0	-123
6.03	Net cash provided by (used in) financing activities	58,674	-12,473
6.03.01	Payment of interest on equity and dividends	-279	-11,907
6.03.02	Loans raised	105,014	6,014
6.03.03	Loans repayment	-43,080	-5,620
6.03.04	Payment of interest on loans	-2,981	-960
6.05	Increase (decrease) in cash and cash equivalents	45,572	-1,181
6.05.01	Beginning balance of cash and cash equivalents	71,320	138,370
6.05.02	Ending balance of cash and cash equivalents	116,892	137,189

Individual financial statements / Statements of changes in equity - 01/01/2012 to 03/31/2012

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Options granted and Treasury stock	Income reserves	Retained earnings / accumulated losses	Other comprehensive income/losses	Equity
5.01	Opening balances	257,797	-73,891	107,765	0	33,664	325,335
5.03	Adjusted opening balances	257,797	-73,891	107,765	0	33,664	325,335
5.05	Total comprehensive income/losses	0	0	0	15,672	-6,665	9,007
5.05.01	Net income for the period	0	0	0	12,141	0	12,141
5.05.02	Other comprehensive income/losses	0	0	0	3,531	-6,665	-3,134
5.05.02.04	Cumulative translation adjustments for the period	0	0	0	0	-3,134	-3,134
5.05.02.06	Realization of equity valuation adjustment	0	0	0	3,531	-3,531	0
5.06	Changes in equity	0	0	15,672	-15,672	0	0
5.06.01	Constitution of reserves	0	0	15,672	-15,672	0	0
5.07	Closing balances	257,797	-73,891	123,437	0	26,999	334,342

Individual financial statements / Statement of changes in equity - 01/01/2011 to 03/31/2011

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Options granted and Treasury stock	Income reserves	Retained earnings/ accumulated losses	Other comprehensive income /losses	Equity
5.01	0	201,000	0	234,684	0	24,842	460,526
5.03	Adjusted opening balances	**201,000**	**0**	**234,684**	**0**	**24,842**	**460,526**
5.05	**Total comprehensive income/losses**	0	0	0	7,914	-2,934	4,980
5.05.01	Net income for the period	0	0	0	7,137	0	7,137
5.05.02	Other comprehensive income/losses	0	0	0	777	-2,934	-2,157
5.05.02.04	Cumulative translation adjustment for the period	0	0	0	0	-2,186	-2,186
5.05.02.06	Realization of equity valuation adjustment	0	0	0	777	-748	29
5.06	Changes in equity	0	0	7,914	-7,914	0	0
5.06.01	Constitution of reserves	0	0	7,914	-7,914	0	0
5.07	Ending balances	201,000	0	242,598	0	21,908	465,506

Individual financial statements / Statement of value added

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 03/31/2012	Prior year Accrued 01/01/2011 to 03/31/2011
7.01	Revenues	91,219	92,054
7.01.01	Sales of goods, products and services	90,763	91,580
7.01.02	Other revenues	498	447
7.01.04	Set up/reversal of allowance for doubtful accounts	-42	27
7.02	Inputs acquired from third parties	-62,801	-42,872
7.02.01	Cost of goods and services sold	-38,162	-20,014
7.02.02	Materials, electricity, third party services and others	-24,639	-22,858
7.03	Gross value added	28,418	49,182
7.04	Withholdings	-2,880	-3,579
7.04.01	Depreciation, amortization and depletion	-2,880	-3,579
7.05	Net value added produced	25,538	45,603
7.06	Value added received in transfer	61,557	20,134
7.06.01	Equity pickup	17,141	13,383
7.06.02	Financial income	44,416	6,751
7.07	Total value added to be distributed	87,095	65,737
7.08	Distribution of value added	87,095	65,737
7.08.01	Personnel	21,088	28,082
7.08.01.01	Direct compensation	16,447	23,186
7.08.01.02	Benefits	1,518	2,949
7.08.01.03	Unemployment compensation fund (F.G.T.S.)	3,123	1,947
7.08.02	Taxes, charges and contributions	-656	19,889
7.08.02.01	Federal	-412	14,983
7.08.02.02	State	-366	4,865
7.08.02.03	Municipal	122	41
7.08.03	Third-part capital remuneration	54,522	10,629
7.08.03.01	Interest	45,891	8,060
7.08.03.02	Rent	1,429	2,136
7.08.03.03	Other	7,202	433
7.08.04	Interest on equity	12,141	7,137
7.08.04.03	Retained profit /loss for the period	12,141	7,137

Consolidated financial statements / Balance sheet – Assets

(In thousands of reais)

Account code	Account description	Current quarter 03/31/2012	Prior year 12/31/2011
1	Total assets	1,126,927	1,114,327
1.01	Current assets	753,797	750,018
1.01.01	Cash and cash equivalents	185,980	162,226
1.01.01.01	Cash and banks	88,882	74,758
1.01.01.02	Short-term investments	97,098	87,468
1.01.03	Accounts receivable	145,118	148,881
1.01.03.01	Trade accounts receivable	145,118	148,881
1.01.04	Inventories	223,711	237,578
1.01.06	Taxes recoverable	21,864	17,141
1.01.06.01	Taxes recoverable	21,864	17,141
1.01.07	Prepaid expenses	6,839	7,154
1.01.08	Other current assets	170,285	177,038
1.01.08.02	Assets from discontinued operations	132,894	137,785
1.01.08.03	Other	37,391	39,253
1.01.08.03.01	Financial instruments	18,038	18,262
1.01.08.03.02	Advance on interest on equity	3,625	3,625
1.01.08.03.03	Other receivables	15,728	17,366
1.02	Non-current assets	373,130	364,309
1.02.01	Long-term receivables	46,653	50,587
1.02.01.06	Deferred taxes	40,374	43,767
1.02.01.06.01	Deferred income and social contribution taxes	40,374	43,767
1.02.01.08	Receivables from related parties	0	219
1.02.01.08.04	Receivables from other related parties	0	219
1.02.01.09	Other non-current assets	6,279	6,601
1.02.01.09.03	Taxes recoverable	3,300	3,553
1.02.01.09.04	Other	2,979	3,048
1.02.02	Investments	15,806	15,505
1.02.02.01	Investments	15,806	15,505
1.02.02.01.01	Investments in affiliates	15,457	15,216
1.02.02.01.04	Other investments	349	289
1.02.03	Property, plant and equipment	264,322	256,476
1.02.03.01	Property, plant and equipment in use	240,342	232,579
1.02.03.03	Construction in progress	23,980	23,897
1.02.04	Intangible assets	46,349	41,741
1.02.04.01	Intangible assets	46,349	41,741

Consolidated financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 03/31/2012	Prior year 12/31/2011
2	Total liabilities	1,126,927	1,114,327
2.01	Current liabilities	457,207	465,568
2.01.01	Social and labor obligations	20,829	28,349
2.01.01.01	Social obligations	9,000	6,552
2.01.01.02	Labor obligations	11,829	21,797
2.01.02	Suppliers	18,339	26,291
2.01.02.01	Suppliers- domestic	11,510	17,445
2.01.02.02	Suppliers – foreign	6,829	8,846
2.01.03	Tax obligations	26,165	31,159
2.01.03.01	Federal tax obligations	20,492	18,334
2.01.03.01.01	Income and social contribution taxes payable	14,173	13,187
2.01.03.01.02	Other taxes	6,319	5,147
2.01.03.02	State tax obligations	5,660	12,800
2.01.03.03	Municipal tax obligations	13	25
2.01.04	Loans and financing	220,465	174,834
2.01.04.01	Loans and financing	142,073	99,043
2.01.04.01.01	In local currency	116,229	76,398
2.01.04.01.02	In foreign currency	25,844	22,645
2.01.04.02	Debentures	78,392	75,791
2.01.05	Other payables	97,946	121,742
2.01.05.02	Other	97,946	121,742
2.01.05.02.01	Dividends and interest on equity payable	14,991	15,270
2.01.05.02.04	Derivative financial instruments	8,827	19,358
2.01.05.02.05	Foreign exchange payable	23,985	39,626
2.01.05.02.06	Advance on real estate credit	7,851	7,417
2.01.05.02.07	Other payables	42,292	40,071
2.01.06	Provisions	1,503	1,465
2.01.06.01	Social security, labor and civil provisions	1,503	1,465
2.01.06.01.02	Social security and labor provisions	1,503	1,465
2.01.07	Liabilities for non-current assets for sale and discontinued	71,960	81,728
2.01.07.02	Liabilities for assets from discontinued operations	71,960	81,728
2.02	Non-current liabilities	335,378	323,524
2.02.01	Loans and financing	296,273	282,192
2.02.01.01	Loans and financing	246,690	232,653
2.02.01.01.01	In local currency	70,588	70,782
2.02.01.01.02	In foreign currency	176,102	161,871
2.02.01.02	Debentures	49,583	49,539
2.02.02	Other payables	32,463	35,220

2.02.02.01	Payables to related parties	0	219
2.02.02.01.04	Payables to other related parties	0	219
2.02.02.02	Other	32,463	35,001
2.02.02.02.03	Advance on real estate credit	26,555	28,710
2.02.02.02.04	Provision for tax contingencies	2,796	2,796
2.02.02.02.05	Other payables	3,112	3,495
2.02.03	Deferred taxes	6,642	6,112

Consolidated financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 03/31/2012	Prior year 12/31/2011
2.02.03.01	Deferred income and social contribution taxes	6,642	6,112
2.03	Consolidated equity	334,342	325,235
2.03.01	Paid-in capital	257,797	257,797
2.03.02	Capital reserves	-73,891	-73,891
2.03.02.05	Treasury stock	-32,895	-32,895
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.04	Income reserves	123,437	107,765
2.03.04.01	Legal reserve	25,718	25,718
2.03.04.06	Special reserve for undistributed dividends	469	469
2.03.04.10	Reserve for investments	97,250	81,578
2.03.06	Equity valuation adjustments	41,276	44,807
2.03.07	Cumulative translation adjustments	-14,277	-11,143
2.03.09	Non-controlling shareholders	0	-100

Consolidated financial statements / Income statement

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 03/31/2012	Prior year Accrued 01/01/2011 to 03/31/2011
3.01	Revenue from sale of goods and/or services	178,364	164,557
3.02	Cost of goods and/or services sold	-112,215	-104,434
3.03	Gross profit	66,149	60,123
3.04	Operating expenses	-35,783	-40,241
3.04.01	Selling expenses	-21,368	-21,693
3.04.02	General and administrative expenses	-14,008	-17,464
3.04.04	Other operating income	1,395	1,149
3.04.05	Other operating expenses	-2,251	-2,685
3.04.06	Equity pickup	449	452
3.05	Income before financial expenses and taxes	30,366	19,882
3.06	Financial expenses, net	-1,936	-4,071
3.06.01	Financial income	46,589	8,035
3.06.02	Financial expenses	-48,525	-12,106
3.07	Income before income taxes	28,430	15,811
3.08	Income and social contribution taxes	-11,123	-8,665
3.08.01	Current	-6,712	-4,766
3.08.02	Deferred	-4,411	-3,899
3.09	Net income from continuing operations	17,307	7,146
3.10	Loss from discontinued operations	-5,166	0
3.11	Consolidated net income for the period	12,141	7,146
3.11.01	Attributed to controlling shareholders	12,141	7,137
3.11.02	Attributed to non-controlling shareholders	0	9
3.99	Earnings per share - (Reais /share)		
3.99.01	Basic earnings per share		
3.99.01.01	ON	0.08585	0.05566
3.99.01.02	PN	0.08585	0.05566
3.99.02	Diluted earnings per share		
3.99.02.01	ON	0.08585	0.05566
3.99.02.02	PN	0.08585	0.05566

Consolidated financial statements / Statement of comprehensive income

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 03/31/2012	Prior year Accrued 01/01/2011 to 03/31/2011
4.01	Consolidated net income for the period	12,141	7,137
4.02	Other comprehensive losses	-3,131	-2,186
4.02.01	Cumulative translation adjustment for the period	-3,131	-2,186
4.03	Consolidated comprehensive income for the period	9,010	4,951
4.03.01	Attributed to controlling shareholders	9,010	4,944
4.03.02	Attributed to non-controlling shareholders	0	7

Consolidated financial statements / Cash flow statement - Indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2012 to 03/31/2012	Prior year Accrued 01/01/2011 to 03/31/2011
6.01	Net cash provided by (used in) operating activities	-3,511	50,491
6.01.01	Cash from operations	24,402	30,014
6.01.01.01	Net income for the year	12,141	7,137
6.01.01.02	Depreciation and amortization	7,555	7,273
6.01.01.03	Allowance for doubtful accounts	1,153	-461
6.01.01.04	Deferred income and social contribution taxes	4,411	3,899
6.01.01.05	Equity pickup	-449	-452
6.01.01.07	Provision for interest on loans and financing	8,256	7,877
6.01.01.08	Provision for derivative financial instruments	224	2,084
6.01.01.09	Non-controlling shareholders	100	9
6.01.01.10	Equity valuation adjustment write-off and realization	0	29
6.01.01.11	Swap related to financial operations	-10,531	0
6.01.01.12	Cost of permanent assets disposed of	318	1,200
6.01.01.13	Provision for interest on real estate credit	1,224	1,419
6.01.02	Changes in assets and liabilities	-28,502	19,924
6.01.02.01	(Increase) decrease in trade accounts receivable	2,610	44,647
6.01.02.02	(Increase) decrease in inventories	13,867	3,413
6.01.02.03	Decrease (increase) in other accounts receivable	-5,871	2,850
6.01.02.04	(Decrease) increase in suppliers	-8,335	-5,827
6.01.02.05	Increase (decrease) in accounts payable and provisions	-25,896	-25,159
6.01.02.07	Assets held for sale	-4,877	0
6.01.03	Other	589	553
6.01.03.01	Profits and dividends received from subsidiaries	589	553
6.02	Net cash used in investing activities	-20,748	-14,413
6.02.01	Receivables from related companies	219	0
6.02.02	Other receivables	322	-88
6.02.03	In investments	-60	0
6.02.04	In property, plant and equipment	-16,159	-13,976
6.02.05	In intangible assets	-5,070	-349
6.03	Net cash provided by (used in)financing activities	48,013	-17,354
6.03.02	Payment of interest on equity and dividends	-279	-11,907
6.03.03	Loans	109,017	14,470
6.03.04	Loan repayment	-52,142	-14,955
6.03.05	Payment of interest on loans	-5,419	-2,088
6.03.07	Taxes and charges payable	0	-44
6.03.09	Real estate credit	-1,710	-1,400
6.03.10	Payables to related companies	-219	-11
6.03.11	Interest paid on real estate credit	-1,235	-1,419
6.05	Increase (decrease) in cash and cash equivalents	23,754	18,724
6.05.01	Opening cash and cash equivalents balance	162,226	188,674
6.05.02	Closing cash and cash equivalents balance	185,980	207,398

Consolidated financial statements / Statement of changes in equity - 01/01/2012 to 03/31/2012

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Granted options and Treasury stock	Income reserves	Retained earnings accumulated losses	Other comprehensive income /losses	Equity	Non-controlling interest	Consolidated equity
5.01	Opening balances	257,797	-73,891	107,765	0	33,664	325,335	-100	325,235
5.03	Adjusted opening balances	257,797	-73,891	107,765	0	33,664	325,335	-100	325,235
5.04	Capital transactions with shareholders	0	0	0	0	0	0	100	100
5.04.08	Non-controlling shareholders	0	0	0	0	0	0	100	100
5.05	Total comprehensive income /loss	0	0	0	15,672	-6,665	9,007	0	9,007
5.05.01	Net income for the period	0	0	0	12,141	0	12,141	0	12,141
5.05.02	Other comprehensive income/losses	0	0	0	3,531	-6,665	-3,134	0	-3,134
5.05.02.04	Cumulative translation adjustments for the period	0	0	0	0	-3,134	-3,134	0	-3,134
5.05.02.06	Equity valuation adjustment realization	0	0	0	3,531	-3,531	0	0	0
5,06	Changes in equity	0	0	15,672	-15,672	0	0	0	0
5.06.01	Constitution of reserves	0	0	15,672	-15,672	0	0	0	0
5.07	Closing balances	257,797	-73,891	123,437	0	26,999	334,342	0	334,342

Consolidated financial statements / Statement of changes in equity - 01/01/2011 to 03/31/2011

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, Granted options and Treasury stock	Income reserves	Retained earnings/ accumulated losses	Other comprehensive income/losses	Equity	Non-controlling shareholders	Consolidated equity
5.01	Opening balances	201,000	0	234,684	0	24,842	460,526	53	460,579
5.03	Adjusted opening balances	201,000	0	234,684	0	24,842	460,526	53	460,579
5.04	Capital transactions with shareholders	0	0	0	0	0	0	9	9
5.04.08	Capital transactions	0	0	0	0	0	0	9	9
5.05	Total comprehensive income/losses	0	0	0	7,914	-2,934	4,980	0	4,980
5.05.01	Net income for the period	0	0	0	7,137	0	7,137	0	7,137
5.05.02	Other comprehensive income/losses	0	0	0	777	-2,934	-2,157	0	-2,157
5.05.02.04	Cumulative translation adjustments for the period	0	0	0	0	-2,186	-2,186	0	-2,186
5.05.02.06	Equity valuation adjustment realization	0	0	0	777	-748	29	0	29
5.06	Changes in equity	0	0	7,914	-7,914	0	0	0	0
5.06.01	Constitution of reserves	0	0	7,914	-7,914	0	0	0	0
5.07	Closing balances	201,000	0	242,598	0	21,908	465,506	62	465,568

Consolidated financial statements / Statement of value added

(IN thousands of reais)

Account code	Account description	YTD 01/01/2012 to 03/31/2012	Prior year Accrued 01/01/2011 to 03/31/2011
7.01	Revenues	229,705	201,147
7.01.01	Sale of goods, products and services	226,174	199,527
7.01.02	Other revenues	1,395	1,149
7.01.04	Constitution/reversal of allowance for doubtful accounts	2,136	471
7.02	Inputs purchased from third parties	-121,217	-108,562
7.02.01	Cost of products, goods and services sold	-63,188	-56,896
7.02.02	Materials, electricity, third party services and other	-58,029	-51,666
7.03	Gross value added	108,488	92,585
7.04	Withholdings	-7,555	-7,273
7.04.01	Depreciation, amortization and depletion	-7,555	-7,273
7.05	Net value added produced	100,933	85,312
7.06	Value added received in transfer	41,872	8,487
7.06.01	Equity pickup	449	452
7.06.02	Financial income	46,589	8,035
7.06.03	Other	-5,166	0
7.07	Total value added to be distributed	142,805	93,799
7.08	Distribution of value added	142,805	93,799
7.08.01	Personnel	38,535	42,237
7.08.01.01	Direct compensation	30,816	35,727
7.08.01.02	Benefits	3,913	3,967
7.08.01.03	Unemployment compensation fund (F.G.T.S.)	3,806	2,543
7.08.02	taxes, charges and contributions	34,155	29,866
7.08.02.01	Federal	27,020	23,559
7.08.02.02	State	6,949	6,250
7.08.02.03	Municipal	186	57
7.08.03	Third-party capital remuneration	57,974	14,559
7.08.03.01	Interest	48,525	10,920
7.08.03.02	Rent	137	462
7.08.03.03	Other	9,312	3,177
7.08.04	Interest on equity	12,141	7,137
7.08.04.03	Retained profit / loss for the period	12,141	7,137

Quotation (05-09-12):
FJTA3 R$ 2.50
FJTA4 R$ 2.42

Number of shares:
ON 47,137,539
PN 94,275,078
Total 141,412,617

Website:
www.taurusri.com.br

Market value:
ON 117,843,848
PN 228,145,689
Total 345,989,536

Porto Alegre, May 14, 2012 - Forjas Taurus S.A. (**BM&FBOVESPA:** FJTA3, FJTA4), which operates in the **Defense and Security** industry, as the largest weapons manufacturer in Latin America and one of the largest in the world; as well as in the **Metallurgy and Plastics** industry, as a market leader in the production of motorcycle helmets, and also manufactures plastic containers, and carries out forgery, M.I.M – *Metal Injection Molding* and boiler-related activities, reports hereby its results for the 1st quarter of 2012 (1Q12). For purposes of comparison and comments about management discussion and analysis of results (MD&A), data for the 1st quarter of 2011 was reclassified ($1Q11^R$) due to assets and liabilities held for sale and discontinued operations, since disposal of subsidiary Taurus Máquinas-Ferramenta Ltda. was decided by management in September 2011. The comments on performance for 1Q12 were made in relation to pro-forma information for $1Q11^R$, although original data for 1Q11 is being presented for Quarterly Information - ITR purposes. The Company has eight plants in Brazil and one in the USA and its operating and financial information, except where indicated otherwise, is consolidated in accordance with *International Financial Reporting Standards – IFRS* and amounts are expressed in millions of reais.

FORJAS TAURUS REPORTS RESULTS FOR 1ST QUARTER 2012 (1Q12)

1 – Economic and Financial Performance

1.1 – Main Economic and Financial Indices

Consolidated amounts are expressed in millions of reais, except where otherwise indicated

					Variation %		
Ratios	**1Q12**	**1Q11**	**$1Q11^R$**	**4Q11**	**1Q12/1Q11**	**1Q12/1Q11R**	**1Q12/4Q11**
Net revenue	**178.4**	**164.6**	**155.9**	**174.3**	**8.4%**	**14.4%**	**2.3%**
Domestic market	69.8	74.4	65.8	84.3	-6.2%	6.1%	-17.2%
Foreign market	108.6	90.2	90.1	90,0	20.4%	20.5%	20.7%
Gross profit	66.1	60.1	60.67	76.7	10.1%	9.0%	-13.8%
Gross margin -%	**37.1%**	**36.5%**	**38.9%**	**44.0%**	**+ 0.6 p.p.**	**- 1.8 p.p.**	**- 6.9 p.p.**
Operating expenses	-35.8	-40.2	-37.3	-48.6	-11.1%	-4.2%	-26.4%
Operating profit (EBIT)	29.9	19.4	22.9	28.1	54.2%	30.8%	6.5%
Depreciation and amortization	7.6	7.3	6.5	7.5	3.9%	16.9%	1.3%
Net income	12.1	7.1	7.1	13.9	70.4%	70.4%	-12.9%
Net margin - %	**6,8%**	**4,3%**	**4,6%**	**8,0%**	**+ 2.5 p.p.**	**+ 2.2 p.p.**	**- 1.2 p.p.**
EBITDA *	36.5	27.5	30.1	37.1	32.7%	21,3%	-1.6%
EBITDA margin - %	**20,5%**	**16,7%**	**19,3%**	**21,3%**	**+ 3.8 p.p.**	**+ 1.2 p.p.**	**- 0.8 p.p.**
Total assets	1,126.9	1,114.3	933.1	1,112.6	1,1%	20.8%	1.3%
Equity	334.3	32.,2	430.6	325.2	2,8%	-22.4%	2.8%
Investments (CAPEX)	15.8	9.6	9.6	8.7	64,6%	64.6%	81.6%

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

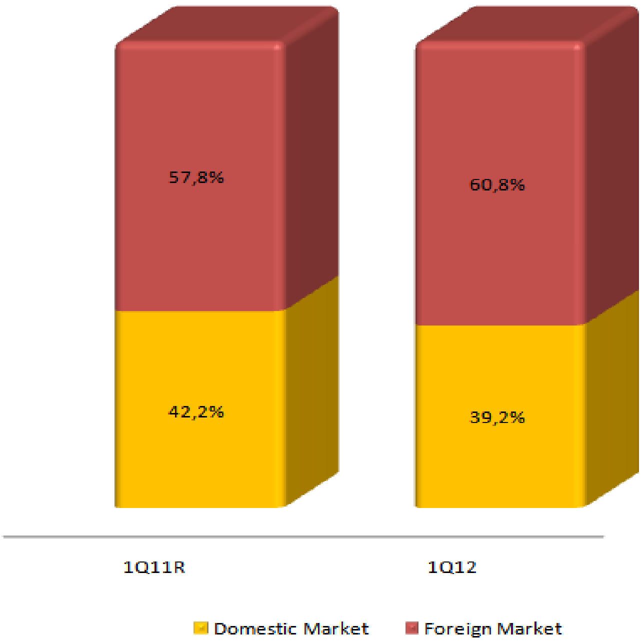
** EBITDA: Earnings before interests, tax, depreciation and amortization.*

Pro-forma: $1Q11^R$ *Data related to 1st quarter of 2011 was reclassified ($1Q11^R$) due to assets and liabilities held for sale and discontinued operations, since disposal of subsidiary Taurus Máquinas-Ferramenta Ltda was decided by management in September 2011 and was disclosed in the ITR for 3Q11.*

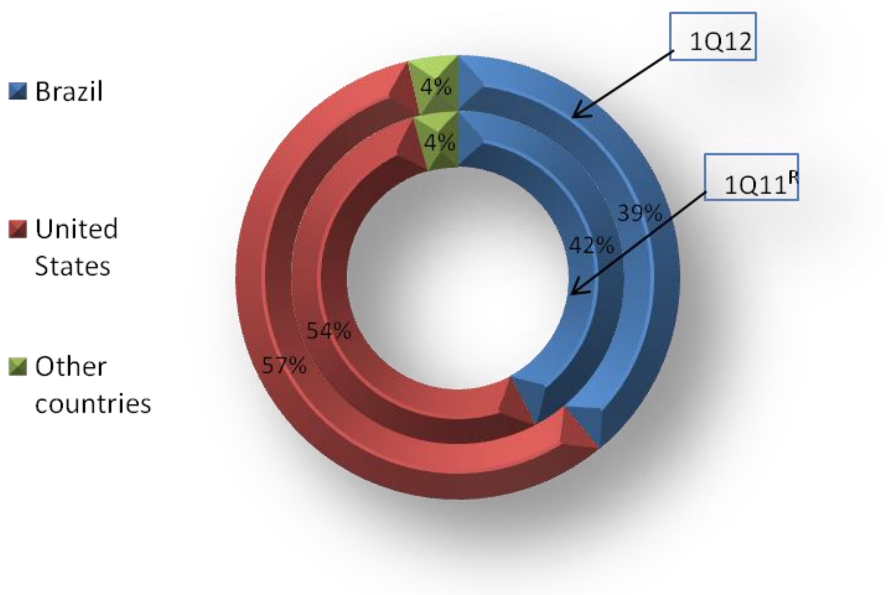
1.2 – Consolidated net revenue

Consolidated net revenue for 1Q12 totaled R$ 178.4 million, up 14.4% as compared to 1Q11[R]. This increase is explained mainly by the 20.5% increase in sales to foreign market, which correspond to 60.8% of total consolidated net revenue. Sales to the USA alone represented 57% of total sales and 94% of exports. There was consumption increase in the USA market in 2011, which continued at the beginning of 2012.

We illustrate below Company sales, in the domestic and foreign markets, expressed in millions of reais, for the quarter being analyzed:



Consolidated sales by country



1.3 – Information by business segment

The table below sets out consolidated financial highlights by business segment:

	Net revenue					Gross profit			Gross margin			Pretax income		
	1Q12		1Q11R		Var.	1Q12	1Q11R	Var.	1Q12	1Q11R	Var.	1Q12	1Q11R	Var.
Weapons	131.1	73,4%	115.6	74,2%	13,4%	43.8	43.5	0,7%	33,4%	37,6%	-5,2 p.p.	12.8	9.4	36,2%
Helmets	32.1	18,0%	28.0	18,0%	14,6%	13.8	11.1	24,3%	43,0%	39,6%	+3,4 p.p.	9.6	7.7	24,7%
Other	15.3	8,6%	12.3	7,9%	24,4%	8.5	6.1	39,3%	55,6%	49,6%	+6,0 p.p.	6.0	4.1	46,3%
Total	**178.5**		**155.9**		14,5%	**66.1**	**60.7**	8,9%	**37,0%**	**38,9%**	-1,9 p.p.	**28.4**	**21.2**	34,0%

(i) Firearms – operations carried out by Forjas Taurus S.A. and Taurus Holdings, Inc. (USA);

(ii) Motorcycle helmets – operations carried out by Taurus Blindagens Ltda., Taurus Helmets Indústria Plástica Ltda. and Taurus Blindagens Nordeste Ltda.;

(iii) Other – forgery, boiler-related, bullet-proof vests and plastic products.

Defense and Security Segment

Weapons

Weapon sales in 1Q12 represented 73.4% of total consolidated net revenue, aggregating R$ 131.1 million, up 13.4% as compared to 1Q11R (R$ 115.6 million or 74.2% of total consolidated net revenue). There was a small gross profit increase by 0.7%, with a decrease in gross margin of 5 p.p. due to the mix of products, however pretax income increased by 36% in 1Q12 as compared to 1Q11R.

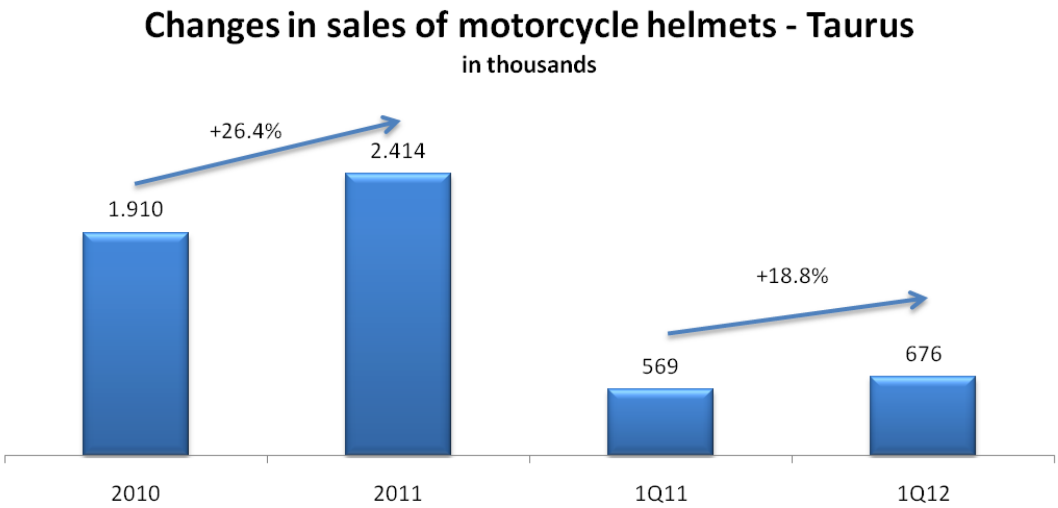
Metallurgy and Plastics Segment

(1) Motorcycle helmets

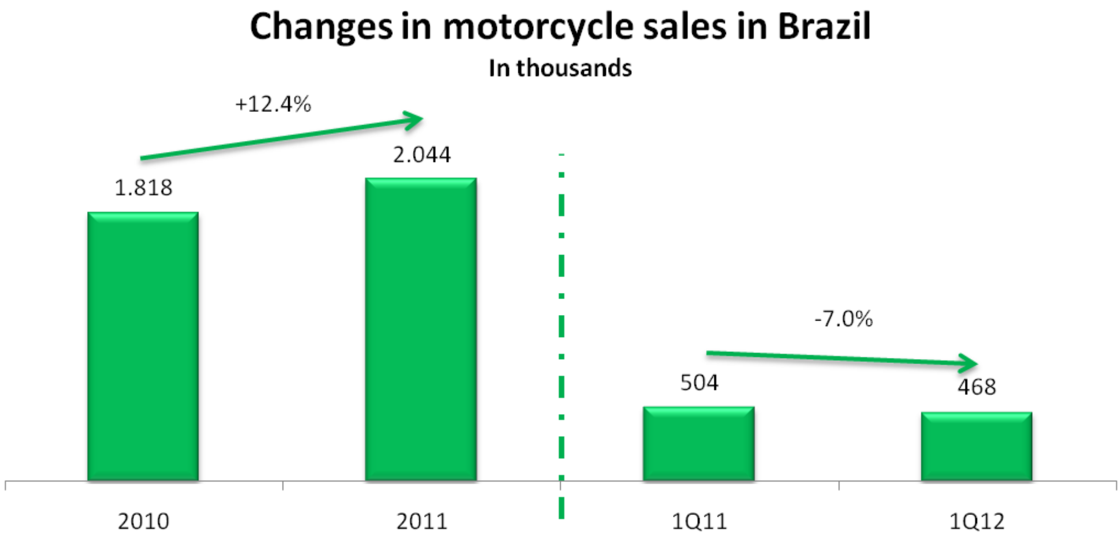
Motorcycle helmet sales represented 18% (R$ 32.1 million) of total consolidated net revenue for 1Q12, up 14.6% as compared to R$ 28 million, and unaltered 18% of total consolidated net revenue for 1Q11R.

Despite the decrease in motorcycle sales in the market in 1Q12, mainly due to increase in consumer default, thus resulting in increased restrictions to consumer credit offer, Taurus succeeded in maintaining positive helmet sales evolution, thus increasing its market share.

We set out below evolution of sales in Brazil of motorcycle helmets manufactured by Taurus, in 1Q11 and 1Q12.



Source: *Company data*



(2) Other products

Consolidated net revenue from other products aggregated R$ 15.3 million in 1Q12 or 8.6% of total consolidated net revenue (R$ 12.3 million or 7.9% of total consolidated net revenue in 1Q11[R]).

Source: *Abraciclo*

1.4 – Gross profit and gross margin

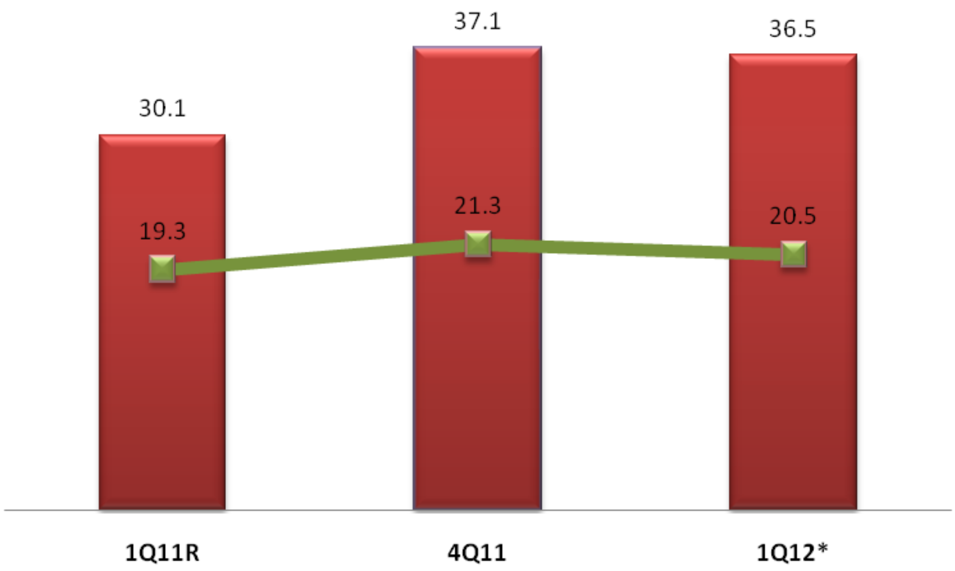
Consolidated gross profit increased 8.9%, totaling R$ 66.1 million in 1Q12, with gross margin of 37% (R$ 60.7 million in 1Q11[R] and gross margin of 38.9%). Gross profit and gross margin were mainly affected by the following factors: Positive: (1) increase in the number of motorcycle helmets sold in Brazil; (2) productivity gains mainly in the motorcycle helmet manufacturing plants with conclusion of expansion of the plant in Simões Filho (Bahia state); and (3) impact from exchange variation; and Negative (1) increase in production costs and of raw materials for weapons and motorcycle helmets, respectively.

1.5 – Operating profit - EBIT

Consolidated operating profit, measured by EBIT (earnings before interest and taxes), increased 30.8%, totaling R$ 29.9 million in 1Q12, with operating margin of 16.8% (R$ 22.9 million and operating margin of 14.7% in 1Q11[R]). EBIT was mainly affected by the 9% increase in gross profit and the 4.2% decrease in total operating expenses as compared to 1Q11[R]**.**

1.6 – EBITDA and EBITDA margin

Consolidated cash generation in 1Q12 increased 21.3% as measured by EBITDA (earnings before interest, taxes, depreciation and amortization), totaling R$ 36.5 million with EBITDA margin of 20.5% (R$ 30.1 million and EBITDA margin of 19.3% in 1Q11[R]).



1.7 – Financial expenses, net

Net financial expenses in 1Q12 totaled R$ 1.9 million, down 12.8% as compared to R$ 2.2 million in 1Q11[R]. This decrease in net financial expenses is mainly due to better foreign exchange result, which generated financial income proportionally higher than the increase in financial expenses.

The Company communicated to the market on April 3, 2012, the taking out of an international credit line, as approved by the Board of Directors' meeting held on March 29, 2012, through CVM IPE system, the taking out of a Revolving Line of Credit Facility by subsidiary Taurus Holdings, Inc. and its subsidiaries, in the amount of USD 75,000,000.00 (seventy-five million US dollars), with term of 5 (five) years and at competitive costs.

Fund raising abroad is in line with the Company's Business Plan and Budget for 2012, for the purpose of identifying loan alternatives for working capital purposes, with financial institutions in Brazil and in the USA, with more advantageous terms and costs, for capital expenditures (CAPEX), as well as to attain another target sought by management, i.e. business growth through acquisitions, especially in the USA, which has presented excellent opportunities that are being analyzed.

This operation is also part of the Company's sustainable internationalization strategy as well as to have access to global capital market.

1.8 – Net income

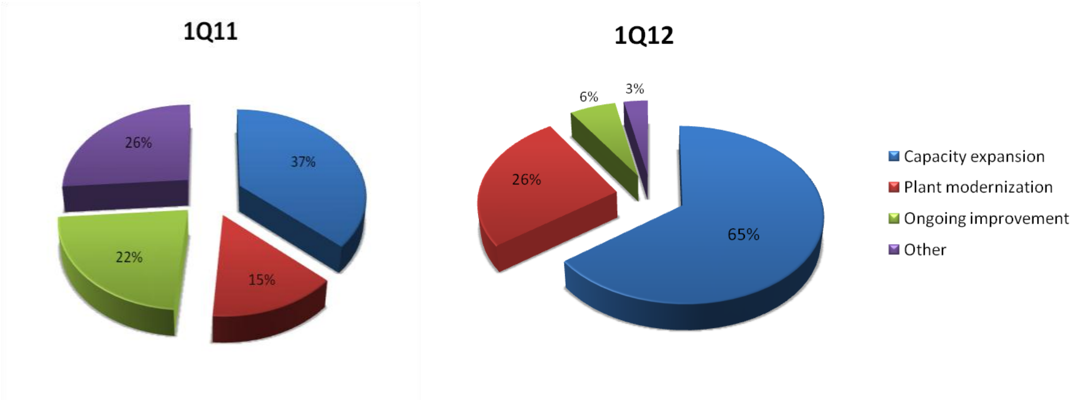
Consolidated net income for 1Q12 was up 70.4% in relation to 1Q11, totaling R$ 12.1 million (as compared to R$ 7.1 million). This market increase in consolidated net income was mainly due to the following factors: (a) increase in revenue from the defense and security as well as the metallurgy and plastics segments; (b) increase in gross profit; (c) decrease in net operating expenses; (d) profit realization on consolidated inventory; (e) exchange variation; (f) increase in financial income; and (g) increase in income before discontinued operations of Taurus Máquinas-Ferramenta Ltda., of which the impact was quite lower in relation to 4Q11 due to the measures that have been taken since the decision of discontinuing operations in September 2011.

1.9 – Consolidated investments

Consolidated investments in property, plant and equipment in 1Q12 totaled R$ 15.8 million (R$ 9.6 million in 1Q11^{R}). Depreciation and amortization totaled R$ 6.6 million in the quarter, as compared to R$ 7.2 million in 1Q11^{R}.

The Company's capital budget of R$ 79 million proposed by management for 2012 was approved by the Ordinary Shareholders' Meeting held on April 27, 2012, considering the previously announced acquisitions such as that of Steelinject in Brazil and Heritage Manufacturing INC. in the USA.

The graphs below illustrate investments in property, plant and equipment in 1Q12 and 1Q11^{R}, with the following distribution:



1.10 – Financial position

Cash and short-term investments aggregated R$ 186.0 million at March 31, 2012, up 15% as compared to R$ 162.2 million at December 31, 2011), comprising variable-interest Bank Deposit Certificates (CDB), earning 98% to 103% of CDI, taken out with first-tier banks.

Total indebtedness of Taurus companies at March 31, 2012 aggregated R$ 565.9 million, up 6% in relation to R$ 533.8 million at December 31, 2011. The funds are mainly destined to: (i) working capital; (ii) investments for plants modernization; (iii) export financing; and (iv) acquisitions.

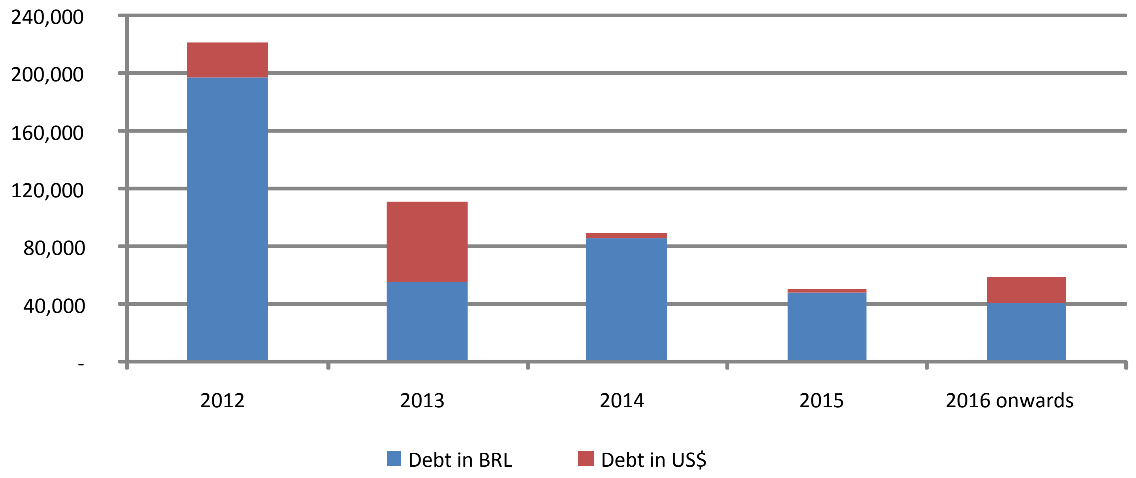
Long-term loans and financing totaled R$ 246.7 million at March 31, 2012, up 6% as compared to December 31, 2011, not yet reflecting the fund raising of USD 75 million, within 5 years at competitive costs, by Taurus International INC. in the USA.

The funds raised will be destined to working capital to be used in operations in the USA, thus allowing the parent company in Brazil to grant shorter payment terms, as well as to pay HERITAGE acquisition for USD 10 million, of which USD 9 million was paid on April 30, 2012, with the remaining USD 1 million to be paid on April 30, 2013.

Strategically, payment terms were extended at lower costs and, even with the pressure for increasing short-term indebtedness, net indebtedness at March 31, 2012, increased only 2%, thus reaching R$ 379.9 million, as compared to R$ 371.6 million at December 31, 2011.

Loans and financing maturing in 2012, in local currency and in US dollars, are part of the Company's structural working capital, with regularly renewed credit lines. It also includes the amount of first-issue debentures, which are intended to be redeemed early through negotiation with debenture holders.

Consolidated debt maturity schedule – In thousands of reais



The breakdown of financial ratios set out below includes advance on real estate credits (CRI) as well as sureties and guarantees and reflects the effects from the Company's corporate reorganization occurred in July 2011. We set out below the changes from December 2011 to March 2012 as well as the related ratios:

			In millions of reais
	12/31/2011	3/31/2012	Variation
Indebtedness - short-term	99.0	142.1	44%
Indebtedness - long term	232.7	246.7	6%
Foreign exchange payable	39.6	23.9	-40%
Debentures	125.3	128.0	2%
Advance on real estate credits	36.1	34.4	-5%
Derivatives	1.0	-9.2	
Gross indebtedness	532.7	565.9	6%
(-) Cash and short-term investments	162.2	186.0	15%
Net indebtedness	370.5	379.9	2%
EBITDA	130.8	137.2	
Net indebtedness/EBITDA	2.84x	2.77 x (1)	00.07 x
EBITDA/financial expenses, net	2.75x	2.90 x (1)	+0.15 x

2 – Discontinued operations
Taurus Máquinas-Ferramenta Ltda.

In September 2011, Company management prepared a plan for disposal of subsidiary Taurus Máquinas-Ferramenta Ltda., transaction which is scheduled to be concluded in the next 12 months.

Due to the decision of disposing of this investment, it was classified as "held for sale" and recorded in accordance with technical pronouncement IFRS 5 and CPC 31 – Non-current assets held for sale and discontinued operations.

The consolidated result of discontinued operations included in the income statement for 2011 is as under:

Loss for the year from discontinued operations [1]	03/31/12	03/31/11
Revenues	10,347	8,212
Expenses	-15,513	-13,427
Loss for the year from discontinued operations	-5,166	-5,215

(1) Including elimination of transactions carried out between Taurus Máquinas-Ferramenta Ltda. and other Group companies.

The Company continues negotiating with a potential buyer already identified in order to agree the general terms for the sale. The Company is also evaluating the form of such transaction in order to meet the interests of both parties, including optimization of corporate structure and tax costs during and after the transaction. Management does not expect to incur significant additional losses with this transaction.

3 – Capital market
Performance of shares of Forjas Taurus S.A. - Bovespa

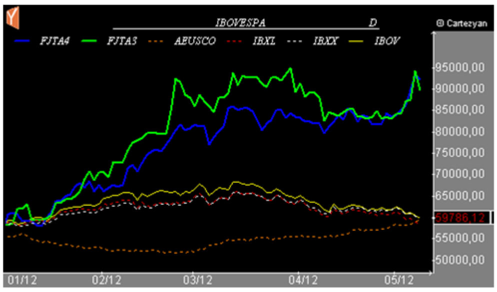
Company shares have been traded on Bovespa stock exchange since March 1982. On July 7, 2011, the Company was classified in Corporate Governance Level 2 of BM&FBovespa after a thorough review and restatement of its Charter in order to include adoption of differentiated corporate governance practices provided for Level 2.

Due to the corporate reorganization occurred in July 2011, which entailed capital increase, followed by share split and reverse split, the number of Company shares was increased to 141,412,617 shares at December 31, 2011, comprising 47,137,539 common shares, representing 33.3% equity interest and 94,275,078 preferred shares, representing the remaining 66.7% equity interest, with no further changes in the quarter ended March 31, 2012.

The table below sets out recent evolution of the main aspects related to liquidity, such as number of trade operations, financial volume and number of traded shares, as well as market value, based on certain information about shares traded on BM&FBovespa, clearly showing increase in liquidity and appreciation of Taurus shares along 2012 above the Ibovespa index:

CAPITAL PERFORMANCE — MARKETS FORJAS TAURUS S.A.

	Mon. Average Dec/11	Cumul Avarage. 2012 Jan/May/12	Cumul. Avarage 2012 Dec/11	Méd. Acum. 2011 Jaz/Dez/11	Cumul. Avarage 2011 Jan/Dec/11	Avarage 01 until 9/May/12	Avarage 01 until 9/May/11	Δ YoY
FJTA3 - 47.137.539 shares								
Stock price- R$ share	1.49	2.30	54%	2.19	5%	2.37	3.24	-27%
Trades - Amount	30,274	16,257	-46%	33,369	-51%	8,600	2,089	312%
Trades - Volume R$	49,231	36,069	-27%	67,909	-47%	20,933	9,352	124%
FJTA4 - 94.275.078 shares								
Stock price- R$ share	1.45	2.07	42%	2.20	-6%	2.28	2.31	-1%
Trades - Amount	164,926	293,754	78%	167,176	76%	535,817	64,844	726%
Trades - Volume R$	241,385	612,849	154%	378,049	62%	1,224,520	205,587	496%
Market Value FTSA - R$ thousand								
141.412.617 shares	207,256	303,304	46%	310,697	-2%	326,113	370,553	-12%
Ibovespa								
	57,664	63,539	10%	61,246	4%	61,220	63,731	-8%



FJTA3

Periodo	Max	Min	Avarage	Avarage Var. Daily	Avarage Neg.	Avarage Volume	Avarage Ammt.
jan/12	2,00	1,50	1,71	1,12	11,55	17.153	10.395
feb/12	2,52	1,85	2,15	1,35	16,71	58.991	29.800
mar/12	2,56	2,20	2,44	0,11	12,38	32.486	13.452
apr/12	2,46	2,09	2,28	(0,28)	9,60	23.983	10.265
may/12	2,54	2,25	2,37	1,36	19,17	20.933	8.600

FJTA4

Periodo	Max	Min	Avarage	Avarage Var. Daily	Avarage Neg.	Avarage Volume	Avarage Ammt.
jan/12	1,64	1,57	1,61	0,86	112	332.742	205.243
fev/12	1,93	1,87	1,90	0,96	146	643.889	335.047
mar/12	2,17	2,09	2,13	0,17	205	636.767	296.614
abr/12	2,16	2,09	2,13	0,01	93	414.260	194.055
mai/12	2,43	2,25	2,28	1,65	147	1.224.520	535.817

4 – Subsequent Events

4.1. Engagement of new Independent Auditors

In April 2012, Ernst &Young Terco Auditores Independentes S.S. was engaged by the Company as independent auditor, in accordance with the mandatory rotation of auditor, prescribed by CVM Rule No. 509/11, as approved by the Board of Directors' meeting of April 17, 2012.

4.2. International credit line

Communication to Market dated April 3, 2012, of taking out of Revolving Line of Credit Facility by subsidiary Taurus Holdings, Inc. and its subsidiaries, in the amount of USD 75,000,000.00 (seventy-five million US dollars), with term of 5 (five) years and at competitive costs.

4.3. Acquisition of Heritage Manufacturing INC. ("HERITAGE")

The Board of Directors' meeting held on April 30, 2012 unanimously approved acquisition by Taurus Holdings, Inc. ("TH"), a subsidiary of the Company, headquartered in Miami, Florida, USA, of Heritage Manufacturing, Inc. ("HERITAGE"), a US company, also located in Miami, Florida, authorizing the Executive Board of TH to prepare the necessary documents to acquire HERITAGE.

The operation was recommended by the Executive Board of TH and the Executive Board of the Company based on the analysis concluding that weapon sales have remained stable in the American market in the last few years and the acquisition of weapon manufacturing companies will allow attaining increase in market share, as well as operating in market niches. In addition, HERITAGE was subject matter of a Due Diligence review, carried out by Berkowitz Dick Pollack & Brandt, and no differences were detected in the balances previously presented.

On May 2, 2012, the Company disclosed Relevant Information to shareholders and the market in general, about acquisition by HERITAGE in Opa Locka, Florida, a company that proudly manufactures an American legend, i.e. the Single Action Revolver, for US$ 10,000,000.00 (ten million US dollars), payable in two installments, the first of US$ 9,000,000.00 on 04-30-2012 and US$ 1,000,000.00 until 04-30-2013.

The investment amount has already been provided for by capital budget 2012, recently approved by the Ordinary Shareholders' Meeting of April 27, 2012. The funds for this acquisition will derive from an international credit line taken out by the subsidiary of Taurus in the USA, with term of 5 years and at competitive cost, as per the Communication to Market dated April 3, 2012.

Heritage Manufacturing was founded in 1992 by Jay Bernkrant and his wife, Maria Diaz, and its firearms were soon acknowledged for their notable precision, quality and value. With inclusion of Rough Rider 22LR and 22 Magnum revolvers to the products portfolio, this acquisition supplements our Taurus and Rossi products, being aligned with our growth strategy through acquisitions and partnerships with companies that are also qualified to offer firearms at accessible prices.

Taurus continues making shooting sports-related investments and HERITAGE offers accessible products to our customers, including hunting, plinking and cowboy- action shooting customers for amusement purposes.

On May 3, 2012, the Company disclosed a Communication to Market in reply to BM&FBovespa GAE/CREM Official Letter No. 2065 dated 05-02-12, with a copy to CVM, informing that HERITAGE acquisition was not approved by the Company's general shareholders' meeting and, due to the considerations below, understood that approval of the referred to acquisition was not necessary in light of article 256 of Brazilian corporation law, since:

(1) in meeting the "relevant investment" criterion:

(i) Taurus Holdings, Inc. ("TH"), a wholly-owned subsidiary of the Company, headquartered in Miami, Florida, USA, acquired on 04.30.2012, 100 (one hundred) shares, representing 100% equity interest in HERITAGE, for US$10,000,000.00 (ten million US dollars) or, approximately R$19,000,000.00 (nineteen million reais);

(ii) at 12.31.2011, date of closing of the Company's financial year preceding this acquisition, Company equity amounted to R$325,200,000.00 (three hundred and twenty-five million and two hundred thousand reais); and

(iii) the Company's indirect investment in HERITAGE thus represents 5.9% of the Company's equity for the year ended 12.31.2011 and, consequently, is not relevant, on the terms of sole paragraph, article 247 of Brazilian corporation law.

(2) the acquisition price of HERITAGE, of US$100,000.00 (one hundred thousand US dollars) per share, is not in excess of 1.5 (one and a half) times the higher of the 3 (three) amounts provided for by item II, main clause of article 256 of Brazilian Corporation law, considering that:

(i) there shall not be application of the parameter of average quotation of shares on stock exchange or in the organized OTC market during the 90 (ninety) days before the contract date, considering that HERITAGE was and is a closely-held company and, therefore, with shares not traded on stock exchange;

(ii) the amount of 15 (fifteen) times annual earnings per share of HERITAGE is of US$261.825,00 (two hundred and sixty-one thousand, eight hundred and twenty-five US dollars), considering average annual earnings per share of HERITAGE for the years ended 12.31.2011 and 12.31.2010, since the unit value of earnings per share of such years was, respectively, of US$22,060.00 (twenty-two thousand and sixty US dollars) and US$12,850.00 (twelve thousand, eight hundred and fifty US dollars); and

(iii) the equity valuation report at market value of HERITAGE was not prepared, considering that item II, article 256 of Brazilian corporation law establishes a cap, i.e. one and a half times "the higher of the 3 (three) amounts", so that determination of equity amount at market value will not affect the conclusion about the need or not of convening a General Shareholders' Meeting to approve the acquisition.

Regarding the criterion established in item II, main clause of article 256 of Brazilian corporation law, we highlight that the price of acquisition of shares issued by HERITAGE (US$100,000.00 per share) could not be (as in fact it is not) in excess of US$392,737.50 per share (amount that represents one and a half times the amount of fifteen times annual earnings per share of HERITAGE, according to article 256, II, "C" of Brazilian corporation law). As such, even if the amount of equity of HERITAGE were determined at market value, according to article 256, II, "B" of Brazilian corporation law, there would not be any resulting effect, since: this amount is higher than the amount of annual earnings per share, the limit provided for by the referred to item II would only increase; and, since this amount is lower, the amount to be used would continue being annual earnings per share (for being the higher of the amounts).

5 – 2012 Guidance

Based on growth projections for the two main business segments defined by the Company in the **Defense and Security and Metallurgy and Plastics areas**, there was no change to date in relation to estimates at the end of 2011, except for the acquisition abroad communicated on May 2, 2012 as subsequent event, which confirms 2012 guidance:

Consolidated net revenue will be in excess of R$ 700 million, owing to the contribution of HERITAGE to the subsidiary in Miami, Florida, as detailed below, as regards the main effects on Company businesses;

EBITDA will be in excess of R$ 150 million owing to revenue increase prospects and the acquisitions made to date;

Investments (CAPEX) will aggregate approximately R$ 79 million including the operations in the USA and the acquisitions already made in 2012;

We will give continuity to the growth strategy, analyzing opportunities for acquisition that may arise along the year; and

The main effects from HERITAGE acquisition on the Company business are as follows:

- ✓ Expansion of the Company's portfolio of products and marks, considering the existing ones like Taurus and Rossi, and a market niche that it still not explored in the USA, combining quality and accessible products, allowing market share increase in the shooting sports segment;
- ✓ Heritage operates with a line of products created based on American tradition in the their far west mountains, denominated Rough Rider, which inspired the models and marks of single action revolvers; caliber 22 guns, as well as the line of

accessories and ideal products for collectors, hunters or for the hobby, plinking or Cowboys Action-Shooting practice;

- ✓ Increased focus on the increase of sales in the US market, which currently represent 70% of the Company's weapon sales;
- ✓ Expansion of current installed capacity in the USA, with plans for expansion of production capacity of Heritage by 50% in the next 3 years;
- ✓ Heritage's production lines will be transferred to the current plant of Taurus in Miami, Florida, which will facilitate attainment of synergy gains and cost reduction;
- ✓ The investment in the acquisition represents less than 10% of the indirect controlling company's equity, therefore it is not considered a relevant acquisition under Brazilian legislation, as already explained in the Communication to Market dated May 3, 2012, in reply to Official Letter GAE/CREM 2065/12;
- ✓ Heritage will become a wholly-owned subsidiary of subsidiary Taurus International INC, an unlisted company, whose P&L will be consolidated by Forjas Taurus S.A., located in Brazil and listed at Level 2 of BM&FBovespa, with a marginal contribution to net income and profitability increase;
- ✓ Net revenue of Heritage represents more than 5% of consolidated net revenue in the USA of Taurus International INC, of approximately US$ 180.5 million in 2011;
- ✓ The acquisition will contribute to increase growth of Taurus in the North American market (USA, Canada and Mexico), since the estimated 10% increase in net revenue in 2012 for these markets did not consider operating activities of Heritage; and
- ✓ The funds for this acquisition had already been provided for and will derive from an international credit line taken out by the subsidiary of Taurus in the USA, with term of 5 years and at competitive cost, according to the Communication to Market dated April 3, 2012.

Notes to quarterly information

1. Operations

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

At March 31, 2012, the Company and its subsidiaries operated with eight industrial plants, five of which are located in the State of Rio Grande do Sul, one in the State of Paraná, one in the state of Bahia and one located in the United States of America.

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

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

2. The Company’s entities

		Investment interest	
	Country	**03-31-2012**	**12-31-2011**
Taurus Blindagens Ltda.*	Brazil	**100.00%**	100.00%
Taurus Blindagens Nordeste Ltda.*	Brazil	**99.86%**	99.86%
Taurus Holdings, Inc.	United States	**100.00%**	100.00%
Taurus Security Ltda.	Brazil	**100.00%**	60.00%
Taurus Máquinas-Ferramenta Ltda. (a)	Brazil	**99.98%**	99.98%
Taurus Investimentos Imobiliários Ltda.*	Brazil	**99.96%**	99.96%
Famastil Taurus Ferramentas S.A.**	Brazil	**35.00%**	35.00%
Taurus Helmets Indústria Plástica Ltda.	Brazil	**99.86%**	99.86%
Polimetal Metalurgia e Plásticos Ltda. (b)	Brazil	**100.00%**	100.00%
Steelinject – Injeção de Aços Ltda.	Brazil	**100.00%**	-

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

(**) Not consolidated.

Notes to quarterly information

a) Investments available for sale

The Company has investment in its subsidiary Taurus Máquinas-Ferramenta Ltda. (“Taurus Máquinas”), which produces industrial machinery in Gravataí – Rio Grande do Sul State. In September 2011, Management decided to implement a variety of actions aimed at selling the investment in the subsidiary Taurus Máquinas; these actions included engaging specialized consultants, and also negotiating with interested third parties. These actions are characterized as representing a firm commitment to sell the investment with prospects of concluding it within 12 months.

b) Corporate restructuring

On July 4, 2011, the date of the first Board of Directors’ Meeting with members elected during the Extraordinary General Meeting and the Company’s Special Preferred Shareholders Meeting, held on May 27, 2011, Company management approved the corporate restructuring involving the subsidiary Polimetal Metalurgia e Plásticos Ltda. (“Restructuring”) and the Company determined the implementation thereof as follows:

(i) the incorporation of all of the shares issued by the Company to the equity of Polimetal Metalurgia e Plásticos Ltda. (“Polimetal”), in accordance with the terms of articles 252 and 264 of Law No. 6404/76, which permits the temporary migration of the non-controlling shareholders from the Company to Polimetal;

(ii) the redemption of shares issued by the Company, in order to increase the existing income reserves, without reducing capital, in accordance with the terms of article 44 of Law No. 6404/76, for the amount of R$ 165 million, to settle the debt registered in the balance sheet of Polimetal;

(iii) the subsequent incorporation of all of the shares issued by Polimetal to the equity of the Company, with the definitive conversion of Polimetal into a wholly-owned subsidiary, in accordance with the terms of articles 252 to 264 of Law No. 6404/76, which permitted the return of the share base to the Company; and

(iv) the segmentation of the activities undertaken by the Company into the Taurus segment and the Polimetal segment, to be implemented by means of a future capital increase of Polimetal, by means of a contribution, by the Company, of assets and equity interests that refer to the Polimetal segment, and also the incorporation of other companies operating in the Polimetal segment, currently controlled by the Company.

2. The Company's entities (Continued)

b) Corporate restructuring (Continued)

The Restructuring was fully implemented with the total transfer, to Polimetal, of the activities involving the manufacture and commercialization of the business for forged and machined parts in general, metal injection (*MIM technology - Metal Injection Molding*), thermal treatment of metals, manufacture of helmets and accessories for motorbike riders, bullet proof jackets, plastic containers and manual tools and other activities not exclusively related to weapons manufacture ("Polimetal Segment"), which occurred in December 2011 and January, 2012.

Company management considered the following assumptions for the Restructuring: (i) preservation of the registers, certificates, authorizations and licenses for the manufacture, use, import, export, customs clearance, traffic and trade of products and activities that refer to the manufacture and trade in arms, in accordance with the terms of Decree No. 3665, of November 20, 2000; (ii) maintain and benefit from the accumulated balances of income and social contribution tax losses registered by Polimetal; (iii) liquidation of the indebtedness registered in the balance sheet of Polimetal; (iv) the fair and proportional counterpart for the redemption of the shares to all of the non-controlling shareholders of the Company; (v) use of a control chain element to develop operating activities.

With the implementation of the Restructuring and the application of the effects from share split and subsequent reverse split, the Company's capital is now divided into 141,412,617 (one hundred and forty-one million, four hundred and twelve thousand, six hundred and seventeen) shares, being 47,137,539 (forty-seven million, one hundred and thirty-seven thousand, five hundred and thirty-nine) ordinary shares and 94,275,078 (ninety-four million, two hundred and seventy-five thousand and seventy-eight) preferred shares.

Non-controlling, dissident shareholders, opted for the right of withdrawal provided in Law No. 6404/76, and the Company registered the acquisition of the shares in treasury of 9,965,702 ordinary and preferred shares, amounting to R$ 32,895.

The changes in the investment interests in the subsidiary Polimetal and in the Company were registered as capital transactions for the amount of R$ 40,996. The carrying values of the controlling shareholders and non-controlling shareholders were adjusted to reflect the changes in their investment interests in the Company, and the differences between the fair value of the payment made and received, was recognized directly in equity attributable to the owners of the Company.

2. The Company's entities (Continued)

b) Corporate restructuring (Continued)

As a result of the operation, goodwill was incorporated based on expected future profitability of the operating activities of the Taurus Group generated prior to January 01, 2009. The Company opted not to restate and reassess the carrying values for the business combinations prior to January 01, 2009, upon first time adoption of the International Financial Reporting Standards (IFRS), and consequently, the goodwill refers to the amount recognized based on accounting practices previously adopted. All of the economic bases that gave rise to the goodwill continue to be valid and the recoverability of the goodwill was tested as detailed in Note 17.

c) Acquisition of Steelinject Injeção de Aços Ltda.

According to the relevant information disclosed on October 13, 2011, the Company was carrying out negotiations with Lupatech S.A., a Brazilian listed company (LUPA3), headquartered in Caxias do Sul – Rio Grande do Sul State, for the acquisition of the division Steelinject Injeção de Aços Ltda., supplementing its portfolio of products obtained through the M.I.M. (*Metal Injection Molding*) process.

After carrying out a due diligence review and approval by the Company's Board of Directors, on January 1, 2012, the transaction was carried out for R$ 14,000, paid in five monthly installments of R$ 2,800. Under the purchase and sale agreement entered into by the parties, the controlling interest in this Company was transferred to Forjas Taurus S.A. as from January 1, 2012, date of effective conclusion of the business with transfer of units of interest in this company.

On March 31, 2012, the work of the specialist appraisers engaged to determine the fair value of assets acquired and liabilities assumed on the acquisition, including the computation and allocation of goodwill, had not been concluded.

The total amount of the operation aggregated R$ 14,000, with recording of goodwill of R$ 4,338. The Company has up to one year (measurement period) to adjust the provisional amounts initially recorded, as of the acquisition date, on a retrospective basis as information necessary to measure the fair value of assets and liabilities is obtained, as provided for by CPC 15 and IFRS 3.

2. The Company's entities (Continued)

c) Acquisition of Steelinject Injeção de Aços Ltda.(Continued)

The initial evaluation by Company management indicates that there will be a difference between fair value and book value presented in the balance sheet of Steelinject as of the acquisition date, mainly in the group of property, plant and equipment. We set out below the summary computation of provisional goodwill, considering the balance sheet of Steelinject before the fair value adjustments at December 31, 2011.

Property, plant and equipment	5,899
Other assets	4,976
Liabilities	(1,213)
Total identifiable assets, net	9,662
(-) Consideration amount	(14,000)
Goodwill paid (Note 15)	(4,338)

3. Basis for preparation

a) Statement of compliance (with International Financial Reporting Standards - IFRS and Brazilian FASB – CPC rules)

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

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

However, there is no difference between the consolidated equity and results and the equity and results reported by the Company in its individual financial statements. Thus, the consolidated financial statements and the Company's individual financial statements are presented side by side as one set of financial statements.

The Board of Directors authorized the publication of these individual and consolidated financial statements on May 10, 2012.

Notes to quarterly information

3. Basis of preparation (Continued)

b) Basis for measurement

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

c) Functional and reporting currency

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

d) Use of estimates and judgments

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

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

The information on uncertainties, assumptions and estimates that represent a significant risk of resulting in a material adjustment within the next financial year has been included in the following notes: 13 – deferred tax assets and liabilities, 20 – Contingences and 21 – Financial Instruments.

4. Significant accounting practices

The accounting policies described in detail below have been applied consistently for all of the periods presented in these individual and consolidated financial statements.

The accounting policies have been applied consistently by the Company's investees:

a) Basis of consolidation

(i) *Business combinations*

Acquisitions prior to January 1, 2009

As part of the transition to IFRS and CPC, the Company opted not to restate the business combinations prior to January 01, 2009. With respect to the acquisitions prior to January 01, 2009, the goodwill represents the amount recognized based on accounting practices previously adopted. These intangible assets were tested for impairment losses on the transition date, as described in Note 4e (i). No liabilities were identified that had not been registered prior to adopting the IFRS that should be adopted at the time of the transition to IFRS.

(ii) *Acquisition of investments of non-controlling shareholders*

These are registered as transactions between shareholders. Consequently, no goodwill is recognized as a result of these transactions.

(iii) *Subsidiaries*

The financial statements of the subsidiaries are included in the consolidated financial statements as from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries are aligned with the policies adopted by the Company.

In the Company's individual financial statements, the investments in subsidiaries are recognized using the equity method.

4. Significant accounting practices (Continued)

a) Basis of consolidation (Continued)

(iv) *Investment in associated companies*

An associated company is an entity in which the Company, directly or indirectly has a significant influence but not control, over the financial and operational policies. Significant influence supposedly occurs when the Company, directly or indirectly, holds between 20 and 50 per cent of the voting power in the other company.

Investments in associated companies are accounted for using the equity method and are initially recognized at cost. The Company's investment includes the goodwill identified upon acquisition, net of any accumulated impairment losses (the goodwill in the associated company is not registered and tested for impairment separately).The consolidated financial statements include income and expenses and equity variations in the associated company, after making the adjustments to align the accounting practices with those of the Company, as from the date the significant influence began until the date it ended. When the Company's interest in the losses of an investee whose equity has been registered exceeds its shareholding interest in this company stated using the equity method, the book value of this interest, including any long term investments, is reduced to zero, and recognition of additional losses is ended, except in the case where the Company has constructive obligations or has made payments in the name of the investee, when a provision is then registered for loss on investments.

(v) *Transactions eliminated on consolidation*

Intercompany balances and transactions and any income or expenses derived from intercompany transactions, are eliminated for purposes of preparing the consolidated financial statements. Unrealized gains derived from transactions with investees registered using the equity method are eliminated against the investment in the proportion to the Company's interest in investee. Unrealized losses are eliminated in the same way as the unrealized gains, but only to the extent that there is no evidence of impairment of the asset.

Notes to quarterly information

4. Significant accounting practices (Continued)

a) Basis of consolidation (Continued)

(v) *Transaction eliminated on consolidation* (Continued)

Despite the significant influence in the economic and operating activities, the financial statements of Famastil Taurus Ferramentas S.A. were not consolidated since the parent company did not comply with the specific criteria of CPC 18 and IAS 28 for recognition of the joint control of this company.

b) Foreign currency

(i) *Transactions in foreign currency*

Transactions in foreign currency are translated to the functional currencies of the Company's entities at the exchange rate on the dates of each transaction. 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. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting period end date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair values are retranslated to the functional currency at the exchange rate on the date that the fair value was determined.

The foreign currency differences arising on retranslation are recognized to profit or loss. Non-monetary items that are measured in terms of historic costs in foreign currency are translated at the exchange rate on the transaction date.

(ii) *Foreign operations*

Assets and liabilities from foreign operations, including goodwill and fair value adjustments are translated to the Real at the exchange rate on the reporting date. Income and expenses from foreign operations are translated to the Real at the exchange rate on transaction date. No operations were undertaken in hyper-inflationary economies.

4. Significant accounting practices (Continued)

b) Foreign currency (Continued)

(ii) *Foreign operations* (Continued)

Foreign currency differences are recognized to other comprehensive income, and included in equity.

Exchange gains or losses resulting from monetary items receivable or payable, from a foreign operation, whose liquidation had not been planned or anticipated to occur in the foreseeable future and whose essence is considered as being part of the net investment in the overseas operation, are recognized as other comprehensive income.

c) Financial instruments

(i) *Non-derivative financial assets*

The Company initially recognizes loans, receivables and deposits on the date of their origin. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the date of the negotiations when the Company became one of the parties to the contractual provisions.

The Company no longer recognizes a financial asset when the contractual rights from the cash flows from the asset have expired, or when the Company transfers the rights to receive the contractual cash flows from a financial asset under a transaction in which essentially all of the risks and rewards of ownership to the financial asset have been transferred. Any participation that is created or retained by the Company to financial assets is recognized as an individual asset or liability.

Financial assets and liabilities are offset and the net value reported in the balance sheet when, and only when, the Company has the legal right to offset the amounts and intends to liquidate on a net basis or to realize the asset and liquidate the liability simultaneously.

4. Significant accounting practices (Continued)

c) Financial instruments (Continued)

(i) *Non-derivative financial assets* (Continued)

The Company has the following non-derivative financial assets: cash, cash equivalents, loans and receivables.

Loans and receivables are financial assets with fixed or calculated payments that are not quoted on an active market. These assets are recognized initially at fair value plus any attributable transaction costs. After the initial recognition, the loans and receivables are stated at amortized cost using the effective interest method, less any loss from reduction to the recoverable value.

Loans and receivables include trade accounts receivable and other receivables.

(ii) *Non-derivative financial liabilities*

The Company initially recognizes debt securities issued and subordinated liabilities on the dates of their origin. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognized on the date of the negotiation on which the Company becomes a party to the contractual provisions of the instrument. The Company writes off a financial liability when its contractual obligations no longer exist, have been cancelled or have expired.

The Company has the following non-derivative financial liabilities: loans, financing, non-convertible debentures, bank overdraft limits, suppliers and other accounts payable.

These financial liabilities are initially recognized at fair value plus any attributable transaction costs. After the initial recognition, these financial liabilities are stated at amortized cost using the effective interest rate method.

4. Basis of preparation (Continued)

c) Financial instruments (Continued)

(ii) *Capital*

Common shares

Common shares are classified as equity.

Preferred shares

Preferred shares are classified as equity, since there is no forecast redemption by the shareholders at their discretion. Preferred shares do not have voting rights or differentiated dividends, but have preference in the return of capital.

Minimum compulsory dividends as defined in the Company's charter are recognized as liabilities. The balance for the remaining profit is maintained in income reserves in equity until allocation is approved in the shareholders' meeting.

Treasury stock

When capital recognized as equity is repurchased, the remuneration paid, which includes any directly attributable costs, net of any taxes, is recognized as a deduction against equity. The repurchased shares are classified as treasury stock and are reported as a deduction from total equity. When the shares in treasury are sold or subsequently reissued, the amount received is recognized as an increase in equity and the excess or deficit is transferred to retained earnings.

4. Significant accounting practices (Continued)

c) Financial instruments (Continued)

(iii) *Derivative financial instruments*

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, or if a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value at balance sheet date, and changes in fair value are recorded in P&L.

When a derivative financial instrument is not held for trading and is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

Financial assets and liabilities are compensated and the net value is presented in the balance sheet when and only when the Company has the legal right of compensating the amounts and the intention of settling on a net basis or realizing the asset and settling the liability simultaneously.

4. Significant accounting practices (Continued)

d) Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at historic purchase or construction cost, less accumulated depreciation and impairment losses, when applicable.

The Company opted to revalue its fixed assets at deemed cost at January 01, 2009. The effects of deemed cost increased the values for fixed assets and the corresponding entry was recognized in equity, net of tax effects.

The costs include expenditure that is directly attributable to the acquisition of an asset. The cost of assets constructed by the entity include the cost of materials and direct labor and any other costs to bring the assets to the location and in the conditions necessary for their intended use, the costs of dismantling and restoring the site where these assets were located and the cost of loans for qualified assets for which the start date for capitalization is January 01, 2009, or a subsequent date.

Purchased software that is integral for the functioning of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on the sale of fixed asset items are calculated by comparing the proceeds from the sale with the book value of the fixed asset item, and are recognized net to other income, to profit or loss.

4. Significant accounting practices (Continued)

d) Property, plant and equipment (Continued)

(ii) *Subsequent costs*

The replacement cost of a fixed asset item is recognized at the book value of the item if it is probable that the economic benefits incorporated to the component will flow to the Company and that the cost can be reliably measured. The book value of a component that has been replaced by another is written off. The day-to-day maintenance costs of property plant and equipment are recognized to profit or loss as incurred.

(iii) *Depreciation*

Depreciation is calculated on the depreciable values, which is the cost of an asset.

Depreciation is recognized to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, since this method best reflects the standard of usage of the future economic benefits incorporated to the asset. Land is not depreciated.

The estimated useful lives for the current and comparative years are approximately as follows:

Buildings	27 years
Machinery and equipment	15 to 20 years
Furniture and fixtures	15 years
Other components	5 to 6 years

The depreciation methods, useful lives and residual values are revised at the reporting date of the financial statements and any adjustments are recognized as changes to accounting estimates.

e) Intangible assets

(i) *Goodwill*

Goodwill that arises from the acquisition of subsidiaries is included in intangible assets. In the financial statements of the Company it is presented in the investment group.

4. Significant accounting practices (Continued)

e) Intangible assets (Continued)

(i) *Goodwill* (Continued)

When the acquisition occurred prior to January 01, 2009, the goodwill is included based on deemed cost, which represents the amount registered according to accounting practices previously adopted, adjusted for the reclassification of certain intangible assets.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. With respect to equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying value of the equity-accounted investee. No risk factors indicating the need of setting up a provision for impairment of goodwill recorded at March 31, 2012 were detected.

(ii) *Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is 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 to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs for qualified assets for which the start date for capitalization is January 01, 2009, or a subsequent date. Other development expenditure is recognized to profit or loss as incurred.

Notes to quarterly information

4. Significant accounting practices (Continued)

e) Intangible assets (Continued)

(ii) *Research and development* (Continued)

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(iii) *Other intangible assets*

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(iv) *Subsequent costs*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(v) *Amortization*

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this method best reflects the standard usage of future economic benefits embodied in the asset. The estimated useful life for the current and comparative periods for the manufacturing processes acquired from third parties is five years.

f) Trade accounts receivable

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

4. Significant accounting practices (Continued)

f) Trade accounts receivable (Continued)

The present value calculation is made for each transaction based on an interest rate that reflects the term, the currency and the risk of each transaction. During the period the average rate used by the Company was approximately 0.82% p.m. The counter entry of the adjustments to present value of trade accounts receivable is made against gross revenue in the income statement. The difference between the present value of a transaction and the face value of the billing is considered financial income and will be appropriated over the term of the transaction using the amortized cost and effective interest rate method.

The allowance for doubtful accounts was registered for an amount considered sufficient by management to cover any losses on the realization of the receivables.

g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventory is based on weight average cost, and includes the costs incurred to acquire the inventories, production and transformation costs and other costs incurred to bring them to their existing locations and conditions. In the case of manufactured inventory, work in progress and finished goods, the costs include the general factory overhead expenses based on normal operating capacity.
The net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

h) Impairment

(i) *Financial assets (including receivables)*

A financial asset not stated at fair value through profit or loss is valued at every reporting date to determine whether there is objective evidence of impairment losses. A loss to the recoverable value of an asset occurs if there is evidence that a loss event occurred after initial recognition of the asset, and that this loss event had a negative impact on the forecast future cash flows, and can be estimated reliably.

4. Significant accounting practices (Continued)

h) Impairment (Continued)

(i) *Financial assets (including receivables)* (Continued)

Objective evidence that a financial asset (including equity securities) has incurred an impairment loss can include default or delinquency by a debtor, the restructuring of an amount due to the Company under terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment losses.

The Company considers evidence of impairment for receivables and equity securities held to maturity at both individual and collective level. All receivables and equity securities held to maturity that are individually significant are evaluated for specific impairment loss.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

(ii) *Non-financial assets*

The book values of the Company's non-financial assets, which are not inventories or deferred income and social contribution taxes, are revised at every reporting date to determine whether there is evidence of impairment. If such evidence exists, the recoverable value of the asset is determined. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Notes to quarterly information

4. Basis of preparation (Continued)

h) Impairment (Continued)

(ii) *Non-financial assets* (Continued)

The recoverable amount of an asset or CGU (cash generating unit) is the higher of its value in use and its fair value less selling expenses. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the recovery period for the capital and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows or other assets or CGU. For purposes of goodwill impairment testing, the goodwill acquired in a business combination is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the combination. This allocation reflects the lowest level at which goodwill is monitored for internal reporting purposes and is not greater than an operating segment determined in accordance with IFRS 8 and CPC 22.

The Company's corporate assets do not generate separate cash inflows. If there is evidence of impairment of a corporate asset then the recoverable value is allocated to the CGU or group of CGUs to which the corporate asset belongs on a reasonable and consistent basis.

An impairment loss is recognized if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. Impairment losses are recognized to profit or loss. Impairment losses recognized in respect of CGUs are initially allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU or group of CGUs on a *pro rata* basis.

4. Significant accounting practices (Continued)

h) Impairment (Continued)

(ii) *Non-financial assets* (Continued)

An impairment loss in respect of goodwill is not reversed. With respect to other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would be determined, net of depreciation or amortization, if no impairment loss had been recognized.

The goodwill included in the carrying value of an investment in an associated company is not recognized individually and therefore, is not tested individually for impairment losses. Instead, the total value of an investment in an associated company is tested for impairment as a single asset when there is objective evidence that the investment in an associated company could demonstrate impairment losses.

(iii) *Employee benefits*

Defined contribution plans

A defined contribution plan is a post employment benefit plan, according to which a legal entity pays fixed contributions to a separate entity (pension fund) and will have no legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution pension plans are recognized to the profit and loss as employee benefit expenses during the periods in which services are provided by the employees. Prepaid contributions are recognized as an asset, provided that a cash reimbursement or reduction to future payments occurs. The contributions to a defined contribution plan for which maturity is anticipated for 12 months after the end of the period during which the employee provides services are discounted to their present value.

4. Significant accounting practices (Continued)

h) Impairment (Continued)

(iii) *Employee benefits* (Continued)

Employees' short term benefits

Employees' short term benefits are reported on a non discounted basis and incurred as expenses as the related service is provided.

The liability is recognized for the amount expected to be paid for the benefit plans in cash or short term profit sharing if the Company has a legal or constructive obligation to pay the amount as a result of past services rendered by an employee and if the obligation can be estimated reliably.

i) Provisions

A provision is recognized when the Company has a legal or constituted obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all probabilities of incurring expenses.

4. Significant accounting practices (Continued)

j) Operating income

Sale of goods

Operating income from the sale of goods during the normal course of activities is stated at the fair value of the consideration received or receivable. Operating income is recognized when there is convincing evidence that the most significant risks and benefits, inherent to ownership of the assets, have been transferred to the buyer and it is probable that the financial economic benefits will flow to the Company, that the associated costs and possible return of the goods can be reliably estimated, that there is no continued involvement with the goods sold, and that the value of operating income can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

k) Financial income and financial expenses

Financial income comprises interest income from funds invested, variations in fair value of financial assets stated at fair value through profit or loss and gains on hedge instruments that are recognized to profit or loss. Interest income is recognized to profit or loss, using the effective interest rate method.

Financial expenses comprise interest expenses on borrowings, net of provisions discounted to present value, variations in fair value of financial assets stated at fair value through profit or loss, impairment losses recognized on financial assets, losses on hedge instruments that are recognized to profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized to profit or loss using the effective interest rate method.

4. Significant accounting practices (Continued)

l) Taxes

Income and social contribution taxes

Current and deferred income and social contribution taxes are calculated based on rates of 15%, plus a surtax of 10% on taxable profit in excess of R$ 60 thousand for income tax and 9% on taxable profit for social contribution on net profit, and consider offset of income and social contribution tax loses, limited to 30% of taxable profit.

The income and social contribution tax expense includes current and deferred taxes. Current and deferred taxes are recognized to results unless they refer to business combinations or items directly recognized to equity or other comprehensive income.

Current tax is the tax payable or receivable anticipated on the taxable profit or loss for the year, at the tax rates decreed or substantially decreed on the reporting date of the financial statements and any adjustments to taxes payable from prior years.

Deferred tax is recognized in relation to temporary differences between the book values of assets and liabilities for accounting purposes and the corresponding values used for tax purposes. Deferred tax is not recognized for the following temporary differences: initial recognition of assets and liabilities from a transaction that is not a business combination and does not affect the accounting or taxable profit or loss and differences related to investments in subsidiaries when it is probable that they will not be reversed within the foreseeable future. In addition, deferred tax is not recognized for temporary tax differences resulting from the initial recognition of goodwill.

Deferred tax is measured at rates that are expected to be used for the temporary differences when they are reversed, based on the laws that were decreed or substantially decreed to the reporting date of the financial statements.

The deferred tax assets and liabilities are compensated only where there is a legal right to compensate current tax assets against current tax liabilities and when they refer to income taxes collected by the same tax authority on the same entity subject to taxation.

Notes to quarterly information

4. Significant accounting practices (Continued)

l) Taxes (Continued)

Income and social contribution taxes (Continued)

A deferred social contribution and income tax asset is recognized for tax losses, tax credits and temporary differences deductible and not used, when it is probable that future profits subject to taxation will be available and against which the asset will be used.

Deferred social contribution and income tax assets are revised at the reporting date and reduced when realization is no longer probable.

The Company opted for the Transition Tax System to determine income tax and social contribution for the years ended until December 31, 2009. This system is compulsory as from the year 2010.

Sales taxes

Revenue from sales is subject to the following taxes and contributions, at the following statutory rates:

	Rates
State VAT - ICMS	**0% to 25%**
Federal VAT - IPI	**0% to 45%**
Social Contribution Tax on Gross Revenue for Social Security Financing - COFINS	**7.6%**
Social Contribution Tax on Gross Revenue for Social Integration Program - PIS	**1.65%**

Revenues, expenses and assets are recognized net of sales taxes.

m) Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the Company's controlling and non controlling shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined based on the same weighted average number of shares outstanding, adjusted for instruments potentially convertible into shares, having a dilutive effect, for the years presented, in accordance with the terms of CPC 41 – Earnings per share and IAS 33.

4. Significant accounting practices (Continued)

n) Segment reporting

An operating segment is defined as a component of the company that undertakes business activities that can result in income and incur expenses, including income and expenses related to transactions with the Company's other components. All of the operating results of operating segments are revised frequently by management for decision making regarding the allocation of resources to the segment and to evaluate performance, and for which individual financial information is available.

The results of the segments that are reported to Management include items directly attributable to the segment, and those that can be allocated on a reasonable basis.

The capital expenditures by segment are total costs incurred during the period to purchase fixed assets and intangible assets, other than goodwill.

o) Statement of value added

The Company prepared individual and consolidated statements of added value in accordance with the terms of technical pronouncement CPC 09 – Statement of Added Value, which are presented as an integral part of the financial statements according to BR GAAP applicable to public stock corporations, whilst for IFRS purposes these statements represent additional financial information.

p) Dividend distribution

A liability is recognized when the dividends are approved by the Company's shareholders. The Company's Statutes provide that a minimum of 35% of annual net income, calculated in accordance with Brazilian corporate legislation and accounting practices adopted in Brazil, shall be distributed as dividends; therefore, the Company registers a provision, at the end of the financial year, for the value of the minimum dividend that has still not been distributed during the year up to the limit of the minimum compulsory dividends described above.

q) Non-current assets held for sale and results from discontinued operations

The Company classifies a non-current asset as held for sale if its carrying value will be recovered through a sale transaction. For this to be the case, the asset or group of assets held for sale should be available for immediate sale in their existing conditions, subject only to the terms that are normal and customary for the sale of such assets held for sale. Consequently, the sale should be highly probable.

4. Significant accounting practices (Continued)

q) Non-current assets held for sale and results from discontinued operations (Continued)

For a sale to be highly probable, management has to be committed to a plan to sell the asset, and should have begun a firm program to locate a buyer and conclude the plan. In addition, the asset held for sale should be made available for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be anticipated that the sale will be concluded within one year as from the date of its classification.

The group of assets held for sale is stated at the lower of its carrying value and the fair value less selling expenses. If the carrying value is less than the fair value, an impairment loss is recognized as the corresponding entry to profit or loss. Any reversal or gain is only registered up to the limit of the loss recognized.

Depreciation of assets held for trading terminates when a group of assets is designated as held for sale. Assets and liabilities from a group of discontinued assets are reported in individual headings to assets and liabilities.

The results from discontinued operations are reported as a single value in the statement of income and cash flows, with the total value considered after income tax on these operations less any impairment loss. Net cash flows attributable to operational, investment and financing activities, from the discontinued operations are reported in Note 8.

Furthermore, the statement of income was reclassified for purposes of comparing the operations discontinued on March 31, 2012, as if these had occurred on March 31, 2011 (See Note 8).

r) New standards and interpretations still not adopted

Various standards, amendments to standards and IFRS interpretations issued by IASB had not come into force for the period ended March 31, 2012, as follows:

4. Significant accounting practices (Continued)

r) New standards and interpretations still not adopted (Continued)

- IFRS 10 – Consolidated financial statements;
- IFRS 11 – Joint arrangements;
- IFRS 12 – Disclosures for companies that have investments in subsidiaries, joint ventures, associated and/or non consolidated entities;
- IFRS 13 – Measurement of fair value;
- IFRIC 20 – Costs related to mineral extraction.

The CPC has still not issued pronouncements equivalent to the aforementioned IFRS, but there is the expectation that it will do so before the date required them to come into force.

The Company is currently analyzing the impacts of these new Standards on its financial statements.

s) Government subsidies

Government subsidies are recognized when there is reasonable assurance that the Group companies will meet the related conditions and that the subsidies will be received.

These are recognized systematically to the results over the periods in which the Group Companies recognize as expenses the corresponding costs that the subsidies intend to offset.

The subsidiary Taurus Blindagens Nordeste Ltda. receives the following government subsidy:

4. Significant accounting practices (Continued)

s) Government subsidies (Continued)

ICMS – Desenvolve

On April 2 and 3, 2005, Resolution 118/2005 from the DESENVOLVE Decision Council was published in the State Official Gazette – DOE, which granted, "*ad referendum*" of a Plenary Session, to the establishment located in Simões Filho/Bahia State, the benefits from the Industrial Development Program and the Economic Integration for the State of Bahia – DESENVOLVE, for the purpose of setting up the plant to produce security helmets and anti riot shields, under the following terms:

- Deferral of recording and payment of ICMS on imports and acquisitions in this state and in other states, in relation to interstate tax difference for fixed asset items, to the moment of disposal thereof;

- Extension for a period of 72 (seventy-two) months for payment of the ICMS debt balance, resulting from its owns operations, generated from the investments forecast in the incentive Project, as established in Class I, from Table I, enclosed with the DESENVOLVE Regulation;

- Granting of a period of 12 (twelve) years for using the benefits, as from the publication of the Concessive Resolution in State Official Gazette - DOE.

With respect to the extension of the period of 72 (seventy-two) months, upon early payment of the amount entitled to the extended deadline, the subsidiary will receive a benefit of 90% (ninety percent) on the value subject to the extension, and will have to pay the remaining 10% (ten percent) as ICMS.

The amount corresponding to the discount of 90% (ninety percent) on the amount subject to the extension was posted to profit and loss for 2011 as tax incentive in other operating income group, as described in Note 25.

t) Cash and cash equivalents

Cash and cash equivalents include cash, and short-term investments redeemable within three months from the date they are taken out, without any penalty to the Company and with low risk of change in market value. Overdraft facility limits that have to be paid on demand and that are part of the Company's cash management are included as a component of cash for purposes of the cash flow statement.

5. Measurement of fair values

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

(i) *Trade accounts receivable and other receivables*

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

(ii) *Derivatives*

The fair value of future foreign exchange contracts is based on the listed market price, when available. If a listed market price is not available, the fair value is estimated discounting the difference between the contractual forward price and the current forward price for the remaining period of the contract using a risk free interest rate (based on public securities).

The fair value of interest rate swap contracts is based on brokers' quotations. These quotations are tested for reasonableness by means of discounted estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument calculated at the measurement date. The fair values reflect the credit risk of the instrument and include adjustments to consider the credit risk of the Company and counterparties when appropriate.

5. Measurement of fair values (Continued)

(iii)*Non-derivative financial liabilities*

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

6. Financial risk management

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

This note presents information on the Company's exposure to each of the aforementioned risks, the objectives of the Company, its policies and processes for measuring and managing risk, and management of the Company's capital. Additional quantitative disclosures are included throughout these financial statements.

(i) Risk management structure

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

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

6. Financial risk management (Continued)

(ii) Credit risk

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

(iii) Trade accounts receivable and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each client.

The Company and its subsidiaries adopt the practice to analyze the financial situation of its counter parties, and also define credit limits and permanently accompany outstanding balances. The Company's sales income is not concentrated with a single client, and there is no concentration of credit risk.

The Company established a credit policy where the credit ability of every new client is analyzed individually before the Company's standard payment and delivery terms and conditions are offered. This analysis includes external evaluations, when available, and in some cases references from banking institutions.

Purchase limits are established for each client, which represent the maximum amount available without prior approval being required, with these limits revised quarterly. Clients that fail to comply with the credit limit established can only operate with the Company based on advance payments. For public bodies Company management individually evaluates the ability to pay and the bid requirements for making the sales.

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

6. Financial risk management (Continued)

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

The Company establishes a provision for impairment losses which represents its estimate of losses incurred from trade accounts receivable, other receivables and investments. The main components of this provision are: a specific collective loss component established for groups of similar assets in relation to losses incurred, but not yet identified. The provision for the collective loss is determined based on the history and management's knowledge of the business.

(iv) Liquidity risk

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

Typically, the Company ensures that it has sufficient cash to meet its expected operating expenses for approximately 60 days, including fulfilling financial obligations; this does not include the potential impact from extreme circumstances that cannot be reasonable forecast, such as natural disasters. In addition, the Company has the following credit lines:

The Company has credit lines contracted with financial institutions, as reported in Note 18, and all of these credit lines are being fully used, except by the subsidiary Taurus Holdings, Inc. which has a credit line for the amount of USD 25,000 thousand and at March 31, 2012 it had used USD 20,000 thousand.

In addition, the Company has credit lines, not contracted, from the largest banks that operate in Brazil, for approximately R$ 500.000 thousand, at market rates and terms.

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

(v) Market risk

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

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

(vi) Foreign currency rate

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

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

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

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

6. Financial risk management (Continued)

(vii) Interest rate risk

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

(viii) Operating risk

Operational risk is the risk of direct or indirect losses arising from a variety of causes associated with the Company's processes, personnel, technology and infra-structure and external factors, except credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards for business conduct. Operational risks arise from all of the Company's operations.

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

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

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

6. Financial risk management (Continued)

(ix) Capital management

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

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

	03-31-2012	12-31-2011
Total liabilities	**792,585**	789,092
Less: cash and cash equivalents	**(185,980)**	(162,226)
Net debt (A)	**606,605**	626,866
Total equity (B)	**334,342**	325,335
Net debt to equity ratio at March 31, 2012 and December 31, 2011 (A/B)	**1.81**	1.93

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

7. Operating segments

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

Notes to quarterly information

7. Operating segments (Continued)

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

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

Machinery – this refers to developing, manufacturing and selling operating machinery and related components; these operations are undertaken by Taurus Máquinas-Ferramenta Ltda.

Others – the result of the forging segment (Forjas Taurus S.A.); bullet proof jackets and plastic products (Taurus Blindagens Ltda.). These also include other operations such as the manufacture and sale of glasses, anti-riot shields and providing services. None of these operational segments reached any of the quantitative limits for determining reportable segments at March 31, 2012 or December 31, 2011.

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

Notes to quarterly information

7. Operating segments (Continued)

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

	Weapons		Helmets		Machinery (discontinued)		Other		Total	
	03-31-2012	**03-31-2011**	**03-31-2012**	**03-31-2011**	**03-31-2012**	**03-31-2011**	**03-31-2012**	**03-31-2011**	**03-31-2012**	**03-31-2011**
External income	**131,100**	115,684	**32,007**	27,951	**6,784**	8,635	**15,257**	12,287	**185,148**	164,557
Inter-segment income	**-**	-	**42**	161	**703**	32	**22,114**	9,163	**22,859**	9,356
Costs of sales	**(87,288)**	(72,195)	**(18,220)**	(16,786)	**(7,773)**	(9,182)	**(6,707)**	(6,271)	**(119,988)**	(104,434)
Gross profit (loss)	**43,812**	43,489	**13,829**	11,326	**(286)**	(515)	**30,664**	15,179	**88,019**	69,479
Selling expenses	**(15,888)**	(16,514)	**(4,287)**	(3,821)	**(775)**	(1,006)	**(1,170)**	(308)	**(22,120)**	(21,649)
General and administrative expenses	**(11,709)**	(14,786)	**(824)**	(836)	**(1,064)**	(1,186)	**(512)**	(397)	**(14,109)**	(17,205)
Depreciation and amortization	**(1,059)**	(164)	**(55)**	(80)	**-**	(42)	**(377)**	(17)	**(1,491)**	(303)
Other operating income (expenses), net	**(601)**	(881)	**253**	326	**(622)**	(666)	**(3)**	(315)	**(973)**	(1,536)
Equity pickup	**-**	-	**-**	-	**-**	-	**449**	452	**449**	452
	(29,257)	(32,345)	**(4,913)**	(4,411)	**(2,461)**	(2,900)	**(1,613)**	(585)	**(38,244)**	(40,241)
Operating profit (loss)	**14,555**	11,144	**8,916**	6,915	**(2,747)**	(3,415)	**29,051**	14,594	**49,775**	29,238
Financial income	**44,099**	6,004	**1,351**	1,595	**322**	284	**1,139**	152	**46,911**	8,035
Financial expenses	**(45,919)**	(7,790)	**(588)**	(660)	**(2,182)**	(2,136)	**(2,018)**	(1,520)	**(50,707)**	(12,106)
Financial income (expenses), net	**(1,820)**	(1,786	**763**	935	**(1,860)**	(1,852)	**(879)**	(1,368)	**(3,796)**	(4,071)
Profit (loss) per reportable segment before income and social contribution taxes	**12,735**	9,358	**9,679**	7,850	**(4,607)**	(5,267)	**28,172**	13,226	**45,979**	25,167
Elimination of inter-segment income	**-**	-	**(42)**	(161)	**(703)**	(32)	**(22,114)**	(9,163)	**(22,859)**	(9,356)
Profit (loss) before income and social contribution taxes	**12,735**	9,358	**9,637**	7,689	**(5,310)**	(5,299)	**6,058**	4,063	**23,120**	15,811
Assets of reportable segments	**566,554**	575,186	**137,724**	146,809	**132,894**	153,189	**289,755**	96,414	**1,126,927**	971,598
Liabilities of reportable segments	**628,637**	325,923	**33,081**	37,998	**72,536**	119,236	**58,331**	22,873	**792,585**	506,030

Notes to quarterly information

7. Operating segments (Continued)

Reconciliation of income and profit from reportable segments

	03-31-2012
Income	
Total income from reportable segments	**185,148**
Elimination of discontinued operations	**(6,784)**
Consolidated income	**178,364**
Profits or losses	
Total profits from reportable segments	**45,979**
Elimination of intersegment profits	**(22,859)**
Consolidated profit before income and social contribution taxes	**23,120**

Geographic segments

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

	Weapons	
	03-31-2012	03-31-2011
Domestic market		
Southeast	**9,492**	15,515
South	**5,956**	3,809
Northeast	**4,618**	3,135
North	**393**	630
Mid-West	**1,922**	2,629
	22,381	25,718
Foreign market		
United States	**102,415**	83,534
Argentina	**237**	2,406
Chile	**3,528**	556
Peru	**623**	-
Pakistan	**583**	338
Other countries	**1,333**	3,132
	108,719	89,966
	131,100	115,684

7. Operating segments (Continued)

Geographic segments (Continued)

	Helmets	
	03-31-2012	**03-31-2011**
Domestic market		
Southeast	**9,071**	9,343
South	**1,976**	1,627
Northeast	**9,141**	7,798
North	**6,736**	4,518
Mid-West	**4,953**	4,478
	31,877	27,764
Foreign market		
Paraguay	**130**	-
Peru	**-**	15
Uruguay	**-**	172
	130	187
	32,007	27,951

	Machinery (discontinued)	
	03-31-2012	**03-31-2011**
Domestic market		
Southeast	**6,570**	7,945
South	**203**	640
Northeast	**-**	-
North	**-**	-
	6,773	8,585
Foreign market		
United States	**11**	50
	11	50
	6,784	8,635

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

The sales made by the Company and its subsidiaries are not subject to restrictions and are not concentrated in such a way that they can be characterized as being significantly dependent on government bodies or any other single client.

8. Assets and liabilities held for sale and discontinued operations

In September 2011, management prepared a plan for disposal of subsidiary Taurus Máquinas, as described in Note 2.a., transaction which is forecast to be concluded within the next 12 months as from said date. In the Company's comparative individual financial statements, equity interest in subsidiary Taurus Máquinas is recognized by the equity pickup method and reclassified to assets held for sale.

Due to management's decision to sell the investment in subsidiary Taurus Máquinas, in September 2011, the assets and liabilities related to this subsidiary were classified in the consolidated financial statements as "held for sale" in conformity with technical pronouncements IFRS 5 and CPC 31 – Non-current assets held for sale and discontinued operations.

The consolidated result of discontinued operations included in the consolidated income statement is presented below. The comparative result and cash flows of discontinued operations were restated to include these operations classified as discontinued in the current period.

There were no groups classified as held for sale at March 31, 2011.

a) Loss for the year from discontinued operations

	03-31-2012
Loss for the year from discontinued operations	
Revenues	**10,347**
Expenses	**(15,513)**
Loss for the year from discontinued operations	**(5,166)**

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

a) Loss for the year from discontinued operations (Continued)

Assets and liabilities related to discontinued operations

The operations of subsidiary Taurus Máquinas were classified and recorded at March 31, 2012 as a group of assets held for sale, as follows:

	Consolidated 03-31-2012	Consolidate 12-31-2011
Assets related to discontinued operations		
Cash and cash equivalents	**279**	136
Trade accounts receivable and other receivables	**22,437**	21,775
Inventories	**47,534**	48,715
Taxes recoverable	**1,793**	2,698
Property, plant and equipment and intangible assets	**19,477**	21,816
Receivables from related parties	**34,136**	34,136
Other assets	**7,238**	8,509
	132,894	137,785

	Consolidated 03-31-2012	Consolidate 12-31-2011
Liabilities related to discontinued operations		
Trade accounts payable	**898**	2,025
Provisions	**654**	2,798
Advance from customers	**1,183**	5,228
Loans and financing	**64,220**	68,481
Other liabilities	**5,005**	3,196
	71,960	81,728

Immediately before initial classification of assets and liabilities held for sale, book values were measured in accordance with applicable technical pronouncements. Subsidiary Taurus Máquinas recognized, in accordance with IAS 36 and CPC 01 – Impairment of assets, adjustment of assets held for sale to fair value less selling expenses as under:

Notes to quarterly information

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

a) <u>Loss for the year from discontinued operations (</u>Continued)

Assets and liabilities related to discontinued operations (Continued)

	Consolidated 03-31-2012	Consolidated 12-31-2011
Adjustment of book value to fair value less selling expenses		
Inventories	**(6,723)**	(6,723)

The book value of other assets and liabilities held for sale was compared with fair value lees selling expenses and there was no need of recording other impairment losses.

a) The net cash flow from assets held for sale is as under:

	Subsidiary Taurus Máquinas (discontinued operation) 03-31-2012
Cash flow from operating activities	**(3,280)**
Cash flow from investing activities	**103**
Cash flow from financing activities	**3,320**
Total cash flow	**143**

Reconciliation of cash flow	**03-31-2012**
Cash flow	**143**
Effect from elimination from consolidation	**(10,043)**
Result from discontinued operations	**5,166**
Net changes in assets and liabilities held for sale	**(4,734)**

The Company has been negotiating with a potential buyer already identified the general terms for the sale. The Company is also evaluating the form of the operation in order to meet the interests of both parties, including optimization of the corporate structure and tax costs during and after the business transaction. Management does not expect to incur additional significant losses with this transaction.

9. Cash and cash equivalents

	Consolidated		Company	
	03-31-2012	**12-31-2011**	**03-31-2012**	**12-31-2011**
Cash	**99**	76	**51**	37
Demand deposits	**88,783**	74,682	**29,168**	12,360
Short-term investments	**97,098**	87,468	**87,673**	58,923
Cash and cash equivalents	**185,980**	162,226	**116,892**	71,320

Short-term investments are remunerated at rates that vary between 98 and 103% of CDI at March 31, 2012 (98 and 103% of CDI at December 31, 2011) and are made with top line banks. The Company's exposure to interest rate risks and the sensitivity analysis of financial assets and liabilities are disclosed in Note 21.

10. Trade accounts receivable

	Consolidated		Company	
	03-31-2012	**12-31-2011**	**03-31-2012**	**12-31-2011**
Customers - local	**87,429**	101,082	**41,740**	69,171
Customers - local related parties	**-**	-	**2,013**	83
Allowance for doubtful accounts – local	**(3,448)**	(3,484)	**(2,621)**	(2,657)
Customers – foreign	**65,261**	54,218	**6,898**	6,858
Customers – foreign related parties	**-**	-	**50,849**	71,436
Allowance for doubtful accounts- foreign	**(4,124)**	(2,935)	**(6)**	(12)
Total	**145,118**	148,881	**98,873**	144,879

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

Changes in the allowance for doubtful accounts are as under:

	Consolidated	**Company**
Balance at December 31, 2011	(6,419)	(2,669)
Additions	(1,195)	-
Reversal of the allowance for doubtful accounts	42	42
Balance at March 31, 2012	**(7,572)**	**(2,627)**

11. Inventories

	Consolidated		Company	
	03-31-2012	**12-31-2011**	**03-31-2012**	**12-31-2011**
Finished products	**132,455**	146,856	**27,342**	26,244
Work-in-process	**40,603**	43,106	**30,863**	38,722
Raw material	**35,379**	38,203	**9,468**	11,881
Ancillary and maintenance materials	**15,274**	9,413	**9,094**	9,369
	223,711	237,578	**76,767**	86,216

12. Taxes recoverable

	Consolidated		Company	
	03-31-2012	**12-31-2011**	**03-31-2012**	**12-31-2011**
ICMS	**7,054**	5,508	**4,725**	4,728
IPI	**7,175**	1,187	**6,375**	415
PIS	**780**	442	**463**	396
COFINS	**3,454**	2,044	**2,147**	1,840
Income and social contribution taxes	**6,701**	11,513	**6,383**	5,781
Total	**25,164**	20,694	**20,093**	13,160
Current	**21,864**	17,141	**18,919**	9,950
Non-current	**3,300**	3,553	**1,174**	3,210

State VAT (ICMS)

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

PIS and COFINS

The balance consists of credits originated in non-cumulative PIS and COFINS levy, calculated mainly on the purchases of fixed asset items, which are offset in successive monthly installments, in accordance with legislation.

Federal VAT (IPI)

The balance refers mainly to amounts originating in trade operations.

Income and social contribution taxes

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

13. Deferred tax assets and liabilities

Deferred income and social contribution taxes are registered to reflect the future tax effects attributable to temporary differences between the tax base for assets and liabilities and their respective carrying values. The balances registered originate, mainly, in various temporary provisions.

The carrying value of the deferred tax asset is revised monthly. Management considers that the deferred assets arising from temporary differences will be realized as the events in which they originated are resolved.

The registered amount that can be offset refers to the deferred income tax asset and liability to which the entity is legally entitled to offset and intends to make on a net basis.

13. Deferred tax assets and liabilities (Continued)

Deferred tax assets and liabilities were attributed as follows:

	03-31-2012	12-31-2011
On temporary difference assets, income and social contribution tax losses		
Provision for commissions	**1,775**	1,455
Present value adjustment	**202**	187
Provision for labor proceedings	**564**	552
Provision for employer proceedings	**782**	782
Allowance for doubtful accounts	**1,006**	1,762
Provision for products warranty	**64**	66
Derivative financial instruments	**4,475**	6,886
Income and social contribution tax losses	**37,189**	37,448
Inventories – unrealized profits	**4,060**	6,822
Other items	**204**	137
	50,321	56,097
On temporary difference liabilities		
Equity valuation adjustment	**(3,114)**	(4,898)
Depreciation base difference	**(6,375)**	(6,378)
Financial charges	**(1,025)**	(1,006)
Derivative financial instruments	**(6,075)**	(6,160)
	(16,589)	(18,442)
Total assets and liabilities, net	**33,732**	37,655
Classified in non-current assets	**40,374**	43,767
Classified in non-current liabilities	**(6,642)**	(6,112)

		Company
	31-03-2012	**31-12-2011**
On temporary difference assets		
Provision for commissions	**1,765**	1,455
Present value adjustment	**203**	187
Provision for labor proceedings	**564**	552
Provision for employer proceeding	**782**	782
Allowance for doubtful accounts	**460**	459
Derivative financial instruments	**3,001**	6,582
Other items	**138**	137
	6,913	10,154
On temporary difference liabilities		
Equity valuation adjustment	**(2,162)**	(3,907)
Depreciation base difference	**(1,376)**	(1,339)
Financial charges	**(990)**	(968)
Derivative financial instruments	**(5,947)**	(6,045)
	(10,475)	(12,259)
Total assets and liabilities, net	**(3,562)**	(2,105)
Classified in non-current assets	**-**	-
Classified in non-current liabilities	**(3,562)**	(2,105)

13. Deferred tax assets and liabilities (Continued)

a) The subsidiary Taurus Máquinas Ferramenta Ltda. has tax credits arising from income and social contribution tax losses for the amount of R$ 39,561 at March 31, 2012 (R$ 37,878 at December 31, 2011), not recognized in the accounting registers. Income tax and social contribution on the balances of income and social contribution tax losses are recognized when there is evidence that realization will be probable within the near future.

b) As part of the corporate restructuring, which occurred on July 04, 2011, regarding obtaining economic benefits and market strategies for new segments (see Note 2.b), Company management considered the existence of accumulated balances for income and social contribution tax losses registered by the subsidiary Polimetal Metalurgia e Plásticos Ltda., for purposes of registering the deferred tax asset. The accounting entry was made when it was considered probable that in the future there would be sufficient taxable profits to compensate these losses. The assessment of the existence of future taxable profits was based on the operating activities to be undertaken by the subsidiary in the new market segment, "Polimetal Segment", which will be responsible for a significant part of the Group's operations.

The forecasts indicate that the balance for tax credits registered in the accounting books at March 31, 2012 by the subsidiary Polimetal Metalurgia e Plásticos Ltda. will be absorbed by taxable profits estimated for the next ten years, as demonstrated below:

Year	IRPJ	CSLL	Total	% share
2012	1,683	606	2,289	6.16%
2013	2,029	730	2,759	7.42%
2014	2,198	791	2,989	8.04%
2015	2,380	857	3,237	8.70%
From 2016 to 2021	19,055	6,860	25,915	69.68%
Total	27,345	9,844	37,189	100.00%

The amount of income and social contribution losses on which no deferred taxes were recorded totaled in consolidated R$ 141,433 (R$ 127,870 at December 31, 2011), and R$ 8,614 – Company (R$ 16,465 at December 31, 2011).

14. Advance on real estate credits

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

14. Advance on real estate credits (Continued)

To represent the real estate credits arising from the aforementioned hire contracts, the Company issued Real Estate Credit Notes – CCI, and assigned them, onerously, to CIBRASEC – Companhia Brasileira de Securitização, which used them as the basis for issuing two series of Certificates of Real Estate Receivables – CRI. The terms and maturity dates for these certificates are fixed monthly, with the first falling due on September 15, 2008 and the last on July 15, 2015. At March 31, 2012, the total restated balance (short and long term) was R$ 34,406 (R$ 36,127 at December 31, 2011).

Notes to quarterly information

15. Investments

			Outstanding balances of subsidiaries with the Company						
	Investment	Number of shares/units of interest	Current assets (Clients)	Non-current assets	Total assets	Current liabilities	Total liabilities	Equity	Investment (2)
December 31, 2011									
Taurus Blindagens Ltda.	0.01%	648	-	-	-	286	286	116,491	1
Taurus Blindagens Nordeste Ltda.	0.10%	1	-	-	-	-	-	13,843	14
Taurus Holdings,Inc.	100.00%	302,505	67,194	-	67,194	34	34	116,580	107,271
Taurus Security Ltda.	60.00%	60,000	-	328	328	-	-	(249)	-
Taurus Investimentos Imobiliários Ltda.	73.91%	21,414,136	-	-	-	-	-	26,605	17,904
Polimetal Metalurgia e Plásticos Ltda.	99.99%	209,999,999	-	-	-	-	-	194,825	194,447
Famastil Taurus Ferramentas S.A. (1)	-	-	-	-	-	-	-	37,036	2,215
			67,194	328	67,522	320	320		321,852
March 31, 2012									
Taurus Blindagens Ltda.	0.01%	648	-	-	-	271	271	114,096	1
Taurus Blindagens Nordeste Ltda.	0.10%	1	-	-	-	-	-	15,571	16
Taurus Holdings,Inc.	100.00%	302,505	47,275		47,275	428	428	119,226	114,704
Taurus Security Ltda.	100.00%	100,000	-	547	547	-	-	(249)	-
Taurus Investimentos Imobiliários Ltda.	74.25%	21,414,136	1,896	-	1,896	-	-	25,834	18,435
Polimetal Metalurgia e Plásticos Ltda.	99.99%	209,999,999	-	-	-	21,409	21,409	273,179	272,610
Famastil Taurus Ferramentas S.A. (1)	-	-	-	-	-	-	-	-	2,215
			49,171	547	49,718	22,108	22,108		407,981

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

(2) For purposes of determining the amount of investments, equity and net income of each investee is adjusted for unrealized profits in transactions between the companies.

Notes to quarterly information

15. **Investments** (Continued)

			Effects of results of transactions between subsidiaries and the Company			
	Investment	Number of shares/units of interest	Revenues	Expenses	Ret. earnings a. losses)	Equity pickup (1)
March 31, 2011						
Taurus Blindagens Ltda.	99.86%	80,097,902	-	-	6,153	6,144
Taurus Blindagens Nordeste Ltda.	0.10%	1	-	-	673	-
Taurus Holdings,Inc.	100.00%	302,505	27,438	-	4,045	11,276
Taurus Security Ltda.	60.00%	60,000	-	-	-	-
Taurus Máquinas-Ferramenta Ltda.	53.97%	58,631,830	629		(5,679)	(3,042)
Taurus Investimentos Imobiliários Ltda.	71.13%	21,414,136	-	-	(1,978)	(1,447)
Famastil Taurus Ferramentas S.A.	35.00%	1,400,000	-	-	1,291	452
			28,067	-		13,383
March 31, 2012						
Taurus Blindagens Ltda.	001%	648	-	-	7,620	-
Taurus Blindagens Nordeste Ltda.	0.10%	1	-	-	1,727	2
Taurus Holdings,Inc.	100.00%	302,505	43,172	1,338	5,777	10,563
Taurus Security Ltda.	100.00%	100,000	-	-	-	-
Taurus Investimentos Imobiliários Ltda.	74.25%	21,414,136	-	-	(1,277)	66
Polimetal Metalurgia e Plásticos Ltda.	99.99%	209,999,999	2,738	21,685	6,701	6,510
Famastil Taurus Ferramentas S.A. (1)	-	-	-	-	-	-
			45,910	23,023		17,141

(1) For equity pickup purposes, the result of each investee is adjusted for unrealized profits in intercompany transactions.

The financial statements of Taurus Holdings, Inc., an overseas subsidiary, reported total assets of R$ 249,023 at March 31, 2012 (R$ 282,330 at December 31, 2011) and current and noncurrent liabilities of R$ 129,797 at March 31, 2012 (R$ 165,750 at December 31, 2011). Taurus Holdings, Inc., located in the State of Florida, United States, is the Parent company of Taurus International Manufacturing Inc., Braztech International L.C. and other subsidiaries also located in North America, operating mainly in the resale of Weapons imported from Forjas Taurus S.A., aimed at the wholesale market. Consolidated net revenue of Taurus Holdings Inc. reported for March 31, 2012 was equivalent to R$ 102,415 (R$ 83,400 at March 31, 2011) and net income equivalent to R$ 5,777 at March 31, 2012 (R$ 4,045 at March 31, 2011).

Notes to quarterly information

16. Property, plant and equipment

								Consolidated
	Land, buildings and facilities	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	Assets under construction	Advances to suppliers	Total
Cost or deemed cost								
Balance at December 31, 2011	104,639	153,055	35,880	20,855	4,020	18,577	5,320	342,346
Additions	623	8,520	474	363	153	5,988	38	16,159
Disposals	-	(242)	(5)	(18)	(144)	(9)	(47)	(465)
Transfers of assets under construction	478	1,376	1,677	367	-	(3,898)	-	-
Effect from exchange variation	(724)	(500)	-	(76)	(2)	-	-	(1,302)
Balance at March 31, 2012	**105,016**	**162,209**	**38,026**	**21,491**	**4,027**	**20,658**	**5,311**	**356,738**
Depreciation								
Balance at December 31, 2011	8,142	51,154	15,884	9,306	1,384	-	-	85,870
Depreciation for the period	754	3,962	1,560	725	187	-	-	7,188
Disposals	-	(164)	-	(18)	(49)	-	-	(231)
Effect from exchange variation	(105)	(251)	-	(54)	(1)	-	-	(411)
Balance at March 31, 2012	**8,791**	**54,701**	**17,444**	**9,959**	**1,521**	**-**	**-**	**92,416**
Book value								
At December 31, 2011	96,497	101,901	19,996	11,549	2,636	18,577	5,320	256,476
At March 31, 2012	**96,225**	**107,508**	**20,582**	**11,532**	**2,506**	**20,658**	**5,311**	**264,322**

Notes to quarterly information

16. Property, plant and equipment (Continued)

								Company
	Land, buildings and facilities	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	Assets under construction	Advances to suppliers	Total
Cost or deemed cost								
Balance at December 31, 2011	3,486	114,427	24,815	7,913	2,821	13,715	4,516	171,693
Additions	26	18	5	128	144	2,270	(236)	2,355
Disposals		(532)		(18)	(144)			(694)
Transfers to Investment (1)	(1,457)	(55,325)	(7,514)	(1,524)	(247)	(7,957)	(60)	(74,084)
Transfers of assets under construction	3	641	979	180		(1,803)		-
Balance at March 31, 2012	**2,058**	**59,229**	**18,285**	**6,679**	**2,574**	**6,225**	**4,220**	**99,270**
Depreciation								
Balance at December 31, 2011	358	36,188	9,846	3,409	925	-	-	50,726
Depreciation for the period	51	1,454	713	248	114	-	-	2,580
Disposals	-	(125)	-	(18)	(49)	-	-	(192)
Transfers to investment (1)	(129)	(17,212)	(2,490)	(650)	(89)	-	-	(20,570)
Balance at March 31, 2012	**280**	**20,305**	**8,069**	**2,989**	**901**	**-**	**-**	**32,544**
Book value								
At December 31, 2011	3,128	78,239	14,969	4,504	1,896	13,715	4,516	120,967
At March 31, 2012	**1,778**	**38,924**	**10,216**	**3,690**	**1,673**	**6,225**	**4,220**	**66,726**

(1) Amounts used for capital payment of subsidiary Polimetal Metalurgia e Plásticos Ltda. (Note 2, b, iv).

Notes to quarterly information

16. Property, plant and equipment (Continued)

Guarantees

In order to reduce financial expenses on loans and financing, the Company normally uses its own assets as guarantees for the funds obtained from financial institutions. Although a significant part of the fixed assets guarantees financing and loan operations, historically the Company has liquidated its obligations within the contractual terms and the guarantees provided in the form of fixed assets have not been used. At March 31, 2012, the Company had guarantees provided in the amount of R$ 58,081 (R$62,651 at December 31, 2011).

17. Intangible assets

					Consolidated
	Goodwill	Trademarks and patents	Development costs	System implementation	Total
Cost					
Balance at December 31, 2011	32,499	3,457	9,045	837	45,838
Acquisitions from business combinations	4,338	3	-	729	5,070
Disposals	-	-	(84)	-	(84)
Effect from exchange variation	-	-	(11)	-	(11)
Balance at March 31, 2012	**36,837**	**3,460**	**8,950**	**1,566**	**50,813**
Balance at December 31, 2011	-	-	3,949	148	4,097
Amortization for the period	-	-	125	242	367
Balance at March 31, 2012	-	-	4,074	390	4,464
Book value					
At December 31, 2011	32,499	3,457	5,096	689	41,741
At March 31, 2012	**36,837**	**3,460**	**4,876**	**1,176**	**46,349**

				Company
	Trademarks and patents	Development costs	System implementation	Total
Cost				
Balance at December 31, 2011	237	8,448	772	9,457
Transfers to investment	-	-	(175)	(175)
Balance at March 31, 2012	**237**	**8,448**	**597**	**9,282**
Balance at December 31, 2011	-	3,949	130	4,079
Amortization for the period	-	125	175	300
Transfers to investment	-	-	(10)	(10)
Balance at March 31, 2012	**-**	**4,074**	**295**	**4,369**
Book value				
At December 31, 2011	237	4,499	642	5,378
At March 31, 2012	**237**	**4,374**	**302**	**4,913**

17. Intangible assets (Continued)

Impairment testing of cash generating units that include goodwill

For the purpose of impairment testing, goodwill has been allocated to the Group's operating divisions.

Cash generating unit	03-31-2012	12-31-2011
Forjas Taurus S.A.	24,023	21,194
Taurus Holdings, Inc.	3,279	2,893
Taurus Blindagens Ltda.	7,734	6,823
Taurus Helmets Indústria Plástica Ltda.	1,184	1,045
Famastil Taurus Ferramentas S.A.	617	544
Total	36,837	32,499

The impairment testing of the aforementioned CGUs was performed based on the fair value less selling expenses at March 31, 2012. Consequently, management determined that the use of the multiple value of Company/EBITDA to value its business was no longer appropriate, and the fair value less selling expenses was estimated based on discounted cash flows.

On September 30, 2011, the machine operations segment, represented by the Company and CGU Taurus Máquinas-Ferramenta Ltda. was identified by management as available for sale. Management decided to implement various actions aimed at selling the investment in the subsidiary Taurus Máquinas, and therefore, anticipates that the cash flows from the asset or group of assets result mainly from the sale, and not the continuing operations of the company. Consequently, the carrying value of this CGU was determined as being greater than its recoverable value and an impairment loss was recognized for the amount of R$ 645. The impairment loss was attributed in full to goodwill.

Main assumptions in the forecast discounted cash flows

The main assumptions used to calculate the recoverable value are the discount rate for cash flows and growth rates. The assumptions used are presented below:

Cash generating unit	Discount rate WAAC	Growth rate
	2012	2012
Forjas Taurus S.A.	11.01%	8.20%
Taurus Holdings, Inc.	11.01%	4.54%
Taurus Blindagens Ltda.	11.01%	8.20%
Taurus Helmets Indústria Plástica Ltda.	11.01%	8.20%
Famastil Taurus Ferramentas S.A.	11.01%	8.20%

Notes to quarterly information

17. Intangible assets (Continued)

Discount rate

The discount rate for all of the CGUs is represented by a pre-tax rate based on 30-year fixed income US Treasury Bonds (*T-Bond*), adjusted for a risk premium that reflects the risk from investments in equity securities and the systematic risk of the Unit in question. Based on management's experience with assets from this CGU, the weighted average cost of capital was estimated for the industry in which this CGU operates, which was calculated based on a possible debt/equity ratio of 18.3% and a market interest rate of 8.58%.

Growth rate and perpetuity

The forecasts are consistent with the *Business Plan* prepared by management from Companhia Taurus. It is anticipated that forecast growth in sales will be in line with the curve observed in previous years and in line with the country's economic growth. After the forecast period of 10 years, growth and a constant percentage for economic growth (growth into perpetuity) were considered.

For the CGUs Forjas Taurus S.A., Taurus Blindagens Ltda., Taurus Helmets Ind. Plástica Ltda., and Famastil Taurus Ferramentas S.A. the forecast growth rate was 8.2% p.a., represented by an increase in GDP for Brazil in the long term – 3.6% and forecast inflation for the Brazilian economy – 4.6%.

For the CGU Taurus Holdings, Inc. the forecast growth rate was 4.54% p.a., represented by an increase in GDP for the United States in the long term – 2.5% and forecast inflation for the US economy - 2.04%.

Sensitivity analysis and assumptions

The estimated recoverable value for the CGUs is higher than the carrying value for the goodwill. Management identified two main assumptions to which alterations could occur that are reasonably possible and which would result in the carrying value being higher than the recoverable value. The following table presents the amounts for which individual alterations to the two basic assumptions could result in the recoverable value being equal to the carrying value:

	Change required for the recoverable value to be equal to the carrying value	
Cash generating unit	**Discount rate**	**Growth rate and perpetuity**
Forjas Taurus S.A.	78.7 p.p.	-142.3 p.p.
Taurus Holdings, Inc.	156.4 p.p.	-418.7 p.p.
Taurus Blindagens Ltda.	329.1 p.p.	-410.7 p.p.
Taurus Helmets Indústria Plástica Ltda.	329.1 p.p.	-410.7 p.p.
Famastil Taurus Ferramentas S.A.	379.9 p.p.	-455 p.p.

17. Intangible assets (Continued)

The amounts used for the main assumptions represent management's best estimates for the future of the operating segment where each of CGUs operates, based on internal sources (historic data) and external sources. For the purpose of the impairment testing, the goodwill was allocated to the Group's operating divisions, which represent the lowest level within the Group, in which the goodwill is monitored for the purposes of internal management, which is never above the Group's operating segments.

18. Loans and financing

This note provides information on the contractual terms of the loans with interest, which are stated at amortized cost. For further information on the Company's exposure to interest rate, foreign currency and liquidity risks, see Note 20.

	Consolidated		Company	
	03-31-2012	12-31-2011	03-31-2012	03-31-2011
Current liabilities				
Guaranteed bank loans				
Working capital	**101,229**	39,948	**97,114**	39,948
Accounts receivable discounted	**-**	14,107	**-**	14,107
FINAME	**5,245**	2,855	**4,869**	2,444
FINEP	**4,756**	8,625	**4,427**	8,068
BNDES-PEC	**4,701**	5,644	**4,701**	5,644
FNE	**298**	65	**-**	-
Working capital -USD	**19,093**	22,645	**8,504**	9,747
FINIMP	**6,751**	5,154	**6,751**	5,154
	142,073	99,043	**126,366**	85,112
Non-current liabilities				
Guaranteed bank loans				
Working capital	**47,342**	45,000	**47,342**	45,000
FINAME	**6,724**	5,948	**5,690**	4,836
FINEP	**6,949**	9,096	**3,640**	5,787
BNDES-PEC	**-**	468	**-**	468
FNE	**9,573**	9,806	**-**	-
Working capital - USD	**175,802**	161,871	**143,671**	119,767
FINIMP	**300**	464	**300**	464
	246,690	232,653	**200,643**	176,322
	388,763	331,696	**327,009**	261,434

Notes to quarterly information

18. Loans and financing (Continued)

Terms and timetable for amortization of debts

The terms and conditions for loans outstanding were as follows:

Consolidated

	Currency	Nominal interest rate	Year of maturity	03-31-2012 Face value	03-31-2012 Carrying value	12-31-2011 Face value	12-31-2011 Carrying value
Guaranteed bank loans							
Working capital	R$	CDI + 1.80 to 4.1%	2012-2013	155,500	**148,571**	102,700	84.948
Discounted trade receivables	R$	16.80% p.a.	2012	-	**-**	14,107	14.107
FINAME	R$	TJLP + 2.25 to 4.90% p.a.	2012-2020	25,144	**4,067**	20,912	3.221
FINAME	R$	3.80 to 5.50% p.a.	2012-2020	10,028	**7,903**	8,252	5.582
FINEP	R$	TJLP + 0.16 to 2.0% p.a.	2012-2014	29,601	**8,067**	29,601	13.855
FINEP	R$	5.0 to 5.25% p.a.	2017	8,008	**3,638**	8,008	3.866
BNDES-PEC	R$	12.90% p.a.	2013	10,000	**4,701**	10,000	6.112
FNE	R$	9.50% p.a.	2019	9,806	**9,871**	9,806	9.871
Working capital	USD	*Libor* + 0.79 to 4.80% p.a.	2012-2017	23,000	**62,877**	28,000	45.033
Working capital	USD	3.91% p.a.	2016	63,849	**117,348**	63,849	121.997
Working capital	USD	3.32 to 5.20% p.a.	2012-2016	3,020	**3,990**	4,229	6.402
Financing for acquisition of fixed assets	USD	*Libor* + 3.0% p.a.	2012-2014	824	**607**	824	787
Investments	USD	5.33% p.a.	2012-2017	6,035	**10,678**	6,035	11.084
FINIMP	USD	*Libor* + 1.10% p.a.	2012	3,514	**6,445**	4,810	4.831
Total liabilities subject to interest					**388,763**		331,696

Company

	Currency	Nominal interest rate	Year of maturity	03-31-2012 Face value	03-31-2012 Carrying value	12-31-2011 Face value	12-31-2011 Carrying value
Guaranteed bank loans							
Working capital	R$	CDI + 1.80 to 3.91%	2012-2014	151,500	**144,456**	102,700	84.948
Discounted trade receivables	R$	16.80% p.a.	2012	-	**-**	14,107	14.107
FINAME	R$	TJLP + 2.25 to 4.40%	2012-2014	15,172	**4,000**	20,216	1.698
FINAME	R$	3.80 to 5.50% p.a.	2012-2021	10,028	**6,559**	6,633	5.582
FINEP	R$	TJLP + 0.16 to 2,0%	2012-2014	29,601	**8,067**	29,601	13.855
BNDES-PEC	R$	12.90% p.a.	2013	10,000	**4,701**	10,000	6.112
Working capital	USD	*Libor* + 0.79 to 4.80%	2012-2017	23,000	**34,826**	8,000	7.517
Working capital	USD	3.91% p.a.	2012-2017	63,849	**117,348**	63,849	121.997
Financing for acquisition of fixed assets	USD	*Libor* + 1.25 to 3.0% p.a.	2012-2014	824	**607**	824	787
FINIMP	USD	*Libor* + 1.10% p.a.	2012	3,514	**6,445**	4,810	4.831
Total liabilities subject to interest					**327,009**		261,434

18. Loans and financing (Continued)

Maturity dates of non-current liabilities:

	Consolidated		Company	
Year	03-31-2012	12-31-2011	03-31-2012	12-31-2011
2013	**60,416**	89,403	**57,555**	57,982
2014	**63,743**	64,963	**60,612**	61,738
2015	**39,506**	31,101	**36,290**	27,854
2016	**38,937**	30,629	**36,118**	27,791
2017 onwards	**44,088**	16,557	**10,068**	957
	246,690	**232,653**	**200,643**	**176,322**

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

The loan and financing contracts agreed between the Company and its subsidiaries include covenants that limit certain corporate alterations and require that certain financial indices be maintained. At March 31, 2012, all of these clauses had been complied with by the Taurus companies.

19. Debentures

The Company agreed a private instrument for the public registration of the 1st and 2nd issue of debentures, non convertible into shares on June 08, 2010 and September 06, 2011, for the total nominal value of R$ 103,000 and R$ 50,000, respectively.

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

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

Notes to quarterly information

19. Debentures (Continued)

						03-31-2012
	Index	**Current**	**Non-current**	**Transaction costs incurred**	**Transaction costs appropriated**	**Transaction costs to appropriate**
Debentures:						
1st issue	DI rate + 4.1%	**77,942**	**-**	**1,065**	**540**	**525**
2nd issue	DI rate + 2.8%	**450**	**49,583**	**685**	**90**	**595**
		78,392	**49,583**	**1,750**	**630**	**1,120**

						12-31-2011
	Index	**Current**	**Non-current**	**Transaction costs incurred**	**Transaction costs appropriated**	**Transaction costs to appropriate**
Debentures:						
1st issue	DI rate + 4.1%	75,232	-	1,019	391	628
2nd issue	DI rate + 2.8%	559	49,539	684	45	639
		75,791	49,539	1,703	436	1,267

The debentures are guaranteed by the subsidiaries Forjas Taurus S.A. in Brazil, constituted in the form of bonds granted jointly.

The instrument provides for accelerated maturity of all obligations subject matter of the deed in certain circumstances, which include: change in the direct or indirect control of the Company, capital reduction in the Company and/or its parent company, dividend distribution, payment of interest on equity or other payments made to shareholders by the Company and/or its parent in the event of delays with any of its obligations, decrease in the Company's capital and/or that of Polimetal (1), made by the Company or by the guarantors of any type of sale or transfer of assets that has an impact equal to or higher than 15% of the Company's consolidated assets or equal to or higher than 20% of consolidated gross revenue of the Company (2), undertaking, by the Company or its subsidiaries, of financing, advance or loan operations, in the position of creditors, with any of its direct or indirect controlling companies, except for the exclusive purpose of refinancing obligations agreed prior to the issuing of the debentures, the granting, by the Company or its subsidiaries, of bonds or any type of guarantee for the financial operations of direct or indirect controlling companies for amounts in excess of those existing at the date of issuing the debentures, maintaining minimum financial ratios (net debt/EBITDA) equal to or less than 3.25 times (1st and 2nd issues) and EBITDA/net financial expenses equal to or higher than 2.75 times, (1st issue), where: net debt is equal to total debts (including sureties and guarantees) less cash, EBITDA is equal to profit before taxes, interest, depreciation and amortization in the previous 12 months and net financial expenses refer to total financial income less financial expenses for the previous 12 months (3).

Notes to quarterly information

19. Debentures (Continued)

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

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

(3) The General Meeting for Titleholders to Debentures from the First Public Issue of Unsecured Debentures, with personal guarantees, and non convertible into shares of Forjas Taurus S.A. held on September 29, 2011, approved the alterations to item XXII of Clause 6.21 of the Private Deed of the First Public Issue of Unsecured Debentures, with personal guarantees, and non convertible into shares of Forjas Taurus S.A. held on June 08, 2010, between the Company and Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários, acting as the trustee. Upon payment of a premium by the Company, for the amount of 0.6% (zero point six percent) of the nominal unit value of the debentures, the minimum financial ratios presented were altered from (net debt/EBITDA) equal to or less than 2.5 times to equal to or less than 3.25 times, and (EBITDA/net financial expenses) equal to or higher than 3.0 times to equal to or higher than 2.75 times.

Management from the Company and its subsidiaries monitor these indices on a systematic and constant basis, to ensure that the terms are met. All of the restrictive terms and clauses have been fulfilled.

Within the context of its strategies and management of its financial resources, the Company intends to redeem the debentures from the first issue in advance, subject to the negotiations with the titleholders. Given that management anticipates their redemption within the next financial year, the balance for these securities has been recorded in current liabilities.

Notes to quarterly information

20. Contingencies

a) Consolidated

Forjas Taurus S.A. and Taurus companies, based on the opinion of their legal advisors and the analysis of judicial proceedings pending judgment, set up in Consolidated a provision under other accounts payable account in the amount of R$ 4,299 at March 31, 2012 (R$ 4,261 at December 31, 2011) considered sufficient to cover estimated losses on proceedings pending judgment involving probable unfavorable outcome:

	03-31-2012			12-31-2011
	Provision	**Judicial deposit**	**Net**	**Net**
Labor	**1,503**	**(1,996)**	**(493)**	(600)
Tax				
Federal	**-**	**(423)**	**(423)**	(423)
State	**2,796**	**(395)**	**2,401**	2,401
	4,299	**(2,814)**	**1,485**	1,378

Changes in provisions are as follows:

	Civil and labor	Tax(1)	Total
Balance at December 31, 2011	1,465	2,796	4,261
Provisions made in the period	38	-	38
Provisions used in the period	-	-	
Balance at March 31, 2012	**1,503**	**2,796**	**4,299**

(1) Recorded in other noncurrent liabilities.

The Taurus companies have other proceedings that have been evaluated by the legal advisors as representing possible or remote risks, for the consolidated amount of approximately R$ 24.121 at March 31, 2012 (R$ 23,537 at December 31, 2011) for which no provision has been registered, given that accounting practices adopted in Brazil do not require this.

b) Company

The Company is a party to legal and administrative proceedings with various courts and government bodies, arising from the normal course of its operations, involving labor, tax, civil and other issues.

20. Contingencies (Continued)

b) Company (Continued)

Management, based on information from its legal advisors, analysis of pending legal claims has registered a provision in other accounts payable, for the amount of R$ 2,241 at March 31, 2012 (R$ 2,203 at December 31, 2011) considered sufficient to cover estimated losses from proceedings pending judgment, evaluated as representing probable risks, as follows:

	03-31-2012			12-31-2011
	Provision	**Judicial deposit**	**Net**	**Net**
Labor	**1,503**	**(1,210)**	**293**	281
Tax				
Federal	**-**	**(423)**	**(423)**	(423)
State	**738**	**(371)**	**367**	367
	2,241	**(2,004)**	**237**	225

Changes in provisions are as follows:

	Civil and labor	Tax (1)	Total
Balance at December 31, 2011	1,465	738	2,203
Provisions made in the period	38	-	38
Provisions used in the period	-	-	
Balance at March 31, 2012	**1,503**	**738**	**2.241**

(1) Recorded in other noncurrent liabilities.

At the same time, the Company filed various claims aimed at recognizing various tax credits, which will be recognized as and when they are realized.

The Company has other proceedings evaluated by its legal advisors as representing possible or remote risks, estimated at approximately R$ 10.958 at March 31, 2012 (R$ 10,578 at December 31, 2011) for which no provision has been registered, given that accounting practices adopted in Brazil do not require this.

21. Financial instruments

The Company and its subsidiaries Taurus Blindagens Ltda., Taurus Helmets Indústria Plástica Ltda., and Taurus Máquinas-Ferramenta Ltda., undertake operations with derivative financial instruments. Administration of these instruments is by means of operating strategies and internal controls aimed at ensuring liquidity, profitability and security. The contracting of financial instruments for hedging purposes is made based on a periodic analysis of the exposure to risk that management intends to cover (foreign exchange, interest rate, etc.). The control policy consists of permanently accompanying the terms contracted compared to the existing market terms.

Notes to quarterly information

21. Financial instruments (Continued)

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

			03-31-2012		12-31-2011	
	Party to contract	Contract currency with respect to notional value	Notional – in thousands	Fair value	Notional - in thousands	Fair value
***Swap Libor* 6m x CDI**						
	Forjas Taurus S.A.	US dollars - USD	10,701	(30)	12,000	217
***Swap Fixed* x CDI**						
	Forjas Taurus S.A.	Reais - BRL	37,356	1,935	37,356	1,801
	Taurus Blindagens Ltda.	Reais - BRL	9,652	378	9,652	334
	Taurus Helmets Ind. Plástica Ltda.	Reais - BRL	4,355	170	4,355	150
***Swap* USD x CDI**						
	Forjas Taurus S.A.	Reais - BRL	100,000	15,451	100,000	15,597
	Forjas Taurus S.A.	Reais - BRL	88,000	104	80,000	(4,099)
	Forjas Taurus S.A.	US dollars - USD	-	-	868	163
	Taurus Máquinas-Ferramenta Ltda.	US dollars - USD	-	-	680	128
***Non-deliverable forward* (exports)**						
	Forjas Taurus S.A.	US dollars - USD	63,000	(8,797)	88,100	(15,259)
				9,211		**(968)**

21. Financial instruments (Continued)

	03-31-2012	12-31-2011
Company		
Derivative financial instruments assets	**17,490**	17,778
Derivative financial instruments liabilities	**(8,827)**	(19,358)
	8,663	(1.580)
Consolidated		
Derivative financial instruments assets	**18,038**	18,262
Derivative financial instruments liabilities	**(8,827)**	(19,358)
Assets held for sale (Note 8)		128
	9.211	(968)

The fair value does not represent the obligation for immediate disbursement or receiving of cash, given that this effect will only occur on the contractual dates or maturity dates of each operation, when the results are determined, depending on the case and the market conditions on these dates. It should be noted that all of the contracts outstanding at March 31, 2012 refer to operations on the over the counter market, registered with the CETIP, without any type of guarantee margin or accelerated liquidation clause forced by *Mark to Market (MtM) variations.*

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

Non-deliverable forward (exports)

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

Swap Libor 6m x CDI

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

Swap fixed x CDI

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

21. Financial instruments (Continued)

Swap USD x CDI

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

a) *Credit risk*

Exposure to credit risk

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

	Consolidated	
	Carrying values	
	03-31-2012	**12-31-2011**
Financial assets held to maturity	**676**	659
Trade accounts receivable	**152,690**	155,300
Other loans and receivables	**18,676**	19,948
Cash and cash equivalents	**185,980**	162,226
Foreign exchange forward and interest rate swap contracts used for asset hedging	**18,038**	18,262
Total	**376,060**	356,395

	Company	
	Carrying values	
	03-31-2012	**12-31-2011**
Financial assets held to maturity	**676**	659
Trade accounts receivable	**101,500**	147,548
Other loans and receivables	**21,390**	17,656
Cash and cash equivalents	**116,892**	71,320
Foreign exchange forward and interest rate swap contracts used for asset hedging	**17,490**	17,778
Total	**257,948**	254,961

21. Financial instruments (Continued)

a) *Credit risk* (Continued)

Exposure to credit risk

The maximum exposure to credit risk for trade accounts receivable and other loans and receivables at the reporting date by geographic region was as follows:

	Consolidated		Company	
	Carrying values		Carrying values	
	03-31-2012	12-31-2011	03-31-2012	12-31-2011
Domestic – Trade accounts receivable	**87,429**	101,082	**43,753**	69,254
United States – Trade accounts receivable	**57,263**	47,317	**50,849**	71,436
Other	**7,998**	6,901	**6,898**	6,858
Total	**152,690**	155,300	**101,500**	147,548

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

	Consolidated		Company	
	Carrying values		Carrying values	
	03-31-2012	12-31-2011	03-31-2012	12-31-2011
Clients – public bodies	**35,423**	60,069	**33,949**	57,257
Clients – distributors	**11,543**	8,792	**57,243**	79,775
End clients	**105,724**	86,439	**10,308**	10,516
Total	**152,690**	155,300	**101,500**	147,548

Impairment losses

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

				Consolidated
	Gross	Gross	*Impairment*	*Impairment*
	03-31-2012	12-31-2011	03-31-2012	12-31-2011
Falling due	**111,413**	129,172	**-**	-
Overdue between 0-30 days	**12,947**	12,144	**-**	-
Overdue between 31-360 days	**24,299**	8,663	**(4,118)**	(1,098)
More than one year	**4,031**	5,321	**(3,454)**	(5,321)
Total	**152,690**	155,300	**(7,572)**	(6,419)

21. Financial instruments (Continued)

a) *Credit risk* (Continued)

Impairment losses (Continued)

				Company
	Gross	**Gross**	***Impairment***	***Impairment***
	03-31-2012	**12-31-2011**	**03-31-2012**	**12-31-2011**
Falling due	**72,430**	131,715	**-**	-
Overdue between 0-30 days	**8,059**	4,372	**-**	-
Overdue between 31-360 days	**17,421**	7,403	**(393)**	(410)
More than one year	**3,590**	4,058	**(2,234)**	(2,259)
Total	**101,500**	147,548	**(2,627)**	(2,669)

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

In 1Q12, the Company transferred to third parties, credits receivable from the subsidiary Taurus Holdings, Inc. for the amount of R$ 15,948, without right of refund for damages. In the financial statements, this amount was recognized as advances on receivables.

b) *Liquidity risk*

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

21. Financial instruments (Continued)

b) *Liquidity risk* (Continued)

	Consolidated 03-31-2012					
	Carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Guaranteed bank loans	**388,763**	**433,082**	**149,334**	**142,888**	**110,251**	**30,609**
Debt securities issued	**127,975**	**155,584**	**83,626**	**29,550**	**42,408**	**-**
Certificates of real estate receivables	**34,406**	**41,979**	**8,223**	**21,811**	**11,945**	**-**
Foreign exchange payable	**23,985**	**24,234**	**24,234**	**-**	**-**	**-**
Derivative financial liabilities						
Derivative instruments (output)	**(18,038)**	**(18,038)**	**(18,038)**	**-**	**-**	**-**
Derivative instruments (input)	**8,827**	**8,827**	**8,827**	**-**	**-**	**-**
	565,918	**645,668**	**256,206**	**194,249**	**164,604**	**30,609**

	Consolidated 12-31-2011					
	Carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Guaranteed bank loans	331,696	367,899	101,855	176,293	73,079	16,672
Debt securities issued	125,330	155,713	81,825	30,164	43,724	-
Certificates of real estate receivables	36,127	44,001	7,768	24,287	11,946	-
Foreign exchange payable	39,626	40,510	40,510	-	-	-
Derivative financial liabilities						
Derivative instruments (output)	(18,262)	(18,262)	(18,262)	-	-	-
Derivative instruments (input)	19,358	19,358	19,358	-	-	-
	533,875	609,219	233,054	230,744	128,749	16,672

	Company 03-31-2012					
	Carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Guaranteed bank loans	**327,009**	**363,819**	**133,188**	**136,027**	**82,685**	**11,919**
Debt securities issued	**127,975**	**155,584**	**83,626**	**29,550**	**42,408**	**-**
Foreign exchange payable	**23,985**	**24,234**	**24,234**	**-**	**-**	
Derivative financial liabilities						
Derivative instruments (output)	**(17,490)**	**(17,490)**	**(17,490)**	**-**	**-**	**-**
Derivative instruments (input)	**8,827**	**8,827**	**8,827**	**-**	**-**	**-**
	470,306	**534,974**	**232,385**	**165,577**	**125,093**	**11,919**

Notes to quarterly information

21. Financial instruments (Continued)

b) *Liquidity risk* (Continued)

	Carrying value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	More than 5 years
						Company 12-31-2011
Non-derivative financial liabilities						
Guaranteed bank loans	261,434	291,979	87,554	138,271	64,914	1,240
Debt securities issued	125,330	155,713	81,825	30,164	43,724	-
Foreign exchange payable	39,626	40,510	40,510	-	-	-
Derivative financial liabilities						
Derivative instruments (output)	(17,778)	(17,778)	(17,778)	-	-	-
Derivative instruments (input)	19,358	19,358	19,358	-	-	-
	427,970	489,782	211,469	168,435	108,638	1,240

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

Notes to quarterly information

21. Financial instruments (Continued)

c) *Foreign exchange risk*

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

	Consolidated	
	USD 000	
	03-31-2012	**12-31-2011**
Accounts receivable	**31,427**	28,904
Foreign exchange payable	**(13,449)**	(21,018)
Guaranteed bank loans	**(110,831)**	(101,362)
Foreign suppliers	**(3,748)**	(4,716)
Net balance sheet exposure	**(96,601)**	(98,192)

The exposure to consolidated foreign exchange risk includes the guaranteed bank loans from Taurus Holdings, Inc. for the amount of USD 23,445 at March 31, 2012 (USD 29,322 at December 31, 2011).

	Company	
	USD 000	
	03-31-2012	**12-31-2011**
Accounts receivable	**3,697**	3,656
Accounts receivable – overseas related parties	**27,877**	38,083
Foreign exchange payable	**(13,449)**	(21,018)
Guaranteed bank loans	**(87,386)**	(72,040)
Foreign suppliers	**(504)**	(524)
Net balance sheet exposure	**(69,765)**	(51,843)

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

	Average rate		Spot rate	
	03-31-2012	**12-31-2011**	**03-31-2012**	**12-31-2011**
R$/USD	**1,7701**	1,6746	**1,8221**	1,8758

21. Financial instruments (Continued)

c) *Foreign exchange risk* (Continued)

Sensitivity analysis

The appreciation of the Real to the US dollar, at March 31, 2012 increased equity and net income as reported below. This analysis is based on the change in the foreign exchange rate that the Company considered reasonably possible at the reporting period end. The analysis considered that all the other variables, particularly interest rates, would remain constant. The analysis was made with the same base at December 31, 2011, despite the possibility of the variation in the foreign exchange rate being different, as presented below.

	Consolidated		Company	
	Equity	**Net income for the year**	**Equity**	**Net income for the year**
March 31, 2012				
R$/USD (25% - forecast rate 2.2776)	**42,262**	**42,262**	**30,037**	**30,037**
R$/USD (50% - forecast rate 2.7332)	**84,524**	**84,524**	**60,075**	**60,075**
December 31, 2011				
R$/USD (25% - forecast rate 2.3447)	46,047	46,047	24,311	24,311
R$/USD (50% - forecast rate 2.8137)	92,094	92,094	48,623	48,623

d) *Interest rate risk*

Sensitivity analysis of the fair value for fixed rate instruments

The Company did not register any financial asset or liability with fixed interest rate at fair value through profit or loss, and the Company does not designate derivatives (interest rate *swaps*) as hedging instruments using hedge accounting at fair value. Therefore, a change in interest rates at the reporting date would not affect P&L.

Notes to quarterly information

21. Financial instruments (Continued)

d) *Interest rate risk* (Continued)

Sensitivity analysis of cash flows for variable rate instruments

A variation of 10 points in interest rates, on the reporting date of the financial statements, would increase (reduce) equity and net income for the year, by the amounts presented below. The analysis considers that all variables, particularly foreign currency, would remain stable. The analysis has been prepared with the same base for March 31, 2012 and December 31, 2011.

	Consolidated	
	Carrying value	
	03-31-2012	**12-31-2011**
Fixed rate instruments		
Financial liabilities	**96,990**	98,884
Variable rate instruments		
Financial assets	**115,136**	105,730
Financial liabilities	**486,967**	453,053

	Company	
	Carrying value	
	03-31-2012	**12-31-2011**
Fixed rate instruments		
Financial liabilities	**14,055**	29.,932
Variable rate instruments		
Financial assets	**105,163**	76,701
Financial liabilities	**473,742**	415,615

A variation of 10 points in interest rates, on the reporting date of the financial statements, would increase (reduce) equity and net income for the year on the balance for interest not liquidated, by the amounts presented below. The analysis considers that all variables, particularly foreign currency, would remain stable.

21. Financial instruments (Continued)

d) *Interest rate risk* (Continued)

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

	Consolidated	
	Equity and net income for the year	
	03-31-2012	12-31-2011
Change in interest rate on financing	**(2,157)**	(1,865)
Change in interest rate on short-term investments	**468**	448

	Company	
	Equity and net income for the year	
	03-31-2012	12-31-2011
Change in interest rate on financing	**(2,147)**	(1,821)
Change in interest rate on short-term investments	**422**	302

Fair value versus carrying values

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

	Consolidated			
	03-31-2012		12-31-2011	
	Carrying values	Fair values	Carrying values	Fair values
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	**18,038**	**18,038**	18,262	18,262
Assets stated at amortized cost				
Cash and cash equivalents	**185,980**	**185,980**	162,226	162,226
Trade accounts receivable and other receivables	**145,118**	**145,118**	148,881	148,881
	331,098	**331,098**	311,107	311,107
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	**8,827**	**8,827**	19,358	19,358
Liabilities stated at amortized cost				
Guaranteed bank loans	**388,763**	**388,763**	331,696	331,696
Issue of debt securities	**126,855**	**126,855**	126,597	126,597
Foreign exchange payable	**23,985**	**23,985**	39,626	39,626
Suppliers and other accounts payable	**34,287**	**34,287**	43,821	43,821
Advance on real estate credits	**34,406**	**34,406**	36,127	36,127
	608,296	**608,296**	577,867	577,867

Notes to quarterly information

21. Financial instruments (Continued)

d) *Interest rate risk* (Continued)

Fair value versus carrying values (Continued)

				Company
		03-31-2012		12-31-2011
	Carrying values	Fair values	Carrying values	Fair values
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	**17,490**	**17,490**	17,778	17,778
Assets stated at amortized cost				
Cash and cash equivalents	**116,892**	**116,892**	71,320	71,320
Trade accounts receivable and other receivables	**98,873**	**98,873**	144,879	144,879
	215,765	**215,765**	216,199	216,199
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	**8,827**	**8,827**	19,358	19,358
Liabilities stated at amortized cost				
Guaranteed bank loans	**327,009**	**327,009**	261,434	261,434
Issue of debt securities	**126,855**	**126,855**	126,597	126,597
Foreign exchange payable	**23,985**	**23,985**	39,626	39,626
Suppliers and other accounts payable	**26,560**	**26,560**	15,823	15,823
	504,409	**504,409**	443,480	443,480

The fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted at the market interest rate calculated at the reporting date for the financial statements. The interest rates used to discount the estimated cash flows, when applicable, are based on forecast rates for the interbank certificates of deposits (CDI) at the balance sheet date.

21. Financial instruments (Continued)

d) *Interest rate risk* (Continued)

Fair value versus carrying values (Continued)

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

22. Related parties

Remuneration of key management personnel

At March 31, 2012, remuneration paid to key management personnel amounted to R$ 5,576 (R$ 7,941 at March 31, 2011), and includes salaries, fees and benefits.

Remuneration of key management personnel includes:

	Consolidated		Company	
	03-31-2012	**03-31-2011**	**03-31-2012**	**03-31-2011**
Remuneration and benefits of statutory directors and board members	**2,400**	1,810	**2,400**	1,810
Remuneration of key personnel	**3,176**	6,131	**1,734**	3,141
Total	**5,576**	7,941	**4,134**	4,951

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

22. Related parties (Continued)

Remuneration of key management personnel (Continued)

Company charter provides for the allocation of up to 10% of the profits for the year as management profit sharing, and at March 31, 2012, this amounted to R$ 954 (R$ 783 at March 31, 2011).

Operations of directors and key management personnel

The directors and key management personnel directly control 0.69% of the Company's voting capital.

Some of the key management personnel hold units of interest in other entities, resulting in them having control or significant influence over the financial or operating policies of these companies.

Transactions between related parties not eliminated on consolidation

In the consolidated financial statements at March 31, 2012 and December 31, 2011, the subsidiary Taurus Máquinas-Ferramenta Ltda. reported a balance receivable from Wotan Máquinas Ltda., for the amount of R$ 34,136. The subsidiary Taurus Security Ltda. has a loan contract with the parent Forjas Taurus S.A. for the amount of R$ 219 at December 31, 2011.

The subsidiary Taurus Máquinas-Ferramenta Ltda. has a loan agreement with the parent Forjas Taurus S.A. for the amount of R$ 67,327 at March 31, 2012 and R$ 58,540 at December 31, 2011.

All of the loan agreements between related parties mature in the long term.

Sureties between related parties

The loans and financing are secured by promissory notes, chattel mortgages over machinery and equipment, real estate mortgages and sureties from the directors. The sureties granted by the directors, and those granted by the Company to its subsidiaries are presented below:

22. Related parties (Continued)

Sureties between related parties

The Company provided sureties to its subsidiaries, as presented below:

Sureties to subsidiaries:

	03-31-2012	12-31-2011
Taurus Máquinas-Ferramenta Ltda.	**15,878**	17,391
Taurus Holdings, Inc.	**42,720**	55,002
	58,598	72,393

23. Equity (Company)

Capital and reserves

Authorized shares (in thousands of shares)

	03-31-2012	12-31-2011
Common shares	**51,851**	51,851
Preferred shares	**103,702**	103,702
	155,553	155,553

Shares issued and fully paid up

	Common		Preferred	
	Number in thousands	R$ 000	Number in thousands	R$ 000
At December 31, 2011				
ON - R$ 1.53 - PN - R$ 1.46*	47,138	72,121	94,275	137,642
At March 31, 2012				
ON - R$ 2.41 - PN - R$ 2.15*	**47,138**	**113,602**	**94,275**	**202,691**

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

Notes to quarterly information

23. Equity (Company) (Continued)

Legal reserve

This is registered at the rate of 5% of net income for each year, determined in accordance with the terms of article 193 of Law No. 6404/76, until its balance reaches the limit of 20% of the amount of capital.

Statutory reserve and profit retention

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

Equity valuation adjustments

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

Cumulative translation adjustments

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

Earnings per share

Basic earnings per share were calculated based on profit for the period attributable to controlling and non-controlling shareholders of the Company up to March 31, 2012, and the respective average number of common outstanding shares in this period, compared to the period ended March 31, 2011, as presented below:

	03-31-2012	03-31-2011
Net income for the period from continuing operations	**17,307**	**7,137**
Loss for the period from discontinued operations	**(5,166)**	**-**
Net income attributable to shareholders	**12,141**	**7,137**
Basic and diluted earnings per share - in R$	**0.0858**	**0.0556**
Basic and diluted earnings per share from continuing operations – in R$	**0.1224**	**0.0556**

Notes to quarterly information

23. Equity (Company) (Continued)

Earnings per share (Continued)

Basic earnings per share are calculated based on the results for the period attributable to the Company's shareholders and the weighted average number of outstanding shares in the respective period. At March 31, 2012, the Company reported diluted earnings per share equal to basic earnings per share, given that there were no financial instruments with share conversion rights and its common shares do not have preference in profit sharing.

The Company's by-laws provide for the distribution of minimum compulsory dividends of 35% of net income for the period, adjusted in accordance with legislation. Dividends payable were separately disclosed in equity at December 31, 2011 and registered as a liability.

24. Operating revenue

	Consolidated		Company	
	03-31-2012	**03-31-2011**	**03-31-2012**	**03-31-2011**
Revenue from products sold	**207,629**	192,058	**84,383**	85,558
Revenue from services rendered	**1,922**	1,302	**12**	41
Total revenue	**209,551**	193,360	**84,395**	85,599

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

	Consolidated		Company	
	03-31-2012	**03-31-2011**	**03-31-2012**	**03-31-2011**
Gross revenue	**209,551**	193,360	**84,395**	85,599
Sales taxes	**(28,856)**	(28,090)	**(10,273)**	(11,518)
Sales returns and rebates	**(2,331)**	(713)	**(144)**	(862)
Total net operating revenue	**178,364**	164,557	**73,978**	73,219

25. Other operating expenses, net

	Consolidated		Company	
	03-31-2012	**03-31-2011**	**03-31-2012**	**03-31-2011**
Other operating expenses				
Research and development	**(535)**	(805)	**(535)**	(705)
Cost of fixed assets sold	**(568)**	(458)	**(501)**	(434)
Amortization of intangible assets	**(167)**	(311)	**(155)**	(307)
Employee profit sharing	**(276)**	-	**-**	-
Idle capacity	**-**	(584)		
Other	**(705)**	(527)	**(147)**	(44)
	(2,251)	(2,685)	**(1,338)**	(1,490)
Other operating income				
Tax incentives	**631**	-	**-**	-
Other operating income	**764**	1.149	**498**	447
	1,395	1,149	**498**	447
Other operating expenses, net	**(856)**	(1,536)	**(840)**	(1,043)

Notes to quarterly information

26. Financial income and expenses

	Consolidated		Company	
	03-31-2012	**03-31-2011**	**03-31-2012**	**03-31-2011**
Financial expenses				
Interest	**(12,109)**	(10,222)	**(10,415)**	(6,383)
Capitalized interest on fixed assets	**34**	430	**63**	411
Exchange variation	**(21,060)**	(1,524)	**(21,021)**	(1,486)
IOF	**(52)**	(120)	**(5)**	30
Swap on financial operations	**(13,557)**	-	**(13,557)**	-
Other expenses	**(1,781)**	(670)	**(961)**	(191)
	(48,525)	(12,106)	**(45,896)**	(7,619)
Financial income				
Interest	**3,303**	4,389	**1,646**	3,262
Exchange variation	**29,626**	3,289	**29,459**	3,217
Swap on financial operations	**13,286**	-	**13,154**	-
Other income	**374**	357	**157**	272
	46,589	8,035	**44,416**	6,751
Net financial expenses	**(1,936)**	(4,071)	**(1,480)**	(868)

27. Income and social contribution tax expense

The reconciliation of the expense calculated using the combined tax rates and the income and social contribution tax expense posted to P&L is demonstrated below:

	Consolidated		Company	
	03-31-2012	**03-31-2011**	**03-31-2012**	**03-31-2011**
Income before income and social contribution taxes	**28,430**	15,811	**13,596**	7,328
Combined tax rate	**34%**	34%	**34%**	34%
Income and social contribution taxes:				
At combined tax rate	**(9,666)**	(5,376)	**(4,623)**	(2,492)
Permanent additions:				
Nondeductible expenses	**(53)**	(23)	**(45)**	(22)
Permanent exclusions:				
Tax exempt income – equity pickup	**-**	145	**5,913**	4,550
Other – Law No. 11196/05	**33**	9	**-**	-
Tax loss not recognized in assets	**(3,014)**	(4,548)	**(3,014)**	(2,678)
Other items	**1,577**	1,128	**314**	451
Income and social contribution taxes posted to P&L for the year	**(11,123)**	(8,665)	**(1,455)**	(191)
Breakdown of income and social contribution taxes posted to P&L for the year:				
Current	**(6,712)**	(4,802)	**-**	-
Deferred	**(4,411)**	(3,983)	**(1,455)**	(191)
	(11,123)	(8,665)	**(1,455)**	(191)
Effective rate	**39.12%**	52.80%	**10.70%**	2.61%

28. Insurance coverage

The Company adopts the policy to take out insurance coverage for assets subject to risks for amounts considered sufficient to cover adventitious damages, considering the nature of its activities. The risk assumptions adopted, given their nature, are not part of the scope of an audit of the financial statements, consequently, they were not analyzed by our independent auditors.

At March 31, 2012, the Company's insurance coverage was as follows:

	03-31-2012	
	Consolidated	**Company**
Material damage	188,935	122,165
Civil liability	25,951	7,200
Loss of profits	3,100	-

29. Subsequent events

The Board of Directors meeting held on April 30, 2012, approved unanimously the purchase by Taurus Holdings, Inc. ("TH"), a company controlled by the Company, headquartered in Miami, Florida State, USA, of Heritage Manufacturing, Inc. ("HERITAGE"), also based in Miami, State of Florida, authorizing the Executive Board of TH to perform the acts necessary to accomplish the purchase of HERITAGE.

The operation was recommended by the Board of TH and that of the Company based on the analysis concluding that in recent years the U.S. market has remained stable in firearms sales and the acquisition of companies in the weapons segment will allow increase in market share, as well as operation in market niches. In addition, a due diligence review of HERITAGE was carried out by Pollack Berkowitz Dick & Brandt, and no differences were detected in the previously presented balance sheets.

On May 2, 2012 the Company disclosed relevant information to shareholders and the market, about acquisition of HERITAGE in Opa Locka, Florida, a company that proudly produces an American legend, the Single Action Revolver, for the amount of U$ 10,000,000.00 (ten million US dollars), payable in two installments; namely US$ 9,000,000.00 on April 30, 2012 and US$ 1,000,000.00 on 04.30.2013.

The investment amount was already provided for in Capital Budget for 2012, recently approved by the General Meeting held on April 27, 2012. The funds appeal for this acquisition will come from an international line of credit taken out by the subsidiary of Taurus in the USA, with a term of five years at competitive cost, as reported in Communication to Market dated April 3, 2012.

Notes to quarterly information

29. Subsequent events (Continued)

Heritage Manufacturing was founded in 1992 by Jay Bernkrant and his wife, Maria Diaz, and its firearms were soon acknowledged for their notable precision, quality and value. With inclusion of Rough Rider 22LR and 22 Magnum revolvers to the products portfolio, this acquisition supplements our Taurus and Rossi products being aligned with our growth strategy through acquisitions and partnerships with companies that are also qualified to offer firearms at accessible prices.

Taurus continues making shooting sports-related investments and HERITAGE offers accessible products to our customers, including hunting, plinking and cowboy- action shooting customers for amusement purposes.

On May 3, 2012, the Company disclosed a Communication to Market in reply to BM&FBovespa GAE/CREM Official Letter No. 2065 dated 05-02-12, with a copy to CVM, informing that HERITAGE acquisition was not approved by the Company's general shareholders' meeting and, due to the considerations below, understood that approval of the referred to acquisition was not necessary in light of article 256 of Brazilian corporation law, since:

(1) in meeting the "relevant investment" criterion:

(i) Taurus Holdings, Inc. ("TH"), a wholly-owned subsidiary of the Company, headquartered in Miami, Florida, USA, acquired on 04.30.2012, 100 (one hundred) shares, representing 100% equity interest in HERITAGE, for US$10,000,000.00 (ten million US dollars) or, approximately R$19,000,000.00 (nineteen million reais);

(ii) at 12.31.2011, date of closing of the Company's financial year preceding this acquisition, Company equity amounted to R$325,200,000.00 (three hundred and twenty-five million and two hundred thousand reais); and

(iii) the Company's indirect investment in HERITAGE thus represents 5.9% of the Company's equity for the year ended 12.31.2011 and, consequently, is not relevant, on the terms of sole paragraph, article 247 of Brazilian corporation law.

(2) the acquisition price of HERITAGE, of US$100,000.00 (one hundred thousand US dollars) per share, is not in excess of 1.5 (one and a half) times the higher of the 3 (three) amounts provided for by item II, main clause of article 256 of Brazilian Corporation law, considering that:

(i) there shall not be application of the parameter of average quotation of shares on stock exchange or in the organized OTC market during the 90 (ninety) days before the contract date, considering that HERITAGE was and is a closely-held company and, therefore, with shares not traded on stock exchange;

29. Subsequent events (Continued)

(ii) the amount of 15 (fifteen) times annual earnings per share of HERITAGE is of US$261.825,00 (two hundred and sixty-one thousand, eight hundred and twenty-five US dollars), considering average annual earnings per share of HERITAGE for the years ended 12.31.2011 and 12.31.2010, since the unit value of earnings per share of such years was, respectively, of US$22,060.00 (twenty-two thousand and sixty US dollars) and US$12,850.00 (twelve thousand, eight hundred and fifty US dollars); and

(iii) the equity valuation report at market value of HERITAGE was not prepared, considering that item II, article 256 of Brazilian corporation law establishes a cap, i.e. one and a half times “the higher of the 3 (three) amounts”, so that determination of equity amount at market value will not affect the conclusion about the need or not of convening a General Shareholders’ Meeting to approve the acquisition.

Regarding the criterion established in item II, main clause of article 256 of Brazilian corporation law, we highlight that the price of acquisition of shares issued by HERITAGE (US$100,000.00 per share) could not be (as in fact it is not) in excess of US$392,737.50 per share (amount that represents one and a half times the amount of fifteen times annual earnings per share of HERITAGE, according to article 256, II, “C” of Brazilian corporation law). As such, even if the amount of equity of HERITAGE were determined at market value, according to article 256, II, “B” of Brazilian corporation law, there would not be any resulting effect, since: this amount is higher than the amount of annual earnings per share, the limit provided for by the referred to item II would only increase; and, since this amount is lower, the amount to be used would continue being annual earnings per share (for being the higher of the amounts).

A free translation from Portuguese into English of Independent Auditor's Review Report on Quarterly Information in accordance with accounting practices adopted in Brazil and specific standards established by the Brazilian Securities and Exchange Commission (CVM)

Independent auditor's review report on quarterly information

The Board of Directors, Shareholders and Officers
Forjas Taurus S.A.
Porto Alegre – RS

Introduction

We have reviewed the individual and consolidated interim financial information contained in the Quarterly Information Form (ITR) of Forjas Taurus S.A. ("Company") for the quarter ended March 31, 2012, which comprise the balance sheet as at March 31, 2012 and the related income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the three-month period then ended, including explanatory notes.

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

Scope of review

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

Conclusion on the individual interim financial information

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

Conclusion on the consolidated interim financial information

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

Other matters

Statements of value added

We also reviewed the individual and consolidated statements of value added (SVA), for the three-month period ended March 31, 2012, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information (ITR) and considered supplementary information under IFRS, which do not require SVA presentation. These statements were submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would make us believe that they were not prepared, in all material respects, in accordance with the overall individual and consolidated interim financial information.

Corresponding amounts

The amounts corresponding to the balance sheet at December 31, 2011, and the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and statement of value added, for the three-month period ended March 31, 2011, presented for purposes of comparison, were previously audited and reviewed, respectively, by other independent auditors who issued unmodified reports dated March 22, 2012 and May 13, 2011.

Porto Alegre, May 10, 2012.

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

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

REPRESENTATION LETTER OF FORJAS TAURUS S.A. OFFICERS ON THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2012

Mr. Dennis Braz Gonçalves, Mr. Jorge Py Velloso and Ms. Dóris Beatriz França Wilhelm, Officers of Forjas Taurus S.A., a company headquartered at Avenida do Forte, nº 511, Vila Ipiranga, Porto Alegre, Rio Grande do Sul (RS) state, enrolled with Brazilian IRS Registry of Legal Entities under No. 2.781.335/0001-02, for the purpose of items V and VI of article 25 of Brazilian Securities and Exchange Commission (CVM) Ruling No. 480, of December 7, 2009, do hereby represent that they have reviewed, discussed and agreed with the Financial Statements of Forjas Taurus S.A. and consolidated companies for the period from January 1, 2012 to March 31, 2012.

Porto Alegre, May 11, 2012

Dennis Braz Gonçalves

Chief Executive Officer

Jorge Py Velloso

Senior Deputy Chief Executive Officer

Dóris Beatriz França Wilhelm

Chief Investor Relations Officer

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

Mr. Dennis Braz Gonçalves, Mr. Jorge Py Velloso and Ms. Dóris Beatriz França Wilhelm, Officers of Forjas Taurus S.A., a company headquartered at Avenida do Forte, nº 511, Vila Ipiranga, Porto Alegre, Rio Grande do Sul (RS) state, enrolled with Brazilian IRS Registry of Legal Entities under No. 2.781.335/0001-02, for the purpose of items V and VI of article 25 of Brazilian Securities and Exchange Commission (CVM) Ruling No. 480, of December 7, 2009, do hereby represent that they have reviewed, discussed and agreed with the opinions expressed by Ernst & Young Terco Auditores Independentes S.S., dated May 10, 2012, in the Independent Auditor's Report on the Financial Statements for the period from January 1, 2012 to March 31, 2012.

Porto Alegre, May 11, 2012

Dennis Braz Gonçalves

Chief Executive Officer

Jorge Py Velloso

Senior Deputy Chief Executive Officer

Dóris Beatriz França Wilhelm

Chief Investor Relations Officer