Financial Statements

Taurus Armas S.A.

December 31, 2023 and 2022
with Independent Auditors' Report

Taurus Armas S.A.
Financial statements
December 31, 2023 and 2022

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MANAGEMENT REPORT

2023

TAURUS™

COMPROMISSO COM A EXCELÊNCIA

Taurus Armas S.A.

Management Report - FY2023

São Leopoldo, March 26, 2024

Dear shareholders,

The Management of Taurus Armas S.A. ("Taurus" or "Company"), in compliance with legal and statutory provisions, is pleased to submit for your appreciation our Financial Statements for the year ended December 31, 2023, accompanied by this Management Report, Supervisory Board's Opinion, and the Independent Auditor's Report.

Our operating and financial information, except where otherwise indicated, is presented based on consolidated figures and has been prepared in accordance with accounting practices adopted in Brazil, as laid down in International Financial Reporting Standards (IFRSs) and pronouncements issued by the Accounting Pronouncements Committee ("CPC") applicable to our operations. All comparisons take into consideration the year 2022, unless otherwise stated.

MESSAGE FROM MANAGEMENT

The year 2023 was a challenging period for our sector, with a drastic change in the market environment in comparison to the one we experienced in previous years. It was a test through which, I am proud to say, Taurus has maintained its sound structure, with solid results and indicators, which have confirmed our operational agility and flexibility, coupled with our ability to adapt to different market conditions. Just as we were quickly able to meet the unprecedented demand seen during the pandemic, while benefitting from the positive momentum, we were also prepared for the new market conditions that emerged in 2023. We pursued opportunities within the situation that prevailed, carried out several launches, took part in the sector's main fairs and events both in Brazil and abroad, and remained committed to research and innovation. At the same time, we managed costs and expenses, ensuring strict discipline, and made adjustments to the operation.

The results for 2023 that we are presenting in this report are perfectly in line with our expectations, and with what we have been reporting to the market over the course of the year. The structure we have developed at Taurus over the last few years has resulted in a Company with solid foundations. We recorded a positive result for the year, even when considering the less favorable market conjuncture, with sales in Brazil having been interrupted due to the lack of regulations, which was combined with a 4.6% inflation rate, putting pressure on costs and expenses, plus the exchange rate variation, with the appreciation of the real against the dollar having an impact on our revenues, since Taurus is a major exporter. We also granted a 30-day collective vacation to employees between December/23 and January/24, which ended up impacting EBITDA, given the reduction in production.

This structure that we have developed at the Company has enabled us to close the year with a gross margin higher than that of our international peers in the sector, as has occurred on a recurring basis. At Taurus, we achieved a gross margin of 35.4% in 2023, versus 24.6% at Ruger and, at Smith & Wesson, considering the last 12 months ended in January/24, 27.5%. In terms of operating cash generation, as measured by adjusted EBITDA, we recorded R$256.9 million, with a net income of R$152.8 million, more than three and a half times higher (+252.1%) than in 2019, the year before the pandemic. Thus, following approval at the general shareholders' meeting, the Company will pay dividends to shareholders for the third consecutive year. Our bylaws provide for the payment of at least 35% of adjusted net income, which this year will be deducted from the amount already paid in August/23.

Following the publication of Decree 11.366 on January 1, 2023, with the initial expectation that the regulation would be laid down by April, the legal uncertainty regarding the sector in Brazil remained throughout 2023. It was only in December that the regulation was published, which set out aspects that had been pending until then, such as authorizations for new gun purchases by CACs (collectors, sport shooters and hunters), and the possibility of new *registrations. However, the process of purchasing firearms, including restricted calibers, by the Military Police, Military Fire Brigades and the Office of Institutional Security Bureau of the Presidency of the Republic is still under review. Although the regulations in force today are not the most positive for the sector, almost all aspects have been laid down, allowing the domestic market to finally resume. There is already some movement in the retail sector, especially of items that have been sitting in stock for a long time. Thus, expectations are more positive for 2024, with the Brazilian market gradually recovering the conditions and legal certainty for consumers to resume purchases. We shall feel the effects of this recovery from 2Q24 onwards, following the return of consumer demand and orders from retailers.*

In the US, the market's performance in 2023 came as expected, reviving the upward trend in demand compared to pre-pandemic levels. ***Revenues from the sale of Taurus firearms & accessories in the USA, of R$1.4 billion in 2023, exceeded by more than 88% the amount recorded in 2019****, during the pre-pandemic, a remarkable percentage even if we consider the 26.5% devaluation of the average annual dollar exchange rate in the period. The country's economy has shown stronger signs of recovery than other countries with advanced economies. The United States has shown impressive growth, with a strong labor market and declining inflation, and will end 2023 with a GDP increase of 2.5%. Inflation is expected to continue decelerating in the coming months, heading back towards the target of 2% per year. As a result, interest rates are starting to fall, after falling from almost zero to the highest level in 22 years. In addition to the positive economic outlook, the fact that 2024 is a presidential election year in this country could be a further stimulus to increased demand for firearms, since historically sales heat up due to uncertainty about the policy to be adopted for the sector by the new government. The end-of-year sales in the US helped the sales chain to adjust the level of its product inventories to lower levels, so as to increase turnover and thus protect itself from financial costs. This contributed to the upturn in new orders. The effect of this inventory adjustment tends to be maintained in 2024, with positive impacts for the Company. Taurus has also started 2024 with inventories at an adequate level, with a strategic volume capable of meeting demand. As a result of these factors, we can consider market expectations in the US to be more optimistic for 2024.*

With regard to exports to the rest of the world, where Taurus mainly caters to military and defense forces, several international bids were interrupted in 2023, mainly after the start of the Ukraine-Israel war. No major international bidding processes were concluded during the year, but we are continuously monitoring all opportunities that arise, and acting to reinforce Taurus' prominent position in the global firearms industry. Our exports have always been authorized in advance by the Ministry of Foreign Affairs and the Ministry of Defense. At the moment, for diplomatic reasons, sales authorizations for Ukraine and Israel are suspended, preventing any Taurus sales to these countries. Nevertheless, the war situation in both regions could lead to greater movement in the sector in general and, should there be an increase in demand from countries to which we have export authorization, we are prepared to respond.

Through JD Taurus, we are participating in the largest rifle tender ever held in the world, for 425,000 units, by the Indian Ministry of Defense. In March, we sent the firearms samples for the qualifying evaluations, which involve a strict testing protocol, including the use of the firearms in extreme weather conditions, such as tests at a base in the Himalayas, at low temperatures, and in the desert, at high temperatures.

After having received all the necessary licenses, the operation of the new industrial unit in India had also begun in March, with the manufacture of pilot batches of firearms, accompanied by a team of Brazilian professionals from Taurus. The plant currently holds an assembly capacity of approximately 1,150 firearms per day, and the infrastructure created features the possibility of ramping up, depending on demand. Opportunities are being evaluated in India's public security and military markets, as well as in the huge and almost untapped civilian market. With this operation in India, one of the first private plants created to supply the civilian market in the country, Taurus marks its pioneering position in terms of transfer of technology to the promising Indian defense area, in accordance with the "Make in India" program, which aims to further boost the local industry.

In Saudi Arabia, after signing a Memorandum of Understanding (MoU) with the company Scopa Military Industries in June/23, one of the country's most prominent defense-related companies, on December 28, we signed a non-binding Term Sheet that lays down the initial preconditions for moving forward with the feasibility study for setting up a joint venture (JV) in the country. This JV, if implemented, will aim to manufacture Taurus firearms in the Kingdom of Saudi Arabia, and market them throughout the region of the "GCC" (Cooperation Council for the Arab States of the Gulf), as

part of the "Saudi Vision 2030" project to foster economic and social development in the region. The business plan is expected to be submitted for our evaluation in 2Q24, and Taurus' decision to participate in the joint venture will be confirmed in 3Q24, respecting the companies' schedules and requirements.

Throughout the year 2023, we have maintained our solid structure, robust results and indicators, while maintaining an adequate capital structure, debt, cash and costs under strict control, which has enabled us to get this far with the indicators in line with the implementation of the planning outlined without deviating from our objectives and, with resilience, focusing on our strategy. We trust that Taurus can go further by implementing its strategic plans jointly with all the stakeholders, so that we can build a better future. It was necessary to perform several adjustments to adapt the operation to the external factors imposed by the market situation. We continued with strong cost and expense management; we changed the product mix, by increasing the share of revolvers in total production to around 40%, with the aim of better meeting the demand in the North American market for these products; and we continued to offer new products to the market, with the launch of 14 pistol models, 14 revolvers, 2 rifles and 4 suppressor models during the year. Taurus has also conducted a corporate restructuring operation, approved at a general shareholders' meeting held on December 29, 2023, with the aim of reducing the mutuals between the group's companies by almost 100%, further improving the organizational structure, improving the allocation of resources, streamlining processes, and reducing costs.

Our Brazil/USA Integrated Technology and Engineering Center (CITE) is still running at full capacity, conducting research intended to develop new products, new processes and new materials. Among CITE's product projects, I would highlight the incremental technology developed by Taurus for the .38 TPC (Taurus Pistol Caliber), unprecedented in the world. This new caliber falls within the maximum energy limit established by legislation, so as to occupy the space left by the 9mm caliber, now restricted in Brazil, and with benefits for consumers, since it will be a more affordable pistol, including ammunition. The versions of the G2C and GX4 .38 TPC pistols are ready, just waiting for the required permits for production and sale.

In line with our strategy geared towards investing in equipment technology and research and development of materials, the new MIM continuous electric furnace should arrive in 2Q24. The equipment will provide greater efficiency and productivity, in addition to ensuring that a wider range of metal alloys can be used, thereby leading to a reduction in costs. With this state-of-the-art furnace, which is due to start operating in August 2024, we will double M.I.M.'s installed capacity, which will enable us to expand sales to third parties in different businesses and markets, on a global basis. Thus, as of 2024, we will hold a new Taurus business center at M.I.M. At the same time, at present CITE is actively engaged in the development of a compound, which is M.I.M.'s raw material, specific to Taurus. With this new compound, we will reduce our dependence on external suppliers, increasing the Company's self-sufficiency.

The key investments aimed at industrial modernization and expansion of installed capacity have been made over the last few years. Between 2019 and 2022, we invested R$537.9 million, fully funded with our own resources, with 73.5% of this total concentrated in the years 2021 and 2022. The major investments required have been made at the right time. In 2023, with the main projects already completed, and also considering the lower cash generation for the year, we slowed down the pace of investments. We invested R$116.1 million in the year, 77.4% of which funded from the credit line for innovation granted by FINEP. Our plan now is to maintain this pattern of investment in the Company, basically concentrated on projects financed by FINEP.

We currently enjoy a comfortable financial position, having lengthened the maturity profile of our bank debt, and have consolidated a low level of leverage, so we have been able to return to the credit market in order to maintain an adequate capital structure, seeking the best balance between the use of our own resources and those of third parties. This is the Company's strategy in financial terms. We currently rely on a credit line approved by FINEP, with very advantageous conditions for the Company, aimed at financing innovation, in accordance with the Taurus Strategic Innovation Plan for Competitiveness, for the amount of R$175.7 million, out of which we received 51.1% in 2023.

The year 2023 may not have been one of the most favorable, as a result of market issues which are external to the Company, but it proved that Taurus is prepared for the future, remaining solid regardless of the market environment. We are very pleased to look back and see all that has been achieved over the last few years, since the start of our management of the Company in 2018. Between 2018 and 2023, Taurus generated an accumulated R$2.7 billion in cash, measured by adjusted EBITDA, R$1.6 billion in net income. Furthermore, it reduced its net debt balance by R$555 million, moving from a situation where it was not even possible to measure financial leverage by the Net Debt/EBITDA indicator at the end of 2017, since EBITDA for that year was negative, to a degree of leverage of 11.2 times at the close of 2018 and, in 2023, only 1.3 times. At the same time, investments worth R$671 million have been made in the development of products, processes, materials, equipment and technology. In 2023, we issued our first report based on ESG criteria. We internalized suppliers, the magazine plant, the two AMTT shops in Brasília and São Paulo, JD Taurus in India, and began discussions and studies for another potential joint venture, this time in Saudi Arabia.

We are currently recognized for our level of excellence in terms of governance, which goes beyond the requirements of B3's Level II. Our Board of Directors comprises 6 members, 5 of whom are independent; we have a permanent Fiscal Council; a statutory Audit and Risk Committee; we pay out at least 35% of Adjusted Net Income, as laid down in our Bylaws, not to mention ESG issues, which guarantee transparency regarding the environment, social and governance issues. All these changes made at Taurus over the last few years have been accompanied by the growing interest of stakeholders in the Company. Thus, the number of shareholders has soared from 4,200 in 2018 to 114,100 at the end of 2023. In other words, it has multiplied more than 27 times since we took over management of the Company. We are pleased to report this huge increase in interest and confidence in Taurus, as we continue to endeavor to create an ever-stronger Company, seeking the best return for all shareholders.

We would like to thank all those who have accompanied us on this successful journey, during which we have had the support and guidance from our Board of Directors, the support of our shareholders, the commitment of our entire team, the partnership of our suppliers and the trust of our clients.

Management

OPERATIONAL PERFORMANCE

Market

The **US market** performance in 2023 has confirmed the expectations for the year, with normalization after the sharp upswing seen during the pandemic. The Adjusted NICS accumulated for the 12-month period of 2023 reached 15.8 million queries, which, excluding the years 2020 to 2022, was the highest point ever recorded by this indicator since it began to be calculated in the year 2000. This trend is expected to be sustained in 2024, with the North American market returning to pre-pandemic levels. In addition, 2024 is the year of the US presidential elections, which traditionally leads to an increase in demand in the run-up to the election, due to the uncertainty surrounding the policies to be adopted by the new government.

During the course of 2023, the sales chain has downsized inventories of products, so as to increase its turnover and thus reduce the financial cost generated by the rise in US inflation. This movement in the sales chain had an impact on new orders. The higher demand seen at the end of the year in the US was also important in reducing and adjusting distributors' inventory levels to a new level.

In **Brazil**, 2023 represents a gap for the sector, since throughout the year there was basically no civilian market, as a result of legal uncertainties. Pending clarifications regarding some regulations and processes, such as authorizations for new firearm purchases by CACs (collectors, sport shooters and hunters), as well as the possibility of new registrations, were only published at the end of 2023, far behind initial expectations. However, the firearm purchasing process, including restricted calibers by the Military Police, Military Fire Brigades and the Institutional Security Bureau of the Presidency of the Republic, is under review. In addition, throughout the year we have seen consumers and dealers waiting for the legal processes to be normalized, with demand almost zero and very low inventories in the sales chain.

Following the definition of processes and regulations that took place in December, the expectation is that the domestic market should start to pick up. The effect should be felt from the end of 1Q24, with demand expected to resume over the course of the year.

Production and sales

The Company's production volume has evolved in recent years in line with market conditions. Taurus' industrial plants have been prepared to respond quickly to the peak demand of the pandemic years, reaching record production in 2021. In 2023, the Company readjusted the operation to the market conditions, making adjustments to the number of employees, as well as to the portfolio produced. As the North American market, the main destination for the Company's sales, has shown greater demand for revolvers, Taurus has expanded the manufacture of this line, from approximately 31% of the total firearms produced in 2022, to around 40% in 2023. This agility and flexibility in changing the mix is now an operational feature of Taurus, achieved by adopting efficient processes and investing in modern equipment.

As an important aspect of its strategy, Taurus continues to invest in product development, through the use of new materials, integrated technology and efficient production processes, aimed at offering consumers quality, innovative products at competitive prices. In 2023, 14 pistol models, 14 revolvers, 2 rifles and 4 suppressor models were launched.

MODELS LAUNCHED IN 2023

PISTOLS
- TS9 e TS9c Graphene
- GX4 XL Graphene
- 1911 Commander e Officer
- GX4 Carry Graphene
- G3 XL T.O.R.O. and G3 Tactical
- TH45
- TH10
- TH380 e TH380c Graphene
- 59
- 58 HC Plus

REVOLVERS
- RT 605 T.O.R.O
- RT 856 T.O.R.O
- RT 380 T.O.R.O.
- Rossi RP63, RM66 e RM64
- Raging Hunter RT 460
- Single Action Imperador .45 COLT e .38 SPL
- RT 38H
- RT 942 UL
- RT 832
- RT 410 The Judge 856 Executive Grade

RIFLES
- T9
- T10

SUPPRESSORS
- ST M177
- ST M183
- ST 22
- ST M210


Taurus T9 rifle


Taurus T10 rifle

In terms of sales volume, the performance in 2023 reflected the market environment in which Taurus operates, with normalization of sales in the US after historic records; stagnation in the domestic market as a result of legal uncertainties and almost no conclusions from major international tenders.

Under the headline "A legendary upgrade", the Dec/23 cover story of the renowned American magazine Shooting Industry featured the TORO version of the Taurus Judge revolver, one of the best-selling firearms in the USA.

In the US market, Taurus sold 1,138,000 units for the year, which represents 88.4% of the total volume of firearms sold by the Company in 2023. Year-end retail sales, boosted by Black Friday, Christmas and the hunting season in the US, allowed for a reduction in product inventories, which have begun 2024 at adequate levels, in line with the economic environment of higher inflation in the US. Thus, the outlook for 2024 is positive, also considering the trend towards a resumption of growth in demand compared to 2019 levels, as evidenced by the Adjusted NICS indicator.

Taurus' sales in the **Brazilian market** in 2023 were impacted by the atypical condition of the market, which remained practically stagnant, due to the postponement of legal decisions that were only clarified at the end of the year. Although the domestic market traditionally has a small share of total sales, it delivers competitive margins, with cost dilution for the Company, representing market support. The outlook is more positive for 2024, which begins with the domestic distribution channel being depleted and consumer demand picking up again. After a year that was null and void, the expectation is that this market upturn will start to be reflected in Taurus' sales from March onwards, especially after the Company is granted clearance for the caliber developed by Taurus, the TPC - Taurus Pistol Caliber, which should be the alternative to the 9mm caliber, redefined as restricted. This is yet another incremental technology project developed by CITE - Brazil/USA Integrated Technology and Engineering Center, unique worldwide and an example of the Company's quick reaction to market conditions and setbacks.

As regards **exports to countries other than the USA**, the major sales in 2023 were made to Guatemala, the Philippines and Honduras, which accounted for 34.1% of the overall sales. International sales are mainly geared towards security force bids, business that usually involves longer sales and development cycles, including phases of budget approval, presentation, negotiation, sending samples, tests, among other stages. In 2023, no major international bids were completed, and the war in Ukraine and Israel have created instability in procurement processes around the world in terms of bids.

PRESENCE AT INTERNATIONAL EVENTS 2023

EVENT	LOCATION
Shot Show	Las Vegas, USA
IDEX	Dubai, UAE
IWA	Nuremberg, Germany
Feindef 2023	Madrid, Spain
Milipol India	New Delhi, India
DSEI	London, England
Milipol France	Paris, France
Defense & Security	Bangkok, Thailand

Taurus products serve the military and police forces and are present in more than 100 countries around the world. These exports are always authorized in advance by the Ministry of Foreign Affairs and the Ministry of Defense. However, for diplomatic reasons, Taurus is currently prevented by the Brazilian authorities from making sales to Ukraine and Israel.

The largest tender ever held in the world, for 425,000 rifles for the Indian Ministry of Defense, in which JD Taurus is participating, is underway. Samples of the firearms were sent for qualifying assessment in March 2024. Tests will be carried out, following strict protocol, which include using the weapons in extreme conditions, with tests at a base in the Himalayas, at low temperatures, and in the desert, at high temperatures. The Company is also competing in other smaller bids for police and paramilitary forces which, in the medium term, involve business estimated at more than US$30 million.

Even though the international market has gone through a period of lower activity, Taurus was present at the most important events in the sector held during 2023, with a view to maintaining and strengthening its prominent presence in the international market.

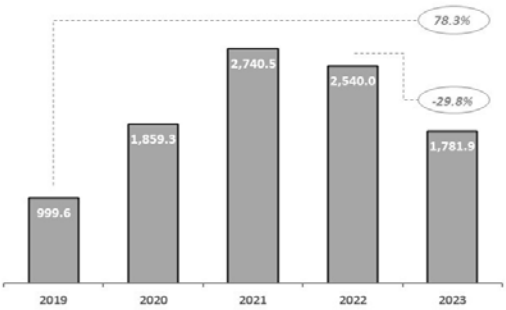
ECONOMIC AND FINANCIAL PERFORMANCE

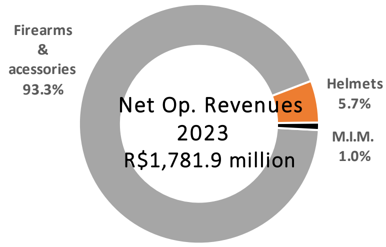
The results for the FY 2022, which are being used as a basis for comparison below, are the same as those disclosed at the time, although they differ in some captions appearing in the attachments to this report, as well as in the Financial Statements disclosed herein, considering that retroactive adjustments have been made, as a result of the corporate restructuring approved at the GSM held on December 29, 2023.

Net Operating Revenues

Taurus' consolidated revenues include, in addition to the sales of firearms & accessories, also revenues from the sales of helmets and M.I.M. (Metal Injection Molding). As the Company's core business, the firearms & accessories segment accounted for 93.3% of overall revenues in 2023, with its results therefore being the main drivers of consolidated performance.

Consolidated Net Operating Revenues - (R$ million)

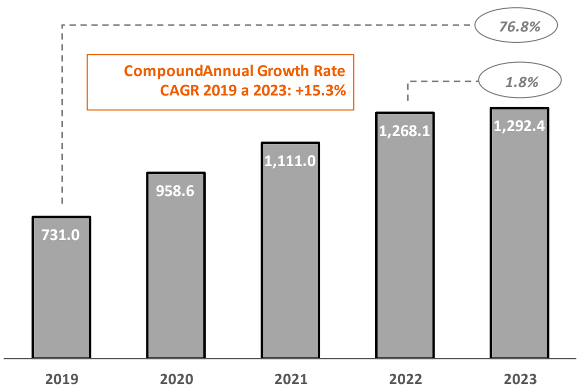




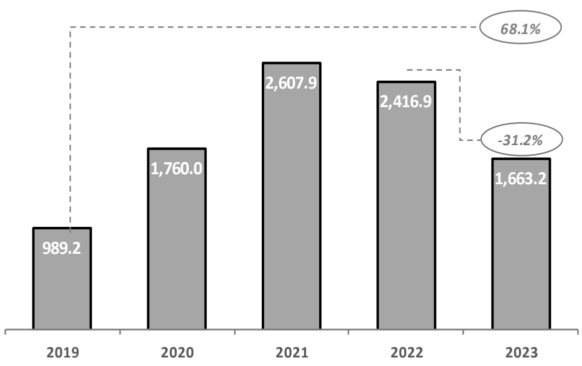
The performance for 2023, with net revenues of R$1,781.9 million, comprises amounts lower than the prior-year figures, but already close to the net revenues for 2020 (-4.2%), the first year of the pandemic, and 78.3% higher than in 2019, the year preceding the period of record demand in the US.

This performance is explained by the lower sales volume of firearms in the period, coupled with the 3.3% appreciation of the average annual exchange rate of the Brazilian Real against the US dollar, which negatively affects the revenues translated into national currency from sales made abroad. At the same time, despite the unfavorable effect from the exchange rate variation, Taurus' average sales price increased by 1.9% compared to 2022, partially mitigating the negative impact on net revenues for the segment of firearms & accessories.

Taurus' average selling prices of firearms (R$/unit)



Net Revenues - Firearms & Accessories (R$ million)



Innovation and consistent launches of products and models play an important role in Taurus' strategy. In 2023, revenues from the sale of new products accounted for 17.9% of the segment's overall revenues. The renewal of the product line, leading to the progressive sophistication of the Company's product mix, provides for the continuous increase in Taurus' average sales price seen in recent years. Between 2019 and 2023, the compound annual growth rate (CAGR) of the average selling price was 15.3% per year, while the end-to-end increase in the period was 76.8%. This performance is also partly due to the positive effect from the exchange rate variation on sales denominated in foreign currency, since the devaluation of the Real between 2019 and 2023, considering the average annual price, was 26.5%. The two factors combined - average price and exchange rate variation - partly explain the 68.1% growth in net revenues in 2023 in comparison to 2019, the year before the unprecedented heat in the market, even though the number of units sold showed a decline of 4.9% in the period.

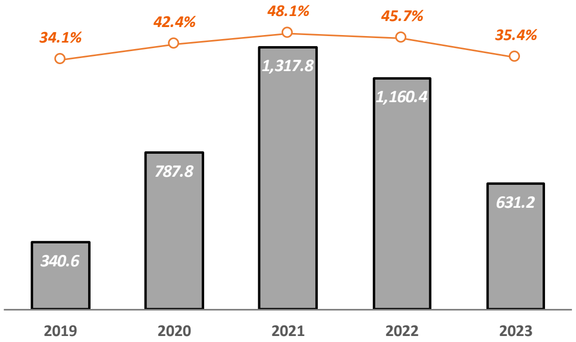
Gross profit

Taurus has maintained a strict discipline in the management of its costs, including the rearrangement of its internal structure. Thus, although inflation (IPCA) has reached 4.6% in the 12-month period of 2023, and employees were granted up to 4% severance pay in the third quarter of 2023, the cost of goods sold fell by 16.6% in the year when compared to the previous year.

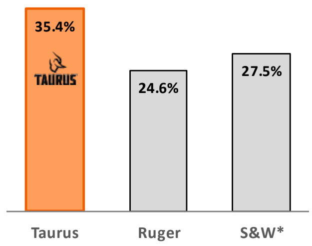
As a result of competitive costs, Taurus' gross profitability in 2023 remained higher than that recorded by North American companies listed on the stock exchange

However, in view of the decline in operating revenues, driven by lower sales and the exchange rate variation, there was a lower dilution of fixed costs. Gross profit reached R$632.1 million in 2023, with a gross margin of 35.4%. In addition to the factors already mentioned, the performance was also impacted by the greater share of revolvers in the mix, products which require more working hours to produce and provide lower margins for the Company, and by the reduced share of the local market in the result, given its downturn in 2023.

Gross Profit (R$ million) and Gross Margin (%)



2023 gross margin -Taurus and peers



** Last 12 months ended January 31, 2024*

Operating expenses

Taurus' efforts to adapt its operations and activities to the market environment involved intense management, which also involved controlling operating expenses. On the other hand, as similarly observed for costs, the inflation rate in 2023, coupled with the severance pay of up to 4% granted to employees in July, contributed to putting pressure on the Company's expenses. Selling expenses, also influenced by lower sales and consequently lower freight and commission expenses, fell by 11.6% (-R$29.4 million) in the year, versus 2022, while administrative expenses rose by 9.4% (R$19.0 million) in the same period.

However, the most significant change in the "other operating expenses/income" caption. In the 12-month period to date, the net balance of the account was also an income in both years, reducing total operating expenses by R$36.2 million in 2023 and R$61.2 million in the prior year, i.e., there was a reduction in the income balance by 40.8% or R$25.0 million in the period. The main driver impacting the other operating income/expenses account consists of recoverable tax credits.

	2023	2022	2023x2022 % Chg.
Selling expenses	223.3	252.7	-11.6%
General and administrative expenses	220.9	201.9	9.4%
Losses (income) due to non-recoverable assets	1.7	2.8	-39.3%
Other operating (income)/expenses	-36.2	-61.2	-40.8%
Equity from results of affiliates	2.8	3.4	-17.6%
Operating expenses (SG&A)	**412.5**	**399.6**	**3.2%**
Op. expenses / Net Op.Revenues (%)	*23.1%*	*15.7%*	*7.4 p.p.*
Average Ptax dollar exchange rate (R$)	*5.00*	*5.17*	*-3.3%*

Considering the aforementioned aspects and also the variation in the captions "losses/(income) due to impairment of assets" and "equity from results of affiliates", total operating expenses amounted to R$412.5 million during FY 2023.

Adjusted EBITDA

The circumstances surrounding the firearms market, involving stagnation in Brazil, alongside the resumption of more normalized levels in the North American market, following the period of exceptional demand during the pandemic, were reflected in Taurus' operating results. Furthermore, the Company granted a 30-day collective vacation to its employees between December/23 and January/24. As previously mentioned, these factors influenced the performance of sales volume, revenues, gross profit and the dilution of expenses and costs.

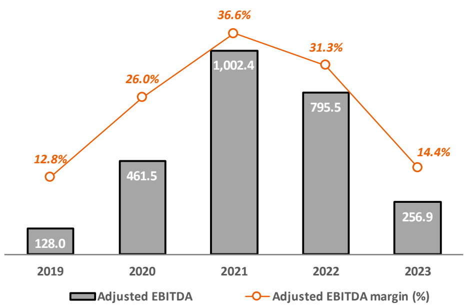
Adjusted EBITDA, which disregards the results from discontinued operations and equity in earnings from affiliated companies, since these results are not directly linked to Taurus' operating activities, amounted to R$256.9 million in FY

2023, with an adjusted EBITDA margin of 14.4%. Performance in 2023 stands at a lower level than that achieved between 2020 and 2022, but already shows signs of reaction when compared to the EBITDA margin of 12.8% in 2019.

Calculation of adjusted EBITDA — Conciliation pursuant to ICVM 156/22

R$ million	2023	2022	2023x2022 % Chg.
Net income	152.8	520.0	-70.6%
Taxes	55.9	233.3	-76.0%
Net financial result	10.0	4.7	112.8%
Depreciation and amortization	35.4	31.3	13.1%
EBITDA	254.1	789.4	-67.8%
EBITDA margin	14.3%	31.1%	-16.8 p.p.
Result from discontinued operations	0.0	2.8	–
Equity from results of affiliates	2.8	3.4	-17.6%
Adjusted EBITDA	256.9	795.5	-67.7%
Adjusted EBITDA margin	14.4%	31.3%	-16.9 p.p.

Adjusted EBITDA (R$ million) and its Margin (%)



EBITDA (earnings before interest, taxes, depreciation and amortization) is not a financial metric recognized by the BR GAAP and the International Financial Reporting Standards (IFRS). It should not be considered separately as an operating performance indicator, or an alternative to operating cash flow as a liquidity indicator. It is used for management purposes and meant to provide additional information on the operating cash generation.

Financial result

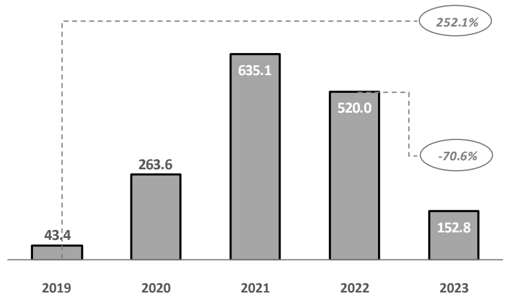
With most of its revenues (83.3% in 2023) resulting from sales abroad and most of its bank debt (81.3% as at December 31, 2023) denominated in foreign currency, exchange rate variations, both assets (income) and liabilities (expenses), represent the main component of Taurus' financial results. The devaluation of the local currency is reflected in the form of assets (income) on the client portfolio, and on the cash in dollars of the US subsidiary, and in the form of liabilities (expenses) on the financial obligations relating to the Company's bank debt denominated in dollars. Exchange rate variations, however, are accounting records that have no cash effect. It is also important to emphasize that exchange rate variations affect balance sheet accounts, which are recorded on the closing date of the period, so that their accounting record takes into account the exchange rate on that date, and not the average exchange rate for the period.

R$ million	2023	2022	2023x2022 % Chg.
(+) Financial income	**159.4**	**383.4**	-58.4%
Foreign exchange gains	123.7	35.7	246.4%
Interest and other income	35.8	13.8	159.4%
(-) Financial expenses	**169.4**	**388.1**	-56.4%
Foreign exchange losses	112.1	54.1	107.2%
Interest, IOFand other expenses	57.3	16.0	258.1%
(+/-) Net financial result	**-10.0**	**-4.7**	*112.8%*
US dollar Ptax rate at the end of period (R$)	**4.84**	**5.22**	-7.3%

The Company's current financial profile is quite different from the context of a few years ago, when a significant part of revenues was used to cover financial commitments. With a low level of indebtedness and, therefore, also a low cost of debt, in 2023, Taurus recorded net financial expenses of R$10.0 million, compared to a R$4.7 million expense in the previous year.

Net income

Throughout 2023, Taurus had to face a rather atypical market environment in Brazil, which remained practically sluggish, caused by legal uncertainty regarding the sector. Although the domestic market represents a small share and is not large enough to support the Company's sizable structure, which holds international prominence and is the largest manufacturer of revolvers in the world, sales in the country represent an important base and boost Taurus' results with strong margins. In the US, the main destination for the Company's products, demand for firearms has returned to normal after the unprecedented rise seen in recent years. The North American market performed as expected, or even a little better than expected, showing a more favorable trend in demand, taking the year 2019 as a base, thus disregarding the extraordinary period from 2020 to 2022. However, with rising inflation and higher interest rates in the country, the sales chain has sought to downsize its product inventories, increasing turnover in order to protect itself against the adverse effects of the economic environment. This led to a reduction in orders to the plants.



In view of this very challenging scenario compared to the situation in previous years, Taurus has taken swift action to adapt to market conditions. As North American consumers began to demand more revolvers, the Company increased the share of this product line in its mix. These products, however, provide lower margins for Taurus. Costs and expenses were managed with strong discipline. Some adjustments were made to the operation, including with regard to personnel. Product inventories were reduced over the course of the year, particularly in the last quarter, making it possible to enter 2024 with more adequate volumes and ready for the new market environment expected for 2024. Taurus has also conducted a corporate restructuring operation, approved at a general shareholders' meeting held on December 29, 2023, with the aim of reducing the mutuals between the group's companies by almost 100%, further improving the organizational structure, improving the allocation of resources, streamlining processes, and reducing costs.

Taurus' net income came to R$152.8 million for the FY 2023. Taking the net income for 2019 as a basis, over the pre-pandemic period, Taurus' earnings in 2023 have grown more than three and a half times (+252.1%), which is explained by the improved operational efficiency, the mix of production and sales, the rise in average prices, and the devaluation of the Brazilian Real against the US dollar in the period.

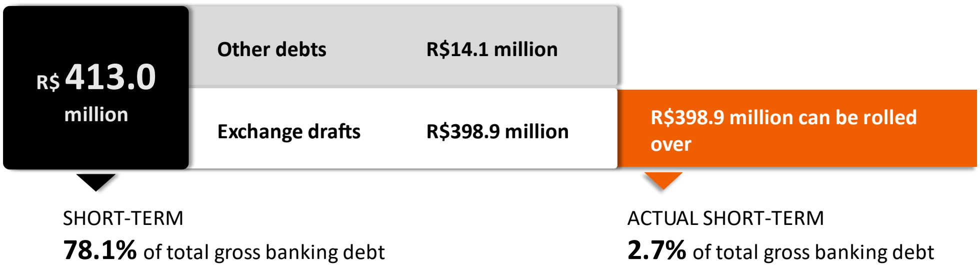
DEBT

At the close of the 2023 financial year, Taurus' net bank debt amounted to R$324.6 million, an amount R$165.1 million higher than that recorded at the end of FY 2022. This performance reflects a decrease in the cash and financial investments position by R$124.4 million, following the payment of mandatory dividends in May and additional dividends in August, amounting to approximately R$164.1 million and R$12.7 million, respectively, with a simultaneous increase of R$40.8 million in gross bank debt.

Taurus has lengthened the maturity profile of its debt, and today enjoys a comfortable liquidity situation, with a degree of leverage measured by the Net Debt/Adjusted EBITDA ratio of 1.26 times at the end of FY 2023. From the total of R$413.0 million of gross bank debt, which matures in the short term on December 31, 2023, 96.6% (R$398.9 million) is represented by advance payments on foreign exchange contracts (ACC), which can be renewed at each maturity. If we exclude this amount relating to foreign exchange drafts from the short-term total, the portion of the debt that actually matures in the following 12 months amounts to only R$14.1 million, which accounts for 2.7% of the overall gross debt on that date.

At present, considering Taurus' position and cash generation, the Company relies on sufficient credit lines to roll over the amounts of its bank debt under favorable terms.

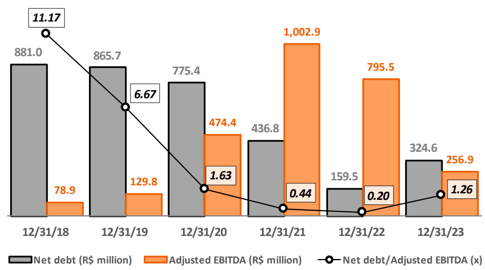
Gross bank debt maturing in the short term on December 31, 2023



Having resumed its access to the credit market, in addition to exchange draft operations, the Company has focused its new funding primarily on loans at very favorable interest rates from FINEP (Financing Agency for Studies and Projects), geared towards financing investments in innovation. In 2023, the Company was granted two installments of this credit line, being the first in May and the second in November, for a total amount of R$89.7 million, which accounts for 51.1% of the total credit line of R$175.7 million approved by the institution. This line of credit, aimed at financing 90% of Taurus' Strategic Innovation Plan for Competitiveness, is subject to a 36-month grace period, with payment in 108 monthly installments.

R$ million	12/31/2023	12/31/2022	*% Chg.*
Loans and financing	*14.1*	*78.0*	*-81.9%*
Foreign exchange drafts	*398.9*	*315.0*	*26.6%*
Short term	***413.0***	***393.0***	***5.1%***
Foreign exchange drafts + Loans and financing	*116.0*	*95.3*	*21.7%*
Long term	***116.0***	***95.3***	***21.7%***
Gross debt	***529.0***	***488.2***	***8.4%***
Cash and marketable securities	*204.3*	*328.7*	*-37.8%*
Net debt	***324.6***	***159.5***	***103.5%***
US dollar Ptax rate at the end of period (R$)	***4.84***	***5.22***	***-7.2%***
Gross debt converted into dollars (US$ million)	***109.3***	***93.6***	***16.8%***
Net debt converted into dollars (US$ million)	***67.1***	***30.6***	***119.3%***

Level of Financial Leverage
Net Debt/Adjusted EBITDA



CAPITAL EXPENDITURES

In recent years, in line with its strategic planning, and an essential part of the turnaround that has led Taurus to the world-class position it enjoys today in the sector, a number of investments have been made to improve processes, expand installed capacity, develop new products and industrial modernization. Between 2019 and 2023, a total of R$654.0 million has been invested, with 69.0% of the total amount earmarked for the acquisition of machinery and equipment, bringing state-of-the-art machinery to the plant, providing greater efficiency on the production line.

A major part of these investments were carried out up to 2022, having been funded with the Company's own resources, based on strong cash generation. The investments were concentrated over the course of FY 2021 and FY 2022, as can be seen in the chart below. The total amount of investments carried out in the year was cut down, and was basically concentrated on projects funded by FINEP, with the main industrial modernization projects completed, and lower cash generation in 2023, as a result of external factors. During the FY 2023, the first two installments of this FINEP credit line were released, in May and November, for the total amount of R$89.7 million.

The total investments made in 2023 amounted to R$116.1 million, 77.3% of which was funded by FINEP's credit line, and only 22.7% by the Company's own resources. The total amount accounts for 1.5% of the Company's net income for 2023, while investments made in the prior year amounted to R$213.9 million, fully financed through own resources, which is equivalent to 8.4% of net income for that year. This trend is expected to continue in 2024. The funds were mainly geared towards acquiring machinery and equipment, setting up the new facilities at CITE - the Brazil/USA Integrated Technology and Engineering Center, in addition to developing new products. The Company also earmarked a portion of the investment for the installation of the new SAP management system, in line with the Company's digital transformation plan.

Among the ongoing projects funded by FINEP are the construction of the Taurus Shooting Academy (TSA) Advanced Test Laboratory, and the building of the Integrated Technology and Engineering Center (CITE). The new TSA laboratory will make it possible to develop more efficient and effective firearms, with adequate premises for quality control, measurements, dimensional gauges, design tests for the grip, weight, gravity center of the firearm, checking the safety of the shot and the parts used, and tests with new, lighter and more resistant materials (such as graphene). The project also sets Taurus apart in world terms, considering the national and international championships in various shooting categories that can be held at the TSA facilities.

The building that will house CITE, in its turn, will feature infrastructure specially designed for R&D development, enabling Taurus to absorb and use further knowledge. The facilities include testing and characterization laboratories, a prototyping area, tooling and process development and Engineering R&D Infrastructure.

As a further investment in equipment technology, in 2Q24 the Company was expected to deliver a new M.I.M. continuous electric furnace. This new generation furnace, with a double Debinder chamber, is scheduled to start operating in August/24 and has been entirely funded with the Company's own resources. The equipment allows the use of a wider range of metal alloys, providing cost savings, greater efficiency and gains in productivity. This will double M.I.M.'s current installed capacity, creating the possibility of generating new business for various industrial segments, such as medical devices and industrial automation, on a global level. At the same time, CITE is currently striving to develop Taurus' own compound. The new compound, which is the raw material for M.I.M., will mitigate Taurus' dependence on external suppliers, increasing the Company's self-sufficiency. These advances based on technology, research and development, will make M.I.M. a new business center for Taurus.

CAPITAL MARKETS

Taurus holds common shares (TASA3) and preferred shares (TASA4), which are listed on B3's Level II of Corporate Governance, a market segment that comprises those companies that have voluntarily adopted distinct corporate governance practices. Both classes of shares take part in the IGCX portfolio (Differentiated Corporate Governance Stock Index), and ITAG (Differentiated Tag-Along Stock Index), and its preferred shares also take part in IBrA (Broad Brazil Index), IGCT (Corporate Governance Trade Index), SMLL (Small Cap Index) and IDIV (Dividends Index) of B3.

Date	TASA3* (R$/share)	TASA3 (Volume/'000)	TASA4* (R$/share)	TASA (Total volume/'000)	TASA4 held in treasury (Volume/'000)	Market value (R$ million)	Enterprise Value ** (R$ million)
12/29/2022	R$ 12.16	46,445	R$ 12.25	126,634	–	R$ 1,547.09	R$ 1,638.56
12/28/2023	R$ 14.96	46,445	R$ 15.20	126,634	441	R$ 1,907.0	R$ 2,224.6
% Chg.	*+23.0%*	–	*+21.6%*	-	–	*+23.3%*	*+35.8%*

** Share prices ON (TASA3) and PN (TASA4) on 12/29/2022 are adjusted for dividends paid.*
*** Market value + net debt - non-operating assets (non-current assets for sale)*

Share buyback program

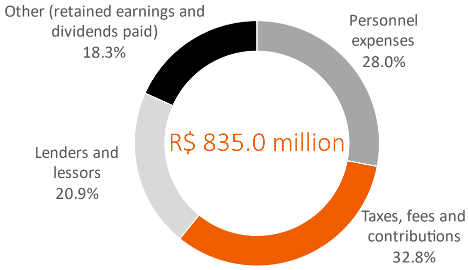
Since June 21, 2023, Taurus has had an open share buyback program, which will run through December 20, 2024. The Buyback Program aims to acquire shares issued by the Company to be held in treasury, to be cancelled or to be later sold, with the purpose of: (a) efficiently managing the capital structure and maximizing the generation of value for the shareholder; and (b) meeting the Company's obligations arising from the Stock Grant Plan, aimed towards managers, directors or other individuals occupying key positions in the Company.

Under the scope of the current Buyback Program, up to 300,000 common shares (TASA3) and 3,003,300 preferred shares (TASA4) may be acquired. By the end of 2023, the Company had acquired 440,900 common shares (TASA3) which, to date, have been held in treasury.

ADDED VALUE STATEMENT

The value added by Taurus from its activities in 2023 was R$835.0 million. This indicates an increase of 41.8% over the R$1,998.2 million in gross revenue recorded by the Company during the year. Accordingly, for each R$1.00 received in 2023, Taurus added R$0.42, which was distributed among personnel (wages, benefits and severance pay fund (FGTS)), governments (federal, state and municipal taxes), as payments to lenders and lessors (interest and lease payments), in addition to dividends paid to shareholders and retained earnings (accumulated losses) recorded by the Company.

Wealth Distribution 2023



ESG

Corporate governance

Taurus relies on well-structured and consolidated corporate governance, with well-defined management principles and processes, capable of formally ensuring compliance with all applicable laws and regulations, and ensuring that employees, suppliers, shareholders and investors are involved.

The management of Taurus Armas S.A. is performed by a Board of Directors, with deliberating functions; by a Board of Executive Officers, with representative and executive functions; and by advisory committees to the Board of Directors, namely: (i) the Audit and Risks Committee, (ii) the Ethics Committee, (iii) the Information Security Privacy Committee and (iv) the ESG Committee. These committees aim to propose and keep updated the guidelines/rules of the policies linked to governance, assess any violations of the policies and, in the event that non-compliance is identified, forward an opinion to the Board of Directors. The Company's Supervisory Board is permanently in place and has the duties laid down by law.

As a result of its commitment to governance, social and environmental issues, Taurus has carried out an internal restructuring, bringing together the Occupational Health, Occupational Safety and Environment issues in the ESG, consolidating the Health, Safety and Environment (HSE) sector. This positioning adds value and recognizes the areas as fundamental strategic matters for the Company, based on the direct monitoring of initiatives and results by the Executive Board.

Social

Taurus reinforces its commitment to the continuous training and development of people, along with a collaborative environment between the team, the company and society.

With the purpose of broadening inclusion and enabling communication between all the employees of the Brazilian unit, Taurus held the first module of the Brazilian Sign Language (Libras) course, taught by SENAI, with the participation of 60 employees, who will act as multipliers of the knowledge acquired, promoting the inclusion of deaf people. The initiative is part of the Taurus Continued Education Program, offered to train the professionals who work for the Company. Moving forward with the Program, two classes of the Intermediate Module of the Libras course, as well as a new class with 24 employees for the Basic Module, began in February/2024.

As part of the social Project "Taurus do Bem - Respecting differences for the sake of equality", a number of areas have been mapped out for the implementation of the educational production practices stage, with the collaboration of the Program's managers and sponsors. The initiative is part of the pedagogical practice developed in partnership with SENAI.

Environment

Aware of its environmental responsibilities, Taurus is constantly striving to improve its environmental management system, relying on a trained and motivated team that works on the environmental management of all the existing processes at the São Leopoldo (RS) plant, as well as ensuring that good environmental practices are applied to new projects.

With the aim of consolidating the culture of environmental issues, awareness-raising work was carried out involving all Health, Safety and Environment (HSE) employees, with the aim of increasing the number of multipliers in the Company of knowledge related to environmental issues, and thus promoting an increase in quality in the management of energy, water, waste and greenhouse gas emissions.

With a strong presence in the ESG collaborative environment pillar, employee awareness regarding this issue increases the reliability of compliance with the legal responsibilities set out in the environmental licenses in force. To this end, opportunities for improvement have been identified by a multidisciplinary team, also with a view to the safety and well-being of employees located in areas such as the Waste Center and Wastewater Treatment Plant.

Improving waste and wastewater management processes is essential to maintaining quality in the implementation of services and ensuring the engagement of the teams involved. To this end, revisions to the environmental procedures have been initiated, and training for employees has been carried out, in order to ensure the reliability of the operation, with results monitored by means of indicators.

Taurus strives to enable a circular economy in its processes, increased efficiency in the use of materials, the reuse and recycling of waste and a reverse logistics system. Materials that cannot be reused in the internal production stages are sent to licensed companies for recycling, co-processing, re-refining and composting. Therefore, the Company diverts approximately 95% of its waste from landfill.

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu Auditores Independentes Ltda. provided the external auditing services consisting of the audit of the Company's and its subsidiaries' financial statements for 2023, and the special review of our Interim Financial Information (ITR) issued during the year. The financial statements of our subsidiary Taurus Holdings, Inc were also audited by the member firm of Deloitte in the United States, expressed in USD, and prepared in accordance with accounting practices generally accepted in the United States (USGAAP). These audit services totaled R$2,072 thousand.

Additionally, in 2023, Deloitte Touche Tohmatsu Auditores Independentes Ltda. provided us with limited assurance services comprising the compilation and calculation of financial ratios and agreed-upon procedures. The total amount of the fees hired for these additional services was R$23 thousand, which represents approximately 1.1% of the overall fees charged for the external auditor's services.

We make sure to avoid the existence of conflicts of interest, loss of independence or objectivity of our independent auditors and, as a practice, do not engage the independent auditor's services for any matter that could interfere in the auditing of our financial statements. The engagement of these additional services was approved by Management and governance bodies, in accordance with Taurus' internal policies.

For the engagement of these additional services, Deloitte Touche Tohmatsu Auditores Independentes Ltda. submitted a declaration stating that, pursuant to its internal policies, such services do not compromise the independence and objectivity necessary for the performance of the external audit services.

Values expressed in thousands of Reais – R$

	Note	Consolidated 12-31-2023	Consolidated 12-31-2022	Parent 12-31-2023	Parent 12-31-2022
Assets					
Current assets					
Cash and cash equivalents	7	**83,362**	201,219	**74,014**	107,155
Short-term investments	8	**120,977**	105,544	**95,996**	92,010
Trade receivables	9	**211,628**	352,437	**76,107**	224,150
Inventories	10	**661,812**	630,390	**270,529**	331,810
Recoverable taxes	11	**61,831**	37,039	**49,884**	22,939
Prepaid expenses		**30,228**	41,946	**5,342**	6,408
Others account receivables	12	**18,154**	31,003	**19,292**	35,519
Noncurrent assets for sale	14	**7,000**	68,034	**-**	-
		1,194,992	1,467,612	**591,164**	819,991
Noncurrent assets					
Long-term investments at evaluated at amortized cost		**-**	21,931	**-**	21,931
Other	11	**18,018**	15,176	**17,517**	14,435
Deferred income tax and social contribution	13	**76,896**	60,855	**36,324**	37,338
Receivables from subsidiaries	25	**12,534**	-	**18,053**	86,471
Recoverable taxes	12	**71,369**	67,743	**65,969**	56,607
		178,817	165,705	**137,863**	216,782
Investments in joint ventures	15	**6,462**	4,214	**756,996**	727,546
Other investments		**2**	159	**-**	-
Investment property	16	**62,042**	-	**-**	-
Property, plant and equipment	17	**575,212**	512,701	**354,672**	304,109
Intangible assets	18	**136,334**	125,782	**67,889**	54,081
		780,052	642,856	**1,179,557**	1,085,736
Total assets		**2,153,861**	2,276,173	**1,908,584**	2,122,509

The explanatory notes are an integral part of these financial statements.

Values expressed in thousands of Reais – R$

		Consolidated		Parent	
	Note	12-31-2023	12-31-2022	12-31-2023	12-31-2022
Liabilities					
Current liabilities					
Trade payables		**111,610**	112,230	**54,617**	70,543
Borrowings and Financing	19	**412,994**	392,967	**412,994**	392,967
Payroll, benefits and taxes thereon	21	**44,326**	66,948	**29,546**	46,662
Taxes payable	22	**58,681**	86,843	**17,770**	49,025
Other payables		**17,511**	38,915	**16,764**	38,631
Dividends payable	20	**38,416**	164,119	**38,416**	164,119
Leases		**141**	-	**141**	-
Tax, social security, labor and civil provisions	23	**61,206**	60,599	**54,288**	54,103
Provision for warranties	32	**9,159**	10,999	**5,418**	6,286
Legal agreements to be liquidated		**1,906**	-	**1,906**	-
Other payables	20	**44,517**	55,335	**8,026**	18,002
Liabilities on non-current assets for sale and discontinued	14	**-**	9,711	**-**	-
		800,467	998,666	**639,886**	840,338
Noncurrent liabilities					
Trade payables		**9,272**	12,641	**9,272**	12,641
Borrowings and financing	19	**115,983**	95,258	**92,842**	95,258
Other Payables	22	**12,411**	22,597	**5,737**	14,222
Deferred income tax and social contribution	13	**14,146**	16,738	**83**	-
Tax, social security, labor and civil provisions	23	**58,713**	56,129	**56,404**	50,658
Due to related parties		**-**	1,808	**-**	57,546
Provision for warranties	32	**3,909**	5,011	**-**	-
Provision for negative equity		**-**	-	**2,567**	19,474
Other Payables	20	**47,155**	43,094	**9,988**	8,141
		261,589	253,276	**176,893**	257,940
Total liabilities		**1,062,056**	1,251,942	**816,779**	1,098,278
Equity	26				
Issued capital		**367,936**	367,936	**367,936**	367,936
Disposal of subscription warrants		**9,880**	9,880	**9,880**	9,880
Stock options granted		**25,421**	14,090	**25,421**	14,090
Treasury shares		**(6,757)**	-	**(6,757)**	-
Legal reserve		**48,704**	41,064	**48,704**	41,064
Statutory reserve		**399,398**	-	**399,398**	-
Profit retention reserve		**-**	304,702	**-**	304,702
Tax incentive reserve		**118,490**	118,490	**118,490**	118,490
Capital Transactions		**(45,639)**	(45,325)	**(45,639)**	(45,325)
Valuation adjustments to equity		**44,000**	44,535	**44,000**	44,535
Cumulative translation adjustments		**130,372**	168,859	**130,372**	168,859
Total equity		**1,091,805**	1,024,231	**1,091,805**	1,024,231
Total liabilities and equity		**2,153,861**	2,276,173	**1,908,584**	2,122,509

The explanatory notes are an integral part of these financial statements.

Values expressed in thousands of Reais – R$

	Note	Consolidated		Parent	
			Restated		
		12-31-2023	**12-31-2022**	**12-31-2023**	**12-31-2022**
Net operating revenue	**28**	**1,781,887**	2,540,021	**1,065,178**	1,739,990
Cost of sales	**30**	**(1,150,695)**	(1,379,597)	**(692,288)**	(903,474)
Gross profit		**631,192**	1,160,424	**372,890**	836,516
Operating (expenses) income					
Selling expenses	**30**	**(223,345)**	(252,717)	**(65,176)**	(99,071)
General and administrative expenses	**30**	**(220,909)**	(202,331)	**(126,161)**	(120,122)
Equity in earnings (losses)	**15**	**(2,755)**	(3,360)	**48,268**	70,830
Impairment losses	**9**	**(1,654)**	(2,799)	**(1,331)**	(2,639)
Other operating income	**29**	**59,032**	53,156	**17,384**	45,949
Other operating expenses	**30**	**(22,873)**	7,476	**(14,994)**	5,213
		(412,504)	(400,575)	**(142,010)**	(99,840)
Profit before finance income (costs) and taxes		**218,688**	759,849	**230,880**	736,676
Finance income		**159,445**	383,516	**147,899**	383,372
Finance expenses		**(169,424)**	(388,160)	**(167,757)**	(383,351)
Finance income (expenses)	**31**	**(9,979)**	(4,644)	**(19,858)**	21
Pretax income		**208,709**	755,205	**211,022**	736,697
Income tax and social contribution (Current)	**13**	**(70,993)**	(173,692)	**(57,134)**	(152,099)
Income tax and social contribution (Deferred)	**13**	**15,074**	(61,529)	**(1,098)**	(64,614)
Consolidated profit (loss) for the period		**152,790**	519,984	**152,790**	519,984
Common shares (ON)	**26.c**	1.2108	4.1062	1.2108	4.1062
Preferred shares (PN)	**26.c**	1.2044	4.4038	1.2044	4.4038
Common shares (ON)	**26.c**	1.2108	4.1062	1.2108	4.1062
Preferred shares (PN)	**26.c**	1.2033	4.4038	1.2033	4.4038

The explanatory notes are an integral part of these financial statements.

Values expressed in thousands of Reais – R$

	Consolidated		Parent	
		Restated		
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
Profit (loss) for the period	**152,790**	519,984	**152,790**	519,984
Other comprehensive income				
Translation adjustments for the period	**(38,487)**	(28,116)	**(38,487)**	(28,116)
Comprehensive income for the period	**114,303**	491,868	**114,303**	491,868

The explanatory notes are an integral part of these financial statements.

Values expressed in thousands of Reais – R$

	Paid-in capital	Reservations and Transactions of capital	Earnings reserves	Asset valuation adjustments	Translation adjustments for the period	Retained earnings (accumulated losses)	Equity
Closing balances on December 31, 2021	308,191	(27,281)	233,936	45,225	196,976	-	757,047
Capital increases	59,745	-	-	-	-	-	59,745
Net income for the period	-	-	-	-	-	519,984	519,984
Translation adjustments for the period	-	-	-	-	(28,117)	-	(28,117)
Recognized stock options granted	-	8,666	-	-	-	-	8,666
Others transactions	-	(2,740)	-	-	-	-	(2,740)
Asset valuation adjustment – added value on assets, net of tax effects	-	-	-	(107)	-	107	-
Asset valuation adjustment – added value on assets in subsidiaries, net of tax effects	-	-	-	(583)	-	583	-
Profit allocation:	**-**	**-**	**230,320**	**-**	**-**	**(520,674)**	**(290,354)**
Legal reserve	-	-	25,999	-	-	(25,999)	-
Reserve for tax incentives	-	-	25,903	-	-	(25,903)	-
Dividends	-	-	(126,284)	-	-	(164,070)	(290,354)
Profit Retention Reserve	-	-	304,702	-	-	(304,702)	-
Closing balances on December 31, 2022	**367,936**	**(21,355)**	**464,256**	**44,535**	**168,859**	**-**	**1,024,231**
Net income for the period	-	-	-	-	-	152,790	152,790
Translation adjustments for the period	-	-	-	-	(38,487)	-	(38,487)
Recognized stock options granted	-	11,331	-	-	-	-	11,331
Others transactions	-	(314)	-	-	-	-	(314)
Actions in Treasury	-	(6,757)	-	-	-	-	(6,757)
Asset valuation adjustment – added value on assets, net of tax effects	-	-	-	(56)	-	56	-
Asset valuation adjustment – added value on assets in subsidiaries, net of tax effects	-	-	-	(479)	-	479	-
Profit allocation:	**-**	**-**	**102,336**	**-**	**-**	**(153,325)**	**(50,989)**
Legal reserve	-	-	7,639	-	-	(7,639)	-
Statutory reserve	-	-	107,360	-	-	(107,360)	-
Dividends	-	-	(12,663)	-	-	(38,326)	(50,989)
Closing balances on December 31, 2023	**367,936**	**(17,095)**	**566,592**	**44,000**	**130,372**	**-**	**1,091,805**

The explanatory notes are an integral part of these financial statements.

Values expressed in thousands of Reais – R$

	Consolidated		Parent	
		Restated		
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
Cash generated by operating activities				
Profit (loss) before income tax and social contribution	**208,709**	755,205	**211,022**	736,697
Adjustments for:				
Depreciation and amortization	**35,440**	31,310	**17,654**	15,163
Cost of capital assets written off	**4,737**	17,232	**2,172**	16,335
Allowance for doubtful debts	**1,654**	552	**1,331**	2,639
Tax, social security, labor and civil provisions	**2,667**	19,806	**2,009**	18,742
Net cash from discontinued operations	**(2,942)**	(2,436)	**(868)**	(249)
Allowance for inventory losses	**(4,591)**	(3,793)	**(2,076)**	(2,831)
Share of results of investees	**2,755**	3,360	**(48,268)**	(70,830)
Exchange differences on translating borrowings and financing	**(44,699)**	(137,920)	**(43,336)**	(138,824)
Accrued interest on borrowings and intragroup loans	**37,612**	35,358	**41,942**	38,966
Provision for warranties	**(7,362)**	(4,608)	**-**	-
Fair value of investment property	**(18,032)**	-	**-**	-
Share-based payment	**11,331**	-	**11,331**	-
Provision for impairment of assets held for sale	**1,643**	-	**-**	-
	228,922	714,066	**192,913**	615,808
Changes in assets and liabilities				
(Increase) decrease in inventories	**(49,335)**	(148,655)	**63,357**	(54,610)
(Increase) decrease in trade receivables	**131,002**	150,925	**146,712**	134,144
(Increase) in other receivables	**(16,907)**	(54,430)	**(12,030)**	(24,534)
Increase in trade payables	**(4,267)**	(14,283)	**(19,295)**	(7,474)
Increase in accounts payable	**(77,901)**	51,814	**(72,831)**	181,357
Assets and liabilities for sale	**2,321**	533	**-**	-
Income tax and social contribution paid	**(69,916)**	(177,496)	**(60,121)**	(154,790)
	(85,003)	(191,592)	**45,792**	74,093
Net cash from operating activities	**143,919**	522,474	**238,705**	689,901
Cash generated by investing activities				
Due from related parties	**(12,940)**	(911)	**(40,163)**	(45,792)
In investments	**(4,971)**	(6,006)	**(4,971)**	(2,739)
In property, plant and equipment	**(104,809)**	(183,987)	**(67,868)**	(129,735)
In intangible assets	**(16,356)**	(29,949)	**(16,329)**	(29,713)
Financial investments	**6,498**	(56,697)	**17,945**	(43,163)
Net cash from investing activities	**(132,578)**	(277,550)	**(111,386)**	(251,142)
Cash generated by financing activities				
Payment of interest on equity and dividends	**(176,693)**	(194,238)	**(176,693)**	(194,238)
Capital increase	**-**	59,745	**-**	(104,325)
Borrowings and intragroup borrowings	**870,610**	858,171	**410,096**	276,070
Repayment of borrowings	**(789,342)**	(930,039)	**(353,444)**	(345,728)
Payment of interest on borrowings and intragroup borrowings	**(33,429)**	(30,656)	**(34,419)**	(32,176)
Debits with related parties	**177**	157	**757**	3,394
Actions in Treasury	**(6,757)**	-	**(6,757)**	-
Net cash from financing activities	**(135,434)**	(236,860)	**(160,460)**	(397,003)
Exchange differences on translating cash and cash equivalents	**6,236**	7,428	**-**	-
(Reduction) increase in cash and equivalents	**(117,857)**	15,492	**(33,141)**	41,756
Cash and cash equivalents at the beginning of the year				
Cash and cash equivalents at the beginning of the year	**201,219**	185,764	**107,155**	65,399
Cash and cash equivalents at the end of the year	**83,362**	201,256	**74,014**	107,155
(Reduction) increase in cash and equivalents	**(117,857)**	15,492	**(33,141)**	41,756

Values expressed in thousands of Reais – R$

	Consolidated		Parent	
	12-31-2023	Restated 12-31-2022	12-31-2023	12-31-2022
Revenue				
Sales of goods and services	**1,940,795**	3,070,101	**1,194,055**	2,236,568
Other income	**59,032**	53,156	**17,384**	45,949
Allowance for (reversal of) doubtful debts	**(1,654)**	(2,799)	**(1,331)**	(2,639)
	1,998,173	3,120,458	**1,210,108**	2,279,878
Inputs purchased from third parties				
Cost of products, goods and services sold	**(820,109)**	(999,925)	**(384,185)**	(551,372)
Supplies, power, outside services and other inputs	**(464,317)**	(475,841)	**(236,334)**	(263,062)
	(1,284,426)	(1,475,766)	**(620,519)**	(814,434)
Gross value added	**713,747**	1,644,692	**589,589**	1,465,444
Depreciation, amortization and depletion	**(35,440)**	(31,310)	**(17,654)**	(15,163)
Value added net produced by the Company	**678,307**	1,613,382	**571,935**	1,450,281
Added value received in transfer				
Equity in earnings (losses)	**(2,755)**	(3,360)	**48,268**	70,830
Financial income	**159,445**	383,516	**147,899**	383,372
	156,690	380,156	**196,167**	454,202
Total added value to be distributed	**834,997**	1,993,538	**768,102**	1,904,483
Distribution of added value				
Collaborators				
Direct compensation	**179,288**	197,486	**156,303**	175,835
Benefits	**42,256**	51,924	**37,175**	47,015
Severance Pay Fund (FGTS)	**12,429**	13,546	**11,076**	12,298
	233,973	262,956	**204,554**	235,148
Taxes, fees and contributions				
Federal	**203,372**	629,581	**182,397**	588,264
State	**69,662**	186,196	**56,096**	172,141
Municipal	**897**	818	**239**	275
	273,931	816,595	**238,732**	760,680
Lenders and lessors				
Interest	**169,424**	388,155	**167,759**	383,350
Rentals	**4,879**	5,848	**4,267**	5,321
	174,303	394,003	**172,026**	388,671
Shareholders				
Dividends	**38,326**	164,070	**38,326**	164,070
Internal changes in equity	**114,464**	355,914	**114,464**	355,914
	152,790	519,984	**152,790**	519,984
	834,997	1,993,538	**768,102**	1,904,483

1. General information

Taurus Armas S.A. ("Company"), with registered head office in São Leopoldo, RS, was incorporated on November 17, 1939. Taurus is a Brazilian listed company since 1982 and since 2011 it is listed on Level 2 of Corporate Governance of B3 (ticker symbols TASA3, TASA4). Its parent company and holding company is BYK Participações S.A., which in turn is a subsidiary of CBC AMMO LLC, a company based in Delaware, United States of America.

The Company operates in the Firearms and Accessories, Helmets and Accessories, and M.I.M. (Metal Injection Molding) segments. The Company has three manufacturing plants, two in Brazil, located in the States of Rio Grande do Sul and Paraná, and another in Bainbridge, Georgia, United States.

Taurus is accredited as a Strategic Defense Company (EED) and is thus qualified to supply products to the Brazilian Armed Forces. In Brazil, sales are aimed at state, federal, civil and military polices, in addition to the civilian market.

Abroad, in addition to distributing TAURUS and ROSSI brand products manufactured in Brazil, the Bainbridge unit manufactures TAURUS pistol models and HERITAGE revolvers. Sales to the United States mainly serve the American civilian market and government agencies in other regions.

Inauguration of the first Taurus concept store

As an initiative to strengthen the Company's direct relationship with its consumers in order to provide a unique experience for customers, on November 30, 2022, the AMTT Taurus Comercio Varejista Ltda. concept store was inaugurated in São Paulo, with 100% investment of Taurus Armas.

Taurus Armas' store follows the same concept of store as the store of Taurus' parent company (Companhia Brasileira de Cartuchos (CBC)), inaugurated in November 2021 in Brasília.

AMTT Taurus Comercio Varejista Ltda. offers a complete line of Taurus and CBC products, firearm and ammunition purchase services, technical assistance, shooting ranges, aftersales services, training courses, and segment-related activities.

Accessories joint venture

In October 2020, after being authorized by its Board of Directors, the Company entered into an agreement for the setting up of the joint venture, which will allow the manufacture and sale of clips and other light firearm stamped components to the domestic and foreign markets.

For the joint venture establishment, the partnership was entered into with Joalmi Indústria Metalúrgica Ltda. ("Joalmi"), a company with more than 30 years' experience in the automotive industry and expertise in engineering, technology and development of stamped parts in ferrous and nonferrous metals, and the assembly of highly complex products, mostly related to car safety systems.

The technology used in the manufacture of the magazines, besides being strategic for the Company, is key for the perfect functioning and safety of the weapons. By creating this joint venture, Taurus will become self-sufficient in the production of magazines, an aftermarket segment, currently dominated by few foreign suppliers. Also, it aims to allow a steep cost reduction for the Company's operations, with integrated and efficient logistics, volume flexibility, adding value to Taurus Technology and Engineering Center.

Taurus JM was released from complying with the procedures of the Division Of Corporations to start the operations at the Joalmi industrial park, on Guarulhos (SP) at the beginning of September 2021 and, since then, it has been manufacturing and selling sets of magazines to Taurus Armas.

The Company completed in September 2023 the transfer of the entire production lines of Taurus JM in Guarulhos (SP) to the city of São Leopoldo (RS) within the industrial complex facilities where Taurus Armas S.A. is located. For further information on this Joint Venture, see note 15.

Joint Venture CBC Taurus Arábia Holding

On December 30, 2021, after being authorized by its Board of Directors, the Company entered into an agreement for the establishment of a joint venture with its related party Companhia Brasileira de Cartuchos (CBC) as part of its operations internationalization strategies aimed at fostering business opportunities in Saudi Arabia.

Such Joint Venture is primarily intended to enable a more efficient search for and foresight of business opportunities within this relevant market, especially considering the country's government plans on establishing a local defense industrial base, within the scope of the "Vision 2030" strategy.

It will be primarily engaged in managing subsidiaries and holding companies, providing loans, collaterals and financing to associates, besides holding industrial property rights.

The capital of Companhia Brasileira de Cartuchos Taurus Arábia Holdings was paid in on August 30, 2022 and this Joint Venture is still operating in early stages. For further information on this Joint Venture, see note 15.

Joint Venture Jindal Defence Systems Private Limited

The Company entered into a partnership agreement with Indian company Jindal Defence Trading Private Limited for the establishment of a Joint Venture called Jindal Defence Systems Private Limited. The Memorandum of Understanding (MoU) was signed on February 18, 2019.

Jindal Defence Systems Private Limited will operate in the defense and security area. It is mainly engaged in developing, manufacturing and providing high-quality defense solutions to the Indian Armed Forces and international customers. The new plant is at the pre-operating stage with the development of regional suppliers to start production activities.

The new plant launches the Company's strategic plan of expanding its business and presence globally, in particular in the defense and security area.

On March 17, 2023, Taurus paid in capital in Jindal Defence Systems Private Limited at the proportion of 49% of the capital. For further information on this Joint Venture, see note 15.

Economic and Financial Restructuring

On July 18, 2018, the Company's Management completed the renegotiation process and execution of the debt agreements with the Bank Syndicate (Banco do Brasil, Banco Santander, Banco Itaú and Banco Bradesco), as well as the renegotiation process of its third issue of public debentures with Banco Haitong.

The Transaction has the following collaterals: (i) collateral assignment of all shares of Taurus Helmets Indústria de Capacetes Ltda. (formerly Taurus Blindagens Ltda.) and Taurus Blindagens Nordeste Ltda. ("Collateral Assignment"); (ii) second degree mortgage on two properties located in Mandirituba, PR and two properties located in Porto Alegre, RS and first degree mortgage on a property located in São Leopoldo, RS ("Mortgage"); (iii) collateral assignment of receivables arising from all the funds resulting from the possible sale of the shares subject to the Collateral Assignment and the Mortgage, as well as rights inherent to the ownership of the Company's restricted account to be opened for the purpose of receiving the funds; and (iv) pledge of Taurus International shares.

Debt Renegotiation

On June 8, 2020, the Board of Directors authorized the Company, in an extraordinary meeting, to enter into with the Bank Syndicate a waiver extending the debt repayment maturity until August 31, 2020. During this period, the parties renegotiated the terms of the agreement. This amendment to the agreement allowed the Company to dilute the principal repayment installments in its cash flow.

On August 10, 2020, the amendments to the agreement relating to the new payment terms and conditions of the obligations to the Bank Syndicate were entered into, which contemplated the rescheduling of the payment of the principal that would mature in June 2020, which decreased from 15.07% to 0.29%, whereas the December 2022 installment decreased from 63.81% to 60.00%. These two adjustments were diluted between the installments due from June 2020 and November 2022. There was a 0.50% annual prospective increase in the bank spread rate. Collaterals also include the pledge of the shares issued by subsidiary Taurus USA.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The table below shows the repayment installments in percentages, after the last renegotiation:

REPAYMENT SYSTEM BEFORE RENEGOTIATION	REPAYMENT SYSTEM AFTER RENEGOTIATION - 07.31.2018	REPAYMENT SYSTEM AFTER WAIVER RENEGOTIATION - JUNE 2020
PPEs and DEBENTURES, BANKS BRADESCO, BRASIL, SANTANDER, ITAÚ, HAITONG.	**PPEs and DEBENTURES, BANKS BRADESCO, BRASIL, SANTANDER, ITAÚ, HAITONG.**	**PPEs and DEBENTURES, BANKS BRADESCO, BRASIL, SANTANDER, ITAÚ, HAITONG.**
23.07% OF THE DEBT IN 2018	10.71% OF THE DEBT IN 2019	
30.76% OF THE DEBT IN 2019	15.90% OF THE DEBT IN 2020	
30.76% OF THE DEBT IN 2020	2.80% OF THE DEBT IN 2021	14.03% OF THE DEBT IN 2021
15.41% OF THE DEBT IN 2021	70.59% OF THE DEBT IN 2022	76.33% OF THE DEBT IN 2022

On October 28, 2022, the Company fully settled the outstanding debenture balance and, on November 9, 2022, it carried out the last mandatory extraordinary amortization upon exercise of the subscription warrant, with the other Creditors from the Bank Syndicate.

On December 21, 2022, the Banks' Syndicated transaction and sharing of collaterals were terminated. The remaining debt balance, which accounted for 9.64% of the initial debt, was renegotiated between the Company and the Creditors and the transactions were amended providing for new terms, collaterals and categories, individually with each Creditor. For further information on this negotiation, see note 19.

Contracting of the financing line with FINEP
In March 2023, the Company entered into an agreement with Financiadora de Estudos e Projetos – FINEP to finance projects related to research innovation and infrastructure. The purpose of this financing is to accelerate the strategic plan development, bringing state-of-the-art technology to the industrial plant, and accelerate the launching of new products, thus increasing our market share. For further information on this negotiation, see note 19.

Corporate restructuring

In the last quarter of 2023, the Company carried out a corporate restructuring transaction focused on improving the organizational structure and the allocation of resources, streamlining processes and reducing costs. Corporate transactions were carried out between the Group companies such as partial spin-offs and the merger of Taurus Blindagens Nordeste Ltda., previously classified in the financial statements as discontinued operation, into its direct parent Taurus Helmets Indústria de Capacetes Ltda. The corporate restructuring transactions were approved at the Extraordinary General Meeting held on December 29, 2023. For further information on this restructuring, see note 15.

2. Presentation of financial statements

2.1. Basis of preparation

a) Statement of compliance
The individual and consolidated financial statements have been prepared and are presented in accordance with the 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), considering the pronouncements, guidelines and instructions issued by the Accounting Pronouncements Committee (CPC), approved by the Brazilian Securities and Exchange Commission (CVM), and the provisions in the Brazilian Corporate Law, and are identified as "Parent" and "Consolidated", respectively.

The financial statements have been prepared based on the historical cost, except for the revaluation of certain properties and financial instruments measured at their revalued amounts or fair values at the end of each reporting period, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The fair value for measurement and/or disclosure purposes in these individual and consolidated financial statements is determined on this basis, except as otherwise required by another accounting pronouncement.

The individual and consolidated annual financial statements for the year ended December 31, 2023 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

b) Management statement

The Company's Management asserts that all relevant information for the financial statements as at December 31, 2023, and only this information, is disclosed and that it corresponds to the information used in managing the Company.

The financial statements were approved by the Board of Directors and authorized for issue on March 22, 2024.

2.2. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (its subsidiaries) prepared up to the year ended December 31 and the respective comparative periods. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether it retains the control over an investee or not if facts and circumstances indicate the occurrence of changes in one or more than one of the three components of control described above.

The consolidation of a subsidiary begins when the Company acquires control over the subsidiary and ends when such control ceases to exist. Specifically, revenue and expenses of a subsidiary acquired or sold during the year are included in profit or loss as from the date the Company acquires control through the date the Company ceases to control the subsidiary.

When the Company loses control over a subsidiary, the gain or loss on disposal is calculated by the difference between: (i) the sum of the fair value of consideration received and the fair value of the residual interest; and (ii) the previous carrying amount of the assets (including goodwill), less the subsidiary's liabilities and noncontrolling interests.

The table below lists the subsidiaries included in the consolidated financial statements:

			Equity interest
Company	**Country**	**2023**	**2022**
Taurus Helmets Indústria de Capacetes Ltda. (*)	Brazil	**100.00%**	**100.00%**
Taurus Holdings, Inc. (**)	United States	**100.00%**	**100.00%**
Taurus Máquinas-Ferramenta Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Investimentos Imobiliários Ltda. (*)	Brazil	**100.00%**	**100.00%**
Polimetal Metalurgia e Plásticos Ltda.	Brazil	**100.00%**	**100.00%**
T. Investments Co. Inc.	Panama	**100.00%**	**100.00%**
AMTT Taurus Comercio Varejista Ltda.	Brazil	**100.00%**	**100.00%**

(*) The equity interests above represent the percentage rate held by the Company, both directly and indirectly, in the subsidiaries' capital.
(**) Taurus Holdings, Inc. holds a 100% interest in the subsidiaries Taurus International Manufacturing, Inc, Heritage Manufacturing, Inc. and Braztech International, L.C., Inc.

All intragroup transactions, balances, revenue and expenses, and cash flows are eliminated on consolidation. The consolidation of balance sheet and statement of profit and loss line items is based on their nature, supplemented by the elimination of the following:

- Parent’s interests in intragroup capital, reserves, and retained earnings (accumulated losses).
- Intragroup balances of assets and liabilities.
- Balances of revenues and expense, and cash flows arising from intragroup transactions; and
- Unrealized gains arising from transactions with investees recognized by the equity method proportionally to the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment of the asset.

2.3. Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The profit or loss, assets and liabilities of joint ventures are reported in this interim financial information under the equity method of accounting, except when the investment is classified as “held for sale”, in which case it is accounted for according to CPC 31/IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in a joint venture is initially recognized in the consolidated balance sheet at cost and subsequently adjusted to recognize the Company’s interest in the profit or loss and the other comprehensive income of the joint venture. When the Company’s interest in a joint venture’s losses exceeds its interest in the same associate (which includes any long-term interests that, in substance, are part of the Company’s net investment in the joint venture), the Company ceases to recognize its interest in additional losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date the investee becomes a joint venture. On the acquisition of the investment in a joint venture, any investment cost that exceeds the Company’s interest in the net fair value of the investee’s identifiable assets and liabilities is recognized as goodwill, which is added to the carrying amount of the investment. Any amount of the Company’s interest in the net fair value of the identifiable assets and liabilities that exceeds the investment cost, after remeasurement, is immediately recognized in profit or loss for the year when the investment is acquired.

The requirements of IAS 36/CPC 01 (R1) - Asset Impairment are applied to determine the need to recognize any impairment loss related to the Company’s investment in a joint venture. When necessary, the total carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (which is the higher of its value in use and the fair value less costs of disposal) with its carrying amount. Recognized impairment losses are not allocated to any asset, including goodwill that is part of the carrying amount of the investment. Any reversal of such impairment loss is recognized pursuant to IAS 36 to the extent that the recoverable amount of the investment is subsequently increased.

2.4. Functional and presentation currency

The individual and consolidated financial statements stated in Brazilian reais (R$), which is the functional and presentation currency of the Company and its subsidiaries headquartered in Brazil, as it is the currency of the main economic environment in which the Company operates and which generates cash inflows and outflows. The functional currency of subsidiary Taurus Holdings, Inc., headquartered in the United States of America, and of subsidiary T. Investments Co. Inc., headquartered in Panama, is the US dollar, and their assets and liabilities are translated into Brazilian reais based on the exchange rate at the balance sheet date and their profit or loss are translated based on the monthly average exchange rate, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates on the transaction date are used. Exchange differences arising from the translation process of the foreign subsidiary are recognized in other comprehensive income and recognized in equity.

Foreign currency-denominated transactions are translated into the Company’s functional currency at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting periods are retranslated into the functional currency at the exchange rate prevailing on that date. All differences are recognized in the statement of profit and loss. Nonmonetary items recognized at fair value determined in a foreign currency are translated at the exchange rate prevailing on the date that fair value was determined. Nonmonetary items measured at historical cost in a foreign currency are not retranslated.

3. Critical accounting judgments and key sources of estimation uncertainty

In applying the Company's accounting policies, Management makes judgments and estimates regarding the reported amounts of assets and liabilities for which objective information is not easily obtained from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The information on critical judgments related to the accounting policies adopted that affect the amounts recognized in the individual and consolidated financial information and information on uncertainties, assumptions, and estimates is disclosed in the following notes: 9 - Trade receivables (expected credit losses on doubtful debts), 10 - Inventories (expected losses on inventories), 13 - Income tax and social contribution, 16 – Investment properties (fair value), 17 - Property, plant and equipment (impairment), 18 - Intangible assets (impairment), 23 - Provision for civil, labor and tax risks.

Below are the main judgments and accounting estimates made by the Company when applying the accounting policies that most significantly affect the amounts recognized in the financial statements.

Trade receivables (expected credit losses on doubtful debts): Sales to end customers are paid with credit cards and the Company has the option to advance receipts without risk of default because the contracts with the card company have a no return condition. Sales that do not refer to end customers are mainly carried out to related party CBC Brasil Comércio e Distribuição, a subsidiary of Taurus' parent (Companhia Brasileira de Cartuchos – CBC), and due to the nature of this transaction, history, as well as the related party's financial condition, Management does not estimate any default in the balances of receivables arising from these sales. Management considers that the allowance recognized is appropriate to reflect estimated credit losses with customers on the financial statements date.

Inventories (expected losses on inventories): The Company assessed its inventories to identify slow-moving inventory items or with other characteristics that indicate that their cost is no longer recoverable. Management considers that the allowance recognized is appropriate to reflect the realizable net amount of its inventories on the financial statements date.

Income tax and social contribution: Based on projected economic studies conducted with the support of a specialized technical consulting company, carried out at least annually, as well as other internal and external analyses, the Company shows the capacity to generate taxable income for realization of deferred income tax and social contribution recorded on the financial statements date. The amounts for which Management believes that there is no supported expectation of generation of taxable income for realization are shown in note 13.

Property, plant and equipment and Intangible assets (impairment): The Company, based on economic projection studies conducted with the support of a specialized technical consulting company, carried out at least annually, as well as other internal and external analyses, demonstrates its ability to generate cash through its assets and thus do not point to the need for impairment adjustments.

Investment property: Investment properties are measured at fair value for purposes of preparation of the financial statements. Management works together with qualified external appraisers to establish the valuation techniques and information appropriate to the fair value measurement model of these assets at each reporting period.

Provision for civil, labor and tax risks: The Company has a strong management of its risks, with appropriate technical evaluations conducted with the support of its legal counsel, that allow the recognition of provisions in an amount considered sufficient by Management, to cover the risks assessed as probable loss on the financial statements date.

(i) Fair value measurement

Several accounting policies and disclosures adopted by the Company require the measurement of financial and nonfinancial assets and liabilities at fair value.

The Company established fair value measurement controls that contemplate the periodic assessment of significant unobservable inputs and valuation adjustments.

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, which may be accessed by the entity on the measurement date.

Level 2: inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3: inputs for assets or liabilities, which are not based on observable market *inputs* (unobservable inputs).

The Company uses the Level 2 for fair value measurement purposes.

4. Significant accounting policies

The accounting policies and calculation methods adopted to prepare these financial statements as at December 31, 2023 are consistent with the accounting policies and calculation methods adopted to prepare the annual financial statements for the year ended December 31, 2022. The amounts in the individual and consolidated financial statements are expressed in thousands of Brazilian reais, unless otherwise indicated.

The presentation of the individual and consolidated Statements of Value Added (SVA) is required by the Brazilian Corporate Law and accounting practices adopted in Brazil applicable to publicly-traded corporations. The IFRSs issued by IASB do not require the presentation of this statement. As a result, the statement of value added is presented as supplemental information for purposes of the IFRS, without prejudice to the set of financial statements. The purpose of the statement of value added is to disclose the wealth created by the Company and how this wealth is distributed in a given period. The statement of value added has been prepared using information obtained in the same accounting records used to prepare the annual financial statements and pursuant to the provisions of CPC 09 - Statement of Value Added.

a) Financial instruments – general accounting policy

Financial assets and financial liabilities are recognized in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component and are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, if applicable, on initial recognition. Transactions costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

As at December 31, 2023, the Company does not have derivative financial instruments. Additionally, the Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(i) Non-derivative financial assets

All regular way purchases or sales of financial assets are recognized and written off on the trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

All financial assets recognized are subsequently measured at amortized cost or at fair value, depending on their classification. These financial assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is written down when impairment losses are verified. Interest income, foreign exchange gains and losses, and impairment are directly recognized in profit or loss.

Instruments that meet the following conditions are measured subsequently at amortized cost:

- Financial assets are maintained in a business model whose objective is to keep the financial assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The instruments are subsequently measured at fair value through other comprehensive income provided that the following conditions are met:

- Financial assets are maintained in a business model whose objective is to keep the financial assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The instruments are subsequently measured at fair value through other comprehensive income provided that the following conditions are met:

- Financial assets are maintained in a business model whose objective is met by collecting contractual cash flows and selling the financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In general, all other financial assets are subsequently measured at fair value through profit or loss.

Financial assets are not reclassified subsequently to their initial recognition, unless the Company changes its business model used to manage financial assets. The Company assesses the goal of the business model in which a financial asset is held in portfolio because this best reflects the way in which the business is run.

At the date of the individual and consolidated financial statements, the Company has the following non-derivative financial assets: cash and cash equivalents classified and measured at fair value through profit or loss; and short-term investments and restricted accounts, trade receivables, due from related parties, and other receivables classified and measured at amortized cost.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Upon the derecognition of a financial asset measured at amortized cost or at fair value through profit or loss, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

(ii) Non-derivative financial liabilities
All financial liabilities are subsequently measured at amortized cost under the effective interest method or measured at fair value through profit or loss. Financial liabilities are classified at fair value through profit or loss when a financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated at fair value through profit or loss. Financial liabilities measured at FVTPL are measured at fair value and net gains or losses, including interest, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss.

At the date of the individual and consolidated financial statements, the Company has the following non-derivative financial liabilities: borrowings and financing, and trade payables, all classified and measured at amortized cost.

Derecognition of financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or when they expire. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in profit or loss.

Based on the accounting policy, the Company classifies the interest paid as financing activity, consistently with its individual and consolidated financial statements.

(iii) Impairment
The Company recognizes an allowance for expected credit losses ("ECL") on trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the past credit loss experience, adjusted according to specific factors of debtors, general economic conditions and the assessment of current and projected conditions at the reporting date, including the time value of money, when applicable, as described in note 5.1.

b) New effective standards, interpretations and revised standards
The main new standards or amendments to standards and interpretations effective for annual periods beginning on or after January 1, 2023 and adopted by the Company are as follows:

***(i)* IFRS 17 (CPC 50) - Insurance Contracts**
This standard sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 (CPC 11) - Insurance Contracts.

***(ii)* Amendments to IAS 1 (CPC 26 (R1)) and IFRS Practice Statement 2 - Disclosure of Accounting Policies**
The amendments change the requirements set out in IAS 1 (CPC 26 (R1)) as regards the disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information".

***(iii)* Amendments to IAS 8 (CPC 23) - Definition of Accounting Estimates**
Applicable to annual reporting periods beginning on or after January 1, 2023. The amendment replaces the "definition of a change in accounting estimates" with a "definition of accounting estimates". Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

***(iv)* Amendments to IAS 12 (CPC 32) - Deferred Tax related to Assets and Liabilities arising from a Single Transaction**
Applicable to annual reporting periods beginning on or after January 1, 2023. The amendments provide a further exception from the initial recognition exemption. According to the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

***(v)* Amendments to IAS 12 – Income Taxes — International Tax Reform—Pillar Two Model Rules**
IASB has amended IAS 12 to clarify that the standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-

operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements regarding deferred taxes set out in IAS 12, so that an entity does not recognize or disclose information on deferred assets and liabilities related to Pillar Two income taxes.

Management performed its assessment and did not identify any significant impacts arising from the adoption of those standards on the Company's financial statements.

The main new standards or amendments to standards and interpretations not yet effective for 2023 and not yet adopted by the Company are as follows:

(i) **Amendment to IAS 1 (CPC 26 (R1)) – Classification of Liabilities as Current or Non-current**
This amendment to the standard will come into effect beginning January 1, 2024. Clarifies aspects to be considered for the classification of liabilities as current or non-current liabilities.

(ii) **Lease Liability in a Sale and Leaseback (amendments to IFRS 16)**
This amendment to the standard will come into effect beginning January 1, 2024. The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that comply with the requirements of IFRS 15 to be accounted for as a sale.

(iii) **Non-current Liabilities with Covenants (amendments to IAS 1)**
The amendment clarifies how the conditions that an entity must satisfy within twelve months after the reporting period affect the classification of a liability. This amendment to the standard will come into effect beginning January 1, 2024.

(iv) **Amendments to IAS 7 (CPC 03(R2)) – Statement of Cash Flows and to IFRS 7 (CPC 40(R1)) – Financial Instruments: Disclosures– Supplier Finance Arrangements**
The amendments add a disclosure objective to IAS 7 (CPC 03(R2)) stating that an entity must disclose information about its supplier finance arrangements that allows users of the financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. Additionally, IFRS 7 (CPC 40(R1)) was amended to add supplier finance arrangements as an example within the requirements to disclose information about the entity's exposure to liquidity risk concentration.

(v) **IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures**
IFRS S1 establishes general requirements for sustainability-related financial disclosures, so that the entity discloses information on its sustainability-related risks and opportunities that is useful to users of the financial statements. In turn, IFRS S2 establishes the requirements to identify, measure and disclose information on climate-related risks and opportunities that is useful to users of the financial statements. Both standards will be effective for annual periods beginning on or after January 1, 2024 and, in the first annual reporting period in which an entity applied them, the entity is allowed to disclose information only on climate-related risks and opportunities (pursuant to IFRS S2). In conformity with CVM Resolution 193/23, publicly-held companies in Brazil can voluntarily adopt these standards as from the year beginning after January 1, 2024, adoption being mandatory for years beginning after January 1, 2026.

The Company does not expect the adoption of the standards listed above to have a significant impact on the individual and consolidated financial statements in future periods, other than in relation to IFRS S1 and IFRS S2, where the Company expects an impact on the disclosures addressed in these standards, which are being assessed by Management, as well as the definition of adoption of these standards during the voluntary period outlined in CVM Resolution 193/23.

c) Share-based compensation plan

(i) **Stock options plan (stock options)**

The Company's Stock Option Plan ("Plan"), approved by the Annual and Extraordinary Shareholders' Meeting held on April 26, 2021, is based on the *stock* options concept, in which the Company grants to the statutory officer(s) a right (and not an obligation) to purchase shares issued by the Company at/in preset prices (strike price) and periods (exercise periods).

The Board of Directors, which shall be responsible for the Plan's administration, may, while respecting the conditions of said Plan, the guidelines set forth by the Shareholders' Meeting and the applicable statutory provisions, the relevant CVM regulation, and Company Bylaws, create Stock Option Programs ("Program") under which the specific conditions applicable to stock options that may be granted within the scope of the Plan shall be determined. These conditions include, in particular, the strike price, any vesting periods during which the stock options cannot be exercised, deadlines and periods for exercising stock options, any overall performance goals of the Company that must be met as a condition for exercising the options, among others.

The Company's current or future statutory officers are eligible to participate in the Plan. The approval of the actual participants and the number of stock options to be granted to each officer shall be determined by the Board of Directors.

The statutory executive officer's participation in a grant program does not guarantee his or her participation in subsequent stock option granting programs.

None of the provision of the Plan, the Program, the stock option agreement, and/or the stock option granted shall entitle any participant to remain in any position in the Company, or other company under the Company's control, as applicable, nor shall it interfere in any way with the Company's right, at any time and subject to the applicable legal and contractual terms and conditions, to terminate the employment contract of a statutory executive officer or in any way ensure his or her termination. Information about the plan is described in note 27.

On October 18, 2021, the Company approved in a meeting of the Board of Directors the Company's Second Stock Option Program ("2nd Program") including the eligibility rules of this 2nd Program's beneficiaries and the definition of the grant terms and conditions. All terms and conditions of the Plan, approved by the Company's Annual and Extraordinary Shareholders' Meeting held on April 26, 2021, were observed. On April 28, 2023, the Company approved the proposal for substitution of the Stock Option Plan for the Stock Grant Plan, and the information is described in item (ii) below.

(ii) **Stock grant plan (Stock Grant)**

The Extraordinary General Meeting held on April 28, 2023 approved the Company's proposal for substitution of the Stock Option Plan ("Stock Options") for the new Share Grant Plant ("Stock Grant"). The Board of Directors will be responsible for the Stock Grant Plan's management.

The substitution was proposed because the Stock Options Plan has not attained the proposed purpose, in light of its economic aspects against the current conditions of the Company's stock market. The substituted plan ("Stock Options") allowed the statutory officers to acquire the Company's shares and, under this program, the options could be exercised at the stock market price on the grant date. On the other hand, the new plan ("Stock Grant") allows the statutory officers to receive, free of charge, the Company's preferred shares, based on the terms and conditions set out in the plan.

For more information on these changes in the share-based payment plans, see note 27.

d) Leases

The Company, through its subsidiary Taurus Holdings, Inc. (USA) recognizes the liabilities assumed against the respective right-of-use assets in accordance with the lease contract entered into with the Georgia Development Authority, in the United States where the Taurus plant is located. For further details on this transaction see note 17.

The Company assesses whether a contract is a lease or contains a lease at the commencement of the contract in accordance with IFRS 16 / CPC 06 (R2).

The Company recognizes a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset comprises the initial measurement of the corresponding lease liability and the lease payments made on or before the commencement date, less any lease incentives received and any initial direct costs. The Company segregates the amount of cash paid into principal and interest (both presented in financing activities) in the statement of cash flows.

The lease liability is initially measured at the present value of the lease payments, which were not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rates depend on the term, currency and commencement of the lease and is determined based on a series of data that include: the risk-free rate based on the rates of government bonds; the adjustment to the country's specific risk; the adjustment to the credit risk based on the yield of the bond; and the entity's specific adjustment when the risk profile of the entity that participates in the lease differs from the Company's risk profile.

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Under IFRS 16 / CPC 06 (R2), right-of-use assets are tested for impairment in accordance with CPC 01.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company elected to recognize lease expenses on a straight-line basis pursuant to IFRS 16 / CPC 06 (R2).

e) <u>Restatement of book balances</u>
Pursuant to international standard IAS 8 (CPC 23) - Accounting Policies, Changes in Estimates and Errors, the annual consolidated financial statements for the prior year December 31, 2022 are being restated for purposes of comparison.

As detailed in notes 1 and 15, the Company carried out an internal restructuring at the end of 2023 which, among other transactions, comprised the merger of Taurus Blindagens Nordeste Ltda. into its direct parent Taurus Helmets Indústria de Capacetes Ltda.. The results of Taurus Blindagens Nordeste Ltda. were being presented in line item "Discontinued operations" considering the applications of CPC 31 - Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). As the assets and liabilities started to be used in the operation of Taurus Helmets Indústria de Capacetes Ltda. through this merger, the Company consolidated this transaction again as operating activity in its financial statements.

Accordingly, in connection with IAS 8 / CPC 23 and IFRS 5 / CPC 31, the results of operations of the component previously presented in discontinued operations, corresponding to the prior year, presented for purposes of comparison, were changed and are being restated.

This reclassification did not impact the Company's net result as shown below.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Statement of profit or loss for the year ended December 31, 2022.

			Consolidated
	12-31-2022	**Adjustment**	**12-31-2022 Restated**
Net operating revenue	**2,540,021**	-	2,540,021
Cost of sales	**(1,379,597)**	-	(1,379,597)
Gross profit	**1,160,424**	-	1,160,424
Operating income (expenses)			
Selling expenses	**(252,716)**	(1)	(252,717)
General and administrative expenses	**(201,921)**	(410)	(202,331)
Equity in earnings (losses)	**(3,360)**	-	(3,360)
Allowance for impairment of financial instruments	**(2,804)**	5	(2,799)
Other operating income, net	**52,540**	616	53,156
Other operating expenses, net	**8,687**	(1,211)	7,476
	(399,574)	(1,001)	(400,575)
Profit before finance income (costs) and taxes	**760,850**	(1,001)	759,849
Finance income	**383,378**	138	383,516
Finance costs	**(388,110)**	(50)	(388,160)
Finance income (costs), net	**(4,732)**	88	(4,644)
Operating income (expense) before taxes	**756,118**	(913)	755,205
Current income tax and social contribution	**(171,864)**	(1,828)	(173,692)
Deferred income tax and social contribution	**(61,477)**	(52)	(61,529)
Profit (loss) for the year from continuing operations	**522,777**	(2,793)	519,984
Profit (loss) from discontinued operations	**(2,793)**	2,793	-
Profit for the year	**519,984**	-	519,984

5. Financial risk management

The Company’s risk management policies are set out to identify and analyze the risks faced by the Company, set limits and appropriate risk controls, and monitor risks and compliance with limits. The risk management policies and systems are regularly reviewed to reflect changes in the market conditions and the Company's activities. The Company is exposed to the following risks arising from the use of financial instruments:

5.1 Credit risk

Credit risk is the risk of the Company incurring financial losses if a customer or a counterparty to a financial instrument fails to perform its contractual obligations, which arises mainly from trade receivables and investment securities. With respect to financial institutions, the Company and its subsidiaries only conduct transactions with financial institutions considered by Management as low risk financial institutions.

Trade and other receivables

The Company and its subsidiaries adopt the procedure of analyzing the financial position of its counterparties, set credit limits, and constantly monitor the outstanding positions. In respect of the Company’s revenue, sales are concentrated on related parties Taurus International and Companhia Brasileira de Cartuchos – CBC, and there is no credit risk concentration on other customers.

Credit approvals are individually analyzed before customary payment and delivery terms and conditions are offered. Such analysis includes external assessments and, in certain cases, bank references. Purchase limits are set for each customer, which represent the maximum outstanding amount without requiring credit approval; these limits are periodically reviewed. Customers that failed to comply with the credit limit set by the Company can only operate if receivables are settled. For public bodies, the Company’s Management individually assesses the payment capacity and bidding requirements for making a sale. The Company does not have any customer that individually represents more than 7% of Company sales, except with its related parties.

In monitoring the credit risk, customers are grouped according to their credit characteristics, including whether they are individuals or legal entities, retailers or public bodies, based on their geographic location, industry, and previous financial problems.

With regard to sales to individuals, the Company is able to receive in advance part of the sales amount upon purchase intention, and the product is only billed and delivered if there is no default.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Exposure to credit risks

As at December 31, 2023, the maximum credit risk exposure was as follows:

		Consolidated		Parent
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
Fair value through profit or loss				
Cash and cash equivalents	**83,362**	201,219	**74,014**	107,155
Amortized cost				
Trade receivables	**211,628**	352,437	**76,107**	224,150
Short-term investments and restricted account	**120,977**	127,475	**95,996**	113,941
Other receivables	**16,116**	3,323	**25,803**	101,565
Total	**432,083**	684,454	**271,920**	546,811

The balances of trade receivables above are disclosed taking into account the expected credit losses (see note 9).

The maximum credit risk exposure for trade receivables per geographic region was as follows:

		Consolidated		Parent
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
Domestic – trade receivables	**58,737**	216,732	**38,036**	196,585
United States – trade receivables	**139,728**	118,351	**15,452**	1,242
Other	**30,234**	33,824	**29,366**	32,117
Total	**228,699**	368,907	**82,854**	229,944

The maximum credit risk exposure on the balance sheet date per type of counterparty was as follows:

		Consolidated		Parent
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
Trade receivables – public bodies	**6,620**	26,948	**6,620**	26,948
Trade receivables – distributors	**168,318**	251,560	**47,860**	138,238
Final customers	**53,761**	90,399	**28,374**	64,758
Total	**228,699**	368,907	**82,854**	229,944

The balances of trade receivables above are disclosed without taking into account the expected credit losses (see note 9).

Allowance for expected credit losses

In conformity with CPC 48/IFRS 9 - Financial Instruments, the allowance for expected credit losses takes into consideration an internal risk rating indicator, which observes the customer behavior and the macroeconomic context uncertainties.

As at December 31, 2023, the aging list of trade receivables and the allowance for expected credit losses are as follows:

						Consolidated
			12-31-2023			12-31-2022
	Portfolio	Allowance	% coverage	Portfolio	Allowance	% coverage
Current	**181,039**	**(2,093)**	**1.2%**	**311,047**	**(2,590)**	**0.8%**
0-30 days past due	**12,907**	**(284)**	**2.2%**	**21,980**	**(497)**	**2.3%**
31-60 days past due	**6,501**	**(278)**	**4.3%**	**5,223**	**(125)**	**2.4%**
61-90 days past due	**1,771**	**(258)**	**14.6%**	**5,198**	**(679)**	**13.1%**
91-180 days past due	**9,328**	**(3,515)**	**37.7%**	**6,089**	**(1,528)**	**25.1%**
181-360 days past due	**4,792**	**(894)**	**18.7%**	**3,566**	**(1,190)**	**33.4%**
Over one year past due	**12,361**	**(9,749)**	**78.9%**	**15,804**	**(9,861)**	**62.4%**
Total	**228,699**	(17,071)		**368,907**	(16,470)	

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

						Parent
			12-31-2023			**12-31-2022**
	Portfolio	**Allowance**	**% coverage**	**Portfolio**	**Allowance**	**% coverage**
Current	**50,191**	**(869)**	**1.7%**	**211,379**	**(1,454)**	**0.7%**
0-30 days past due	**10,306**	**(178)**	**1.7%**	**277**	**(247)**	**89.2%**
31-60 days past due	**4,672**	**(211)**	**4.5%**	**99**	**(42)**	**42.4%**
61-90 days past due	**1,513**	**(255)**	**16.9%**	**3,291**	**(631)**	**19.2%**
91-180 days past due	**10,393**	**(3,509)**	**33.8%**	**6,017**	**(1,500)**	**24.9%**
181-360 days past due	**3,135**	**(887)**	**28.3%**	**6,484**	**(1,020)**	**15.7%**
Over one year past due	**2,644**	**(838)**	**31.7%**	**2,397**	**(900)**	**37.5%**
Total	**82,854**	(6,747)		**229,944**	(5,794)	

5.2 Liquidity risk

Liquidity risk is the risk related to the Company's difficulty to perform its obligations associated with its financial liabilities, which are settled in cash or using another financial asset.

The Company and its subsidiaries monitor their operating cash flow requirements, which excludes the potential impact arising from extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Contractual maturities of financial liabilities, including payment of estimated interest, are as follows:

						Consolidated
						12-31-2023
	Carrying amount	**Contractual cash flow**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-derivative financial liabilities						
Trade payables	120,882	122,115	111,774	8,195	2,146	-
Borrowings and financing	122,173	168,040	20,406	8,696	62,043	76,895
Foreign currency advances	406,804	446,296	437,752	8,544	-	-
	649,859	**736,451**	**569,932**	**25,435**	**64,189**	**76,895**

						Parent
						12-31-2023
	Carrying amount	**Contractual cash flow**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-derivative financial liabilities						
Trade payables	63,889	65,122	54,781	8,195	2,146	-
Borrowings and financing	99,032	140,951	20,406	8,696	34,954	76,895
Foreign currency advances	406,804	446,296	437,752	8,544	-	-
	569,725	**652,369**	**512,939**	**25,435**	**37,100**	**76,895**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

5.3 Market risk

Market risk is the risk that changes in market prices, such as exchange and interest rates, impact the Company's and its subsidiaries' profit or loss or the amount of their shares in financial instruments. The purpose of market risk management is to manage and control market risk exposures, within acceptable parameters, while maximizing return.

The Company and its subsidiaries perform financial obligations to manage market risks. All these transactions are conducted based on the guidelines established by Management.

(i) Currency (foreign exchange) risk
The Company and its subsidiaries are subject to currency risk on sales, purchases and borrowings denominated in a currency other than the respective functional currencies of the Company's entities.

Sensitivity analysis of exchange rates
As at December 31, 2023, the Company is mainly exposed to fluctuations between the Brazilian real and the US dollar. The net exposure and sensitivity analysis related to the monetary items recorded in foreign currency as at December 31, 2023 are shown below.

This analysis considers a 25% and 50% variation in the projected future quotation of the currencies on the maturity date of the instruments, as disclosed by the Focus bulletin from the Central Bank. Such variations represent Management's assessment of the reasonably possible change in the projected exchange rate.

Currencies and indices		**Projected rate**	**Variation by +/- 25%**	**Variation by +/- 50%**
US dollar	Decrease	**5.0000**	3.7500	2.5000
US dollar	Increase	**5.0000**	6.2500	7.5000

				Consolidated
		Balance in 2023 – in US dollar	**Variation by +/- 25%**	**Variation by +/- 50%**
Asset – US dollar depreciation				
Trade receivables	US dollar – US$	**35,107**	(43,883)	(87,767)
		Balance in 2023 – in US dollar	**Variation by +/- 25%**	**Variation by +/- 50%**
Liability – US dollar appreciation				
Borrowings and financing	US dollar – US$	**(7,361)**	(9,201)	(18,402)
Trade payables	US dollar – US$	**(10,897)**	(13,621)	(27,242)
Foreign currency advances	US dollar – US$	**(84,028)**	(105,035)	(210,070)

				Parent
		Balance in 2023 – in US dollar	**Variation by +/- 25%**	**Variation by +/- 50%**
Asset – US dollar depreciation				
Trade receivables	US dollar – US$	**9,257**	(11,572)	(23,144)
		Balance in 2023 – in US dollar	**Variation by +/- 25%**	**Variation by +/- 50%**
Liability – US dollar appreciation				
Borrowings and financing	US dollar – US$	**(2,581)**	(3,226)	(6,452)
Trade payables	US dollar – US$	**(1,753)**	(2,191)	(4,382)
Foreign currency advances	US dollar – US$	**(84,028)**	(105,035)	(210,070)

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

(ii) Interest rate risk

The Company is subject to the interest rate risk, which refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to the risk of fluctuations in market interest rates mainly arises from its short- and long-term payables subject to floating interest rates, mainly the CDI.

Sensitivity analysis of interest rate

The Company's profit or loss is susceptible to changes in the interest rates levied on short-term investments, borrowings and financing at floating interest rates, mainly pegged to CDI rate.

The sensitivity analysis related to the financial items subject to variable interest as at December 31, 2023 is shown below. This analysis considers a 25% and 50% variation in the interest rate prevailing at the end of the period. Such variations represent Management's assessment of the reasonably possible change in the interest rate.

Index	Index as at 12-31-2023	Variation by +/- 25%	Variation by +/- 50%
CDI - decrease	11.65%	9.49%	6.33%
CDI - increase	11.65%	15.81%	18.98%
TJLP - increase	6.55%	8.75%	10.50%
SOFR day - increase	5.39%	6.64%	7.97%
6-month SOFR – decrease	5.35%	3.87%	2.58%
SELIC – increase	11.75%	15.81%	18.98%

				Consolidated Gain (loss)
	Index	Balance 12-31-2023	Variation by +/- 25%	Variation by +/- 50%
Assets				
Short-term investments	CDI - decrease	131,347	(2,837)	(6,988)
	Index	Balance 12-31-2023	Variation by +/- 25%	Variation by +/- 50%
Liabilities				
Borrowings	CDI - increase	(1,562)	(65)	(114)
Borrowings	TJLP - increase	(84,975)	(1,869)	(3,357)
Borrowings	SOFR day - increase	(23,141)	(289)	(597)

				Parent Gain (loss)
	Index	Balance 12-31-2023	Variation by +/- 25%	Variation by +/- 50%
Assets				
Short-term investments	CDI - decrease	100,895	(2,179)	(5,368)
Intragroup loans	CDI - decrease	5,519	(119)	(294)
Intragroup loans - abroad	6-month SOFR	12,534	(185)	(347)
	Index	Balance 12-31-2023	Variation by +/- 25%	Variation by +/- 50%
Liabilities				
Intragroup borrowings	CDI - increase	(1,988)	(83)	(146)
Borrowings	CDI - increase	(1,562)	(65)	(114)
Borrowings	TJLP	(84,975)	(1,869)	(3,357)

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

(iii) Capital management

The Company's Management policy is to maintain a solid capital structure for the business future development by adding value to shareholders, creditors and the market in general, through the monitoring of returns on capital, according to the position below:

	Consolidated	
	12-31-2023	**12-31-2022**
Total liabilities	**1,062,056**	1,251,942
Less: Cash and cash equivalents and short-term investments	**(204,339)**	(328,694)
Net debt (A)	**857,717**	923,248
Total equity (B)	**1,091,805**	1,024,231
Net debt-to-equity ratio as at December 31, 2023 and December 31, 2022 (A/B)	0.79	0.90

6. Operating segments

The information reported to the Company's CEO (the chief operating decision maker) to allocate resources and assess the performance of the operating segments focuses on the Company's product category. The Company has three segments. Two of the segments are reportable, represented by strategic business units managed separately, as they differ based on the offer of products and services, technologies and marketing strategies. The other operations are aggregated in segment "Other", as they are not classified within the quantity limits for separate reporting, as prescribed by IFRS 8/CPC 22 Operating Segments. The operations in each one of the Company´s reportable segments can be summarized as follows:

Firearms – The firearm production process, as it refers to a predominantly metallurgy industry, uses the following basic stages: machining (using premolds machined and shaped through machining centers, millers, drills and broaching machines, as the entire shaping process and some machining operations are outsourced), MIM - Metal Injection Molding (metal injected parts), finishing (basically polishing), thermal treatment, surface treatment, final assembly, functional test, engraving and packaging; these operations are conducted by Taurus Armas S.A., Taurus Holdings, Inc. and their subsidiaries. The Taurus JM joint venture (former Taurus Plásticos Ltda.) was established to manufacture magazines for the firearms manufactured by the Company.

Helmets – The helmet production process uses the following stages: injection (using ABS - Acrylonitrile Butadiene Styrene), coating and finishing (using injected parts, through manual and automated coating process), sewing (using fabrics, foam and polycarbonate sheets, through cutting, sewing and button sewing machines), and final assembly; these operations are conducted by Taurus Helmets Ltda. (former Taurus Blindagens Ltda.).

Other – Metal injected parts resulting from the MIM (Metal Injection Molding) segment for third parties (Polimetal Metalurgia e Plásticos Ltda.). It also includes expenses on technical support and finance costs on the machinery operation, which was discontinued in June 2012, and other operations such as manufacturing and sale of glasses and provision of services. These operations were aggregated as they are not classified within the quantity limits for separate reporting as reportable segment.

Each segment performance is assessed on a quarterly basis based on the segment profit before income tax and social contribution, as included in internal reports, since the Company's Management believes that such information is more significant in assessing the profit or loss from certain segments related to other entities that operate in these industries.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The reconciliation of revenue, profit and loss, assets and liabilities and other material components of reportable segments is disclosed below:

		Firearms		**Helmets(a)**		**Other**		**Total**
	12-31-2023	12-31-2022	**12-31-2023**	12-31-2022	**12-31-2023**	12-31-2022	**12-31-2023**	12-31-2022
Foreign revenue	**1,663,189**	2,416,943	**100,962**	105,060	**17,736**	18,018	**1,781,887**	2,540,021
Intercompany revenue	**788,183**	835,996	**-**	-	**9,921**	9,434	**798,104**	845,430
Cost of sales	**(1,069,927)**	(1,291,321)	**(66,423)**	(73,277)	**(14,345)**	(14,999)	**(1,150,695)**	(1,379,597)
Gross profit	**1,381,445**	1,961,618	**34,539**	31,783	**13,312**	12,453	**1,429,296**	2,005,854
Selling expenses	**(201,378)**	(237,997)	**(21,611)**	(20,926)	**(1,926)**	(804)	**(224,915)**	(259,727)
General and administrative expenses	**(184,447)**	(167,850)	**(7,644)**	(7,606)	**(7,592)**	(3,161)	**(199,683)**	(178,617)
Depreciation and amortization	**(17,986)**	(17,466)	**(282)**	(276)	**(3,042)**	(1,761)	**(21,310)**	(19,503)
Other operating income (expenses), net	**11,192**	62,166	**6,220**	(19)	**18,747**	(1,515)	**36,159**	60,632
Equity in earnings (losses)	**(1,906)**	(544)	**-**	-	**(849)**	(2,816)	**(2,755)**	(3,360)
	(394,525)	(361,691)	**(23,317)**	(28,827)	**5,338**	(10,057)	**(412,504)**	(400,575)
Operating profit	**986,920**	1,599,927	**11,222**	2,956	**18,650**	2,396	**1,016,792**	1,605,279
Finance income	**131,211**	375,764	**20,489**	2,705	**7,745**	5,047	**159,445**	383,516
Finance costs	**(165,927)**	(380,373)	**(1,961)**	(2,102)	**(1,536)**	(5,685)	**(169,424)**	(388,160)
Finance income (costs), net	**(34,716)**	(4,609)	**18,528**	603	**6,209**	(638)	**(9,979)**	(4,644)
Profit (loss) from the reportable segment before income tax and social contribution	**952,204**	1,595,318	**29,750**	3,559	**24,859**	1,758	**1,006,813**	1,600,635
Elimination of intercompany revenue	**(788,183)**	(835,996)	**-**	-	**(9,921)**	(9,434)	**(798,104)**	(845,430)
Profit (loss) before income tax and social contribution	**164,021**	759,322	**29,750**	3,559	**14,938**	(7,676)	**208,709**	755,205
Income tax and social contribution	**(56,494)**	(232,324)	**(8,694)**	(2,526)	**9,269**	(371)	**(55,919)**	(235,221)
Profit (loss) for the year	**107,527**	526,998	**21,056**	1,033	**24,207**	(8,047)	**152,790**	519,984
Assets from reportable segments	**1,797,889**	1,949,601	**100,371**	122,069	**255,601**	204,503	**2,153,861**	2,276,173
Liabilities from reportable segments	**1,006,794**	1,186,137	**25,367**	30,895	**29,895**	34,910	**1,062,056**	1,251,942

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

<u>Geographic information</u>

The information on net revenue below is based on the customer geographic location.

	Firearms		Helmets	
	12-31-2023	**12-31-2022**	**12-31-2023**	**12-31-2022**
Domestic market				
Southeast Region	**146,529**	637,418	**32,681**	36,148
South Region	**12,227**	64,162	**7,306**	7,191
Northeast Region	**10,088**	19,106	**27,779**	27,705
Midwest Region	**3,692**	20,088	**18,789**	18,143
North Region	**7,472**	18,756	**13,900**	15,232
	180,008	759,530	**100,455**	104,419
Foreign market				
United States	**1,386,773**	1,513,468	**507**	372
South Africa	**6,356**	15,846	**-**	-
Germany	**1,736**	2,222	**-**	-
Saudi Arabia	**2,263**	2,120	**-**	-
Argentina	**978**	1,695	**-**	-
Australia	**224**	341	**-**	-
Belize	**582**	-	**-**	-
Bulgary	**637**	-	**-**	-
Burkina Faso	**4,608**	1,270	**-**	-
Chile	**2,336**	1,777	**-**	-
Singapore	**567**	883	**-**	-
Costa Rica	**411**	-	**-**	-
El Salvador	**907**	1,764	**-**	-
Spain	**39**	999	**-**	-
Ecuador	**7,164**	-	**-**	-
Philippines	**9,877**	30,307	**-**	-
France	**4,295**	2,720	**-**	-
Ghana	**17**	3,053	**-**	-
Guatemala	**13,669**	18,244	**-**	-
Guiana	**1,435**	1,091	**-**	-
Honduras	**9,330**	-	**-**	-
India	**1,077**	-	**-**	-
Indonesia	**79**	252		
Italy	**208**	1,066	**-**	-
Jordan	**506**	-	**-**	-
Lesotho	**392**	-	**-**	-
Lebanon	**1,103**	2,447	**-**	-
North Macedonia	**257**	232	**-**	-
Madagascar	**103**	234	**-**	-
Mexico	**2,099**	-	**-**	-
Mozambique	**444**	440	**-**	-
Namibia	**467**	315	**-**	-
Nigeria	**381**	1,665	**-**	-
Panama	**676**	700	**-**	-
Pakistan	**2,489**	12,420	**-**	-
Peru	**5,504**	6,222	**-**	-
Poland	**1,252**	4,273	**-**	-
Dominican Republic	**-**	5,127	**-**	-
Czech Republic	**1,005**	2,620	**-**	-
Senegal	**586**	1,158	**-**	-
Serbia	**-**	217	**-**	-
Sri Lanka	**2,051**	-	**-**	-
Thailand	**1,534**	2,840	**-**	-
Turkey	**7**	12,261	**-**	-
Ukraine	**-**	1,386	**-**	-
Uruguay	**721**	868	**-**	269
Zambia	**377**	907	**-**	-
Other countries	**5,659**	1,963	**-**	-
	1,483,181	1,657,413	**507**	785
Total net revenue	**1,663,189**	2,416,943	**100,962**	105,060

The sales of the Company's other segments are concentrated on the domestic market and spread throughout all Brazilian regions. The Company's and its subsidiaries' sales do not show high level of concentration that can characterize significant dependence on governmental bodies or any other customer, except for the Related Parties, as described in note 25. Approximately 77.85% of consolidated revenues of the firearms segment derive from the US civilian market and are subject to US regulations.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

7. Cash and cash equivalents

Cash and cash equivalents comprise cash and highly liquid short-term investments, that is, redeemable within up to three months from the investment date, without any penalties for the Company, and subject to an insignificant risk of change in market value.

	Consolidated		Parent	
	12-31-2023	**12-31-2022**	**12-31-2023**	**12-31-2022**
Cash	**161**	122	**148**	85
Unsettled exchange bills (*)	**51,901**	90,605	**51,029**	90,472
Demand deposits	**20,930**	87,880	**17,938**	498
Short-term investments	**10,370**	22,612	**4,899**	16,100
Cash and cash equivalents	**83,362**	201,219	**74,014**	107,155

(*) The Company receives, as settlement for foreign currency-denominated trade receivables, payment orders for which it can, according to its cash requirement and for purposes of better use of the exchange rate, carry out the foreign exchange closing and receive Brazilian reais in its cash.

Highly liquid short-term investments refer to automatic investments yielding interest ranging between 2% and 80% of CDI.

8. Short-term investments

Non-liquid short-term investments refer to investments in Bank Certificates of Deposit (CDBs) that are not readily convertible into cash, considering the transaction date. The classification of short-term investments depends on the purpose for which the investment was acquired and are measured at amortized cost, according to their category. When applicable, costs directly attributable to the acquisition of a financial asset are added to the originally recognized amount.

		Consolidated		Parent	
	Interest rate	**12-31-2023**	**12-31-2022**	**12-31-2023**	**12-31-2022**
Bank certificates of deposit (CDBs)	99% to 107% of CDI	**120,977**	127,475	**95,996**	113,941
Total		**120,977**	**127,475**	**95,996**	**113,941**
Current		**120,977**	105,544	**95,996**	92,010
Noncurrent		**-**	21,931	**-**	21,931

9. Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost less estimated expected losses.

The allowance for expected credit loss was recognized in an amount considered sufficient by Management to cover probable losses on the collection of receivables.

	Consolidated		Parent	
	12-31-2023	**12-31-2022**	**12-31-2023**	**12-31-2022**
Domestic customers	**58,737**	216,732	**38,037**	196,585
Foreign customers	**169,962**	152,175	**44,817**	33,359
	228,699	368,907	**82,854**	229,944
Allowance for expected credit loss – domestic receivables	**(8,856)**	(9,504)	**(948)**	(1,693)
Allowance for expected credit loss – foreign receivables	**(8,215)**	(6,966)	**(5,799)**	(4,101)
	(17,071)	(16,470)	**(6,747)**	(5,794)
	211,628	352,437	**76,107**	224,150

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables, including the aging list of trade receivables, are disclosed in note 5. The variations in the allowance for expected credit losses are as follows:

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	Consolidated	Parent
Balance as at December 31, 2022	**(16,470)**	**(5,794)**
Additions	**(14,800)**	**(12,053)**
Reversal of allowance for expected credit losses	**13,146**	**10,722**
Exchange rate changes	**1,053**	**378**
Balance as at December 31, 2023	**(17,071)**	**(6,747)**

10. Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle and includes expenses incurred on the acquisition of inventories, production and transformation costs (based on regular operational capacity) and other costs incurred to bring them to their locations and existing conditions.

The allowance for inventory losses is recorded for slow-moving products which sales price is below production cost.

	Consolidated		Parent	
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
Finished products	**403,828**	272,570	**44,386**	48,596
Raw material	**251,575**	336,748	**215,004**	263,394
Work in process	**1,319**	10,307	**82**	320
Inventory advances	**15,296**	26,135	**15,196**	25,715
Allowance for inventory losses	**(10,206)**	(15,370)	**(4,139)**	(6,215)
	661,812	630,390	**270,529**	331,810

Variation in the allowance for inventory losses	Consolidated	Parent
Balance as at December 31, 2022	**(15,370)**	**(6,215)**
Addition	**(1,102)**	**(943)**
Reversal	**2,935**	**707**
Definitive write-offs	**2,758**	**2,312**
Exchange rate changes	**573**	**-**
Balance as at December 31, 2023	**(10,206)**	**(4,139)**

11. Recoverable taxes

	Consolidated		Parent	
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
State VAT (ICMS)	**29,341**	25,975	**28,202**	24,424
Federal VAT (IPI)	**1,242**	4,856	**557**	3,428
Tax on revenue (PIS)	**9,007**	813	**8,742**	515
Tax on revenue (COFINS)	**29,339**	2,849	**28,096**	1,637
Income tax and social contribution	**9,711**	17,402	**1,752**	7,318
Other	**1,209**	320	**52**	52
Total	**79,849**	52,215	**67,401**	37,374
Current	**61,831**	37,039	**49,884**	22,939
Noncurrent	**18,018**	15,176	**17,517**	14,435

12. Other assets

	Consolidated		Parent	
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
Advances to suppliers	**1,990**	1,854	**-**	1,258
Advances to employees	**6,661**	7,114	**5,724**	6,568
Advances for foreign bids	**5,222**	7,224	**5,222**	7,224
Escrow deposits	**67,434**	57,839	**65,127**	55,982
Intragroup loans	**19,289**	910	**23,538**	12,682
Credits receivable - Eletrobrás	**-**	9,015	**-**	5,059
Other receivables	**1,443**	14,790	**3,685**	3,353
Total	**102,057**	98,746	**103,314**	92,126
Current	**18,154**	31,003	**19,292**	35,519
Noncurrent	**83,903**	67,743	**84,022**	56,607

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

13. Current and deferred income tax and social contribution

Current and deferred income tax and social contribution for the year are calculated at the statutory rate of 34%, of which 15%, plus a 10% surtax on taxable income exceeding R$240 for income tax, and 9% on taxable income for social contribution. The limit of income tax loss and social contribution loss is 30% of annual taxable income.

For companies calculating income tax and social contribution based on deemed income, the same rates above are used, but assuming a gross revenue at 32%. The foreign subsidiaries are subject to an income tax rate of 21% in the United States and 25% in Panama, levied on taxable income, pursuant to the tax laws prevailing in each country.

Deferred income tax and social contribution were fully recognized, considering the permissions and requirements of technical pronouncement CPC 32 - Income Taxes (IAS 12) on the differences between assets and liabilities recognized for tax purposes and their corresponding amounts recognized in the individual and consolidated financial statements. Deferred income tax and social contribution are determined based on the tax rates and tax laws in effect at the date the financial statements are prepared.

a) Breakdown of impacts on deferred tax assets and liabilities

		Consolidated		Parent
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
On income tax and social contribution losses				
Income tax loss	9,455	3,841	-	-
Social contribution loss	3,404	1,385	-	-
On temporary differences – assets				
Impairment of asset held for sale	771	-	-	-
Other allowances, provisions and accruals	14,919	8,879	1,894	258
Realization of revaluation reserve	1,899	1,879	603	584
Allowance for inventory losses	2,689	5,326	1,407	2,113
Accrued profit sharing	4,125	9,521	1,952	6,546
Accrued commissions	1,136	1,605	923	1,417
Provision for civil, labor and tax risks	20,323	20,799	20,038	19,392
Provision for warranty	3,435	3,937	1,842	2,137
Provision for uncollectible receivables	4,091	2,845	3,346	1,970
Financial provisions	935	967	935	967
Tax provisions	5,005	2,497	3,301	1,954
Unrealized profit with related parties	23,122	13,696	-	-
Total deferred assets	**95,309**	**77,177**	**36,241**	**37,338**
On temporary differences - liabilities				
Goodwill on expected future earnings	(11,868)	(12,220)	-	-
Fair value of investment property	(10,263)	(20,840)	-	-
Tax provisions	(353)	-	-	-
Other allowances, provisions and accruals	(10,075)	-	-	-
Total deferred liabilities	**(32,559)**	**(33,060)**	**-**	**-**
Deferred asset balances	**76,896**	60,855	**36,324**	37,338
Deferred liability balances	**(14,146)**	(16,738)	**(83)**	-
Deferred assets, net	**62,750**	**44,117**	**36,241**	**37,338**

Current and deferred taxes are recognized in profit or loss unless they are related to business combination, items recognized directly in equity or in other comprehensive income.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the corresponding amounts used for taxation purposes. A deferred income tax and social contribution asset is recognized by unutilized tax losses, tax credits and deductible temporary differences when it is probable that future income subject to taxation will be available and against which they will be utilized.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes imposed by the same tax authority on the same entity subject to taxation.

Deferred income tax and social contribution assets are reviewed at the end of each reporting period and reduced to the extent that their realization is no longer probable or, otherwise recognized to the extent their realization is probable.

b) Variation in deferred taxes

	Consolidated	Parent
Opening balance of deferred taxes, net	44,117	37,338
Merged discontinued operation – Taurus Nordeste	881	-
Allocated to profit or loss	15,074	(1,098)
Translation adjustments into the presentation currency	2,678	-
Closing balance of deferred taxes, net	**62,750**	**36,240**

The amount of income tax and social contribution losses on which no deferred taxes are recognized total R$287.9 million in consolidated, which correspond to the portion of these amounts in the Company's subsidiaries for which it is not probable that future taxable income will be available for offset. In the Parent, income tax and social contribution losses is fully recorded, and in its subsidiaries, they were partially recorded up to the limit of confirmation of realization.

With respect to the recognition of tax credits on income tax and social contribution losses, projections that demonstrate the realization of the tax credit on the tax loss bases generated by the Company have been prepared by a specialized consulting company and supported by the best understanding based on Management's expectations.

The projections of future taxable income include estimates related to the performance of the economy and the Brazilian and foreign markets, selection of exchange rates, sales volume, sales price, tax rates, among others, which may differ from actual data and amounts. As the income tax and social contribution income (expenses) derives not only from taxable income, but also from the tax and corporate structure of the Company and its subsidiaries in Brazil and abroad, the expected realization of temporarily non-deductible differences, the existence of non-taxable income, non-deductible expenses and several other variables, there is no direct correlation between the Company's and its subsidiaries' profit and the income tax and social contribution income (expenses).

As at December 31, 2023, the expected tax loss realization for deferred income tax and social contribution, recorded in noncurrent assets in the consolidated (the balance of income tax and social contribution loss was fully utilized), is as follows:

					Consolidated
	Income tax loss	**Social contribution loss**	**Deferred income tax**	**Deferred social contribution**	**Total deferred taxes**
Balance recognized as at 12/31/2023	37,823	37,831	9,455	3,404	12,859
In 2024	(5,613)	(5,607)	(1,403)	(505)	(1,908)
In 2025	(5,644)	(5,640)	(1,411)	(508)	(1,919)
In 2026	(3,588)	(3,605)	(897)	(324)	(1,221)
In 2027	(3,189)	(3,189)	(797)	(287)	(1,084)
In 2028-2033	(19,789)	(19,790)	(4,947)	(1,780)	(6,727)

The main balances of income tax and social contribution losses are recognized in subsidiaries Polimetal, Taurus International Manufacturing and Taurus Helmets.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Reconciliation of the effective rate of income tax and social contribution

	Consolidated		Parent	
	12-31-2023	12-31-2022 Restated	12-31-2023	12-31-2022
Pretax profit	208,709	755,205	211,022	736,697
Income tax and social contribution at combined tax rates	(70,961)	(256,770)	(71,747)	(250,476)
Permanent additions				
Non-deductible expenses	(4,473)	(4,411)	(4,274)	(3,559)
PPR – Statutory and CLT officers	(1,281)	(1,232)	(1,281)	(1,232)
Insurance – Statutory and CLT officers	(3)	(11)	(3)	(11)
Share of loss of subsidiaries	(937)	(1,142)	(20,764)	(10,952)
Donations/sponsorship	(656)	(1,298)	(609)	(1,252)
Capital gain on property, plant and equipment	-	(119)	-	(119)
Permanent deductions				
Reintegra	297	268	297	267
Deemed ICMS grant	35	8,565	-	8,506
Interest on tax unduly paid	6,261	5,529	168	4,184
Share of profit of subsidiaries	-	-	37,175	35,034
Deferred - Corporate restructuring	(508)	-	1,519	-
Recognized deferred tax on prior-years' tax losses	10,694	-	-	-
Unrecognized deferred tax on income tax and social contribution losses	(2,434)	(2,758)	-	-
Difference of tax rate of subsidiaries - deemed income	6,656	15,208	-	-
Other (additions)/deductions	1,391	2,950	1,287	2,898
Income tax and social contribution in profit or loss for the year	**(55,919)**	**(235,221)**	**(58,232)**	**(216,713)**
Current	(70,993)	(173,692)	(57,134)	(152,099)
Deferred	15,074	(61,529)	(1,098)	(64,614)
	(55,919)	(235,221)	**(58,232)**	(216,713)
Effective rate	27%	31%	28%	29%

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The unrecognized portion of amounts is represented by tax losses and temporary differences not supported by expected future taxable income generation, as described below.

								Consolidated
				12-31-2023				**12-31-2022**
	Basis	**25%**	**9%**	**Total**	**Basis**	**25%**	**9%**	**Total**
Temporary differences								
Other allowances, provisions and accruals	252	63	23	86	-	-	-	-
Provision for uncollectible receivables	7,580	1,895	682	2,577	7,580	1,895	682	2,577
Allowance for loss on agreements receivable	69,849	17,462	6,286	23,748	69,849	17,462	6,286	23,748
Provision for civil, labor and tax risks	3,700	925	333	1,258	3,603	901	324	1,225
Provision for warranty	1,468	367	132	499	1,468	367	132	499
Loss on other receivables	5,114	1,279	460	1,739	5,114	1,279	460	1,739
On income tax and social contribution losses								
Income tax and social contribution losses	287,943	71,986	25,915	97,901	315,645	78,911	28,408	107,319
	375,906	**93,977**	**33,831**	**127,808**	**403,259**	**100,815**	**36,292**	**137,107**

14. Assets held for sale

Noncurrent assets or groups of noncurrent assets (including liabilities) held for sale are classified as "held for sale" if it is highly probable that they will be primarily recovered through sale instead of their continuing use. Such condition is considered met only when the sale is highly probable and the asset (or disposal group) are available for immediate sale "as is". Management must be committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. The assets or group of assets held for sale are measured at the lower of their carrying amount recognized until then or fair value less selling expenses.

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

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

Carrying amount reconciliation

	Consolidated	
In thousands of reais	**12-31-2023**	**12-31-2022**
Buildings, land and improvements	-	51,390
Taurus Blindagens Nordeste – long-lived asset held for sale	7,000	16,644
Total held-for-sale noncurrent assets	**7,000**	**68,034**
Taurus Blindagens Nordeste – liability held for sale	-	9,711
Total held-for-sale liabilities	**-**	**9,711**

Buildings, land and improvements.

In the last quarter of 2023, Management concluded that the buildings, land and improvements located in Porto Alegre - RS no longer meet the classification criteria required by CPC 31 - Non-current Assets Held for Sale and Discontinued Operations. Based on Management's expected use for these assets, they were transferred to investment property. See details in note 16.

Held-for-sale asset – Helmets operation

On March 27, 2018, the Board of Directors unanimously authorized the offering of the Helmets business—consisting of the companies Taurus Helmets Indústria de Capacetes Ltda. (former Taurus Blindagens Ltda.) and Taurus Blindagens Nordeste Ltda.—to the market.

The Company continues to pursue the sale of its helmet operation located in Mandirituba, PR, Taurus Helmets Indústria de Helmets Ltda. Since the Company aims to obtain the return of the actual value of the business and this business remains in operation, the Company decided to return the consolidation of this operation as a going concern in its financial statements since the first quarter of 2021. The Company's Management decided that Taurus Helmets Indústria de Capacetes Ltda no longer meets the classification criteria in CPC 31 - Non-current Assets Held for Sale and Discontinued Operations (IFRS 5).

On November 30, 2023, Taurus Blindagens Nordeste Ltda was merged into its direct parent, Taurus Helmets Indústria de Capacetes Ltda, as part of the internal restructuring conducted by the Company, as detailed in notes 1 and 15. As a result of this merger, part of the assets and liabilities previously held for sale in Taurus Blindagens Nordeste Ltda started to be used in the operation of Taurus Helmets Indústria de Capacetes Ltda, and was no longer classified as held for sale. As at December 31, 2023, the assets held for sale related to the helmet operation of Taurus Helmets Indústria de Capacetes Ltda was presented as shown in the table and comprised the following amounts:

Property, plant and equipment/Intangible assets	8.643
Impairment	(1.643)
Assets held for sale	**7.000**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

15. Investments

												Parent
	Taurus Helmets Indústria de Capacetes Ltda. (2)	Taurus Blindagens Nordeste Ltda. (2)	Jindal Defence Systems Private Limited	Taurus Holdings, Inc.	T. Investments Co. Inc.	CBC Taurus Arabia Holding, LLC.	Taurus Investimentos Imobiliários Ltda. (2)	Polimetal Metalurgia e Plásticos Ltda.	AMTT Taurus Comercio Varejista Ltda. (1)	Taurus Máquinas-Ferramenta Ltda.	12-31-2023	12-31-2022
Current assets	76,029	-	10,565	599,836	-	2,923	3,258	17,312	4,889	246		
Noncurrent assets	24,435	-	17,783	120,573	-	194	174,600	284,872	1,770	1,291		
Current liabilities	19,765	-	1,910	148,359	-	-	7,731	6,731	6,759	973		
Noncurrent liabilities	6,142	-	22,069	63,519	-	-	14,317	7,341	1,463	-		
Capital	18,039	-	5,734	1,572	53,254	6,723	53,292	291,956	1,300	293,638		
Equity	74,557	-	4,369	508,531	-	3,117	155,810	288,112	(1,563)	564		
Net revenue	100,962	-	88	1,386,773	-	-	9,919	15,056	2,330	-		
Profit (loss) for the year	20,720	6,245	(1,237)	30,218	(6)	(2,653)	6,936	41,921	(2,554)	3,074		
Number of shares	597	9,400	350,000	302,505	11,000,000	10,535	43,623,159	304,779,838	1,300,000	185,007,117		
Direct interest percentage (%)	0,00%	0,00%	49,00%	100,00%	100,00%	49,00%	0,00%	100,00%	100,00%	100,00%		
Opening balances	1	56	-	490,653	7	898	82,797	152,878	256	-	**727,546**	**683,822**
Capital payment	**-**	**-**	**109**	**-**	**-**	**1,951**	**-**	**-**	**-**	**-**	**2,060**	**2,739**
Capital increase	**-**	**-**	**2,911**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,911**	**-**
Share of profit (loss) of subsidiaries	**-**	**6**	**(606)**	**30,218**	**(6)**	**(1,300)**	**(3,051)**	**41,921**	**(2,553)**	**1,938**	**66,567**	**79,112**
Exchange differences arising on translating investments	**-**	**-**	**(275)**	**(38,190)**	**(1)**	**(21)**	**-**	**-**	**-**	**-**	**(38,487)**	**(28,117)**
Unrealized profit on inventories	**-**	**-**	**-**	**(18,030)**	**-**	**-**	**-**	**-**	**(269)**	**-**	**(18,299)**	**(8,282)**
Valuation adjustments to equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(313)**	**-**	**-**	**(313)**	**(2,741)**
Corporate restructuring (2)	**(1)**	**(62)**	**-**	**-**	**-**	**-**	**(79,746)**	**93,628**	**-**	**(1,374)**	**12,445**	**-**
Reclassified to provision for negative equity (1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,566**	**-**	**2,566**	**1,013**
Closing balances	**-**	**-**	**2,139**	**464,651**	**-**	**1,528**	**-**	**288,114**	**-**	**564**	**756,996**	**727,546**

(1) The balance of investment of subsidiary AMTT Taurus Comercio Varejista Ltda. (R$2,566) is presented in line item "Provision for negative equity" in noncurrent liabilities.

(2) As detailed in note 1, in the last quarter of 2023, the Company carried out a corporate restructuring transaction to streamline the organizational structure, improve the allocation of resources, streamline processes and reduce costs. As part of this restructuring, in addition to the compensation of financial loans and partial spin-offs and mergers of assets and liabilities between some group companies, corporate transactions were carried out, through which Taurus Armas S.A. (parent) disposed of the stake held in Taurus Investimentos Imobiliários Ltda ("TILL") and in Taurus Helmets Indústria de Capacetes Ltda. to Polimetal Metalurgia e Plásticos Ltda (POLI). In turn, POLI disposed of its stake in Taurus Máquinas- Ferramenta Ltda. to Taurus Armas S.A. Finally, Taurus Blindagens Nordeste Ltda. was merged into its direct parent Taurus Helmets Indústria de Capacetes Ltda. The impact of these changes in stake is reflected in line item "Corporate restructuring" above. The transactions were carried out with no replacement ratio and do not give rise to capital increase or issuance of new shares by the Company or any of its subsidiaries. Taurus Armas continues to hold control, either directly or indirectly, of all subsidiaries, as held before the restructuring.

Indirect interests in jointly-controlled entities classified as joint venture: share of profit (loss) of subsidiaries

Taurus JM Indústria de Peças Ltda
The Company has within its structure a subsidiary called Polimetal Metalurgia e Plásticos Ltda., which in turn was the sole parent company of a dormant company called Taurus Plásticos Ltda.

Under the memorandum of understanding (MoU) dated May 28, 2020, the Company entered into a partnership with an automotive industry company to form a joint venture, as detailed in note 1 - General Information.

In order to establish this joint venture and streamline its operations, the Company, in an agreement with partner Joalmi Indústria Metalúrgica Ltda, in agreement with partner Joalmi Indústria Metalúrgica Ltda,, decided to incorporate the operations of the joint venture into the corporate structure of Taurus Plásticos Ltda. The shares were valued considering the balance of the subscribed Capital as at November 30, 2020, divided by the number of shares resulting in a total of approximately R$0.37 per share.

As a result, on March 11, 2021, the name of Taurus Plásticos Ltda was changed to Taurus JM Indústria de Peças Ltda. and the manufacture of parts for firearms was added to its core business description.

In this same transaction, Sicura Comércio e Produtos de Metal Ltda., which belongs to the group of partner Joalmi, entered in the company by paying in capital in the form of fixed capital valued at R$2.2 million represented by the issue of 6,130,416 new shares with par value of approximately R$0.37 per share, equivalent to 49% of the equity of Taurus JM Indústria de Peças Ltda.

Polimetal Metalurgia e Plásticos Ltda. kept a stake of 51%, represented by 6,355,413 shares with par value of approximately R$0.37, paying in R$2.4 million, thus establishing the joint venture that will manufacture magazines.

As a result of these changes, former Taurus Plásticos Ltda, now called Taurus JM Indústria de Peças Ltda, is no longer consolidated in the Company's financial statements since once designated as a joint venture, its profit or loss start to be recognized by the Company under the equity method of accounting, at a 51% proportion, as required by CPC 19 (R2)/IFRS 11 - Joint Arrangements.

The tables below show the balances of Taurus JM Indústria de Peças Ltda. as at December 31, 2023:

TAURUS JM INDÚSTRIA DE PEÇAS LTDA.
BALANCE SHEET AS AT DECEMBER 31, 2023
In thousands of reais

Assets		**Liabilities**	
Current		**Current**	
Cash and cash equivalents	129	Trade payables	12,038
Trade receivables	4,627	Payroll and related taxes	357
Inventories	1,394	Taxes, fees and contributions	6,360
Recoverable taxes	3,726	Related parties	384
Other receivables	1,700	Other payables	1,158
	11,576		20,297
		Noncurrent	
		Deferred tax liabilities	27
Noncurrent		Provision for civil, labor and tax risks	5
Deferred tax assets	1,496	Related parties – Financial borrowing	1,884
Related parties – Financial loan	1,988		1,916
Other receivables	20	**Total liabilities**	22,213
	3,504		
		Equity	
		Capital	4,629
		Advance for future capital increase	7,075
		Accumulated losses	(6,226)
Property, plant and equipment	12,611	**Total equity**	5,478
Total assets	**27,691**	**Total liabilities and equity**	**27,691**

TAURUS JM INDÚSTRIA DE PEÇAS LTDA.
STATEMENT OF PROFIT OR LOSS AS AT DECEMBER 31, 2023
In thousands of reais

Revenue from sales and/or services	3,585
Cost of sales and/or services	(3,364)
General and administrative expenses	(1,867)
Other operating (expenses) income, net	(157)
Loss before finance income (costs), net, share of profit (loss) of subsidiaries, and taxes	(1,803)
Finance income	242
Finance costs	(84)
Finance income (costs), net	158
Operating expenses before taxes	(1,645)
Income tax and social contribution	(21)
Income tax and social contribution - deferred	2
Loss for the year	(1,664)

Companhia Brasileira de Cartuchos Taurus Arábia Holding, LLC.

On December 30, 2021, Taurus Armas S/A, together with its related party Companhia Brasileira de Cartuchos (CBC), has signed a memorandum of understanding (MoU) for the establishment of a joint venture as part of the strategies to internationalize its activities to promote business opportunities in Saudi Arabia.

The main purpose is to enable the more efficient search for and prospection of business opportunities in this relevant market, particularly considering the government plans of establishing an industrial local defense base, within the scope of the strategy called “Visão 2030".

On August 30, 2022, CBC has paid in capital in Companhia Brasileira de Cartuchos Taurus Arábia Holding, LLC. at the proportion of 51% of the capital, represented by 10,965 shares with par value of SAR1.00 with the respective paid-in amount of SAR1.1 million (R$1.6 million on the payment date).

On the same date, Taurus Armas has paid in capital in Companhia Brasileira de Cartuchos Taurus Arábia Holding, LLC. at the proportion of 49% of the capital, represented by 10,535 shares with par value of SAR1.00 with the respective paid-in amount of SAR1.1 million (R$1.5 million on the payment date).

As Companhia Brasileira de Cartuchos Taurus Arábia Holding, LLC is considered a joint venture, its net results started to be recognized by the Company under the equity method at the proportion of 49%, pursuant to CPC 19 (R2)/IFRS 11 – Joint Arrangements.

Companhia Brasileira de Cartuchos Taurus Arábia Holding, LLC.
BALANCE SHEET AS AT DECEMBER 31, 2023
In thousands of reais

Assets			
Current		**Equity**	
Cash and cash equivalents	2,806	Capital	6,697
Prepaid expenses	117	Valuation adjustments to equity	26
	2,923	Accumulated losses	(3,606)
		Total equity	3,117
Property, plant and equipment	194		
Total assets	**3,117**	**Total liabilities and equity**	**3,117**

Companhia Brasileira de Cartuchos Taurus Arábia Holding, LLC.
STATEMENT OF PROFIT OR LOSS AS AT DECEMBER 31, 2023
In thousands of reais

General and administrative expenses	(2,653)
	(2,653)
Loss for the year	(2,653)

Jindal Defence Systems Private Limited

As mentioned in the Memorandum of Understanding (MoU) of February 18, 2019, the Company entered into a partnership agreement with Indian company Jindal Defence Trading Private Limited for the establishment of a Joint Venture called Jindal Defence Systems Private Limited, as detailed in note 1 – General information.

Jindal Defence Systems Private Limited operates in the defense and security area. It is mainly engaged in developing, manufacturing and providing high-quality defense solutions to the Indian Armed Forces and international customers. The infrastructure of the new plant is finished and ready to operate. After receiving all necessary licenses, the operation of the new industrial unit in India began in March 2023 with the manufacturing of pilot batches of firearms, accompanied by a team of Brazilian professionals of Taurus Armas.

On March 17, 2023, Taurus Armas has paid in capital in Jindal Defence Systems Private Limited at the proportion of 49% of the capital, represented by 171,500 shares with par value of INR1.00 with the respective paid-in amount of INR1.7 million (R$109 thousand on the payment date).

As Jindal Defence Systems Private Limited is considered a joint venture, its net results started to be recognized by the Company under the equity method at the proportion of 49%, pursuant to CPC 19 (R2)/IFRS 11 – Joint Arrangements.

Jindal Defence Systems Private Limited
BALANCE SHEET AS AT DECEMBER 31, 2023
In thousands of reais

Assets		**Liabilities**	
Current		**Current**	
Cash and cash equivalents	2,516	Trade payables	1,902
Inventories	4,526	Taxes, fees and contributions	9
Recoverable taxes	965		1,911
Advances to suppliers	2,558	**Noncurrent**	
	10,565	Borrowings	22,069
			22,069
		Total liabilities	23,980
Noncurrent		**Equity**	
Advances for bids	17,784	Capital	5,734
		Accumulated losses	(1,365)
		Total equity	4,369
Total assets	**28,349**	**Total liabilities and equity**	**28,349**

Jindal Defence Systems Private Limited
STATEMENT OF PROFIT OR LOSS AS AT DECEMBER 31, 2023
In thousands of reais

Revenue from sales and/or services	88
Cost of sales and/or services	(299)
General and administrative expenses	(635)
Other operating (expenses) income, net	36
	(810)
Finance income	915
Finance costs	(1,341)
Finance income (costs), net	(426)
Profit (loss) for the year	(1,236)

16. Investment property

Investment properties are held to earn income through capital appreciation. Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are measured at fair value. All income deriving from the operating lease of assets to earn rental income or capital appreciation is recorded as investment properties and measured using the fair value model. Gains and losses arising from changes in the fair value of an investment property are recognized in profit or loss for the period in which they are earned or incurred.
An investment property is derecognized after disposal or when it is permanently removed from use and there are no future economic benefits arising from the disposal. Any gain or loss resulting from the derecognition of a property (calculated as the difference between net disposal revenue and the asset's carrying amount) is recognized in profit or loss for the period the property is derecognized.

	Consolidated		Parent	
	12-31-2023	**12-31-2022**	**12-31-2023**	**12-31-2022**
As at December 31, 2022	-	-	-	-
Transferred from asset held for sale (1)	51,390	-	-	-
Increase in fair value during the year	18,032	-	-	-
Other costs/provisions	(7,380)	-	-	-
As at December 31, 2023	**62,042**	-	-	-

(1) As detailed in note 14, in the last quarter of 2023, the Company concluded that some of its assets held for sale no longer meet the classification criteria required by CPC 31 - Non-current Assets Held for Sale and Discontinued Operations, and started to classify these assets as investment property, based on the expected use of these assets.

	12-31-2023
Land	58,505
Buildings	3,537
	62,042

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The investment properties recorded as at December 31, 2023 refer to the Company's former industrial complex, which is currently not occupied, with 18,600.00 square meter of built area on urban land with 29,900.00 square meter of area, located at Avenida do Forte, nº 511 - Porto Alegre (RS).

The fair value of the Company's investment property as at December 31, 2023 was calculated based on a valuation conducted on that date by independent external real estate appraisers with no relationship with the Company and which have appropriate professional qualification and recent experience in the location and category of the property appraised. The valuation was conducted in accordance with International Valuation Standards. The fair value of the land was determined based on the comparative market data method, which reflects the price of recent transactions for similar properties. As for buildings and improvements, the Improvement Cost Quantification method was used.

When estimating the fair value of properties, the highest and best use of the properties is their current use. The gain resulting from the changes in the fair value was recorded in profit or loss in line item "Other operating income".

17. Property, plant and equipment

Property, plant and equipment items are measured at the historical acquisition or construction cost, less accumulated depreciation and accumulated impairment losses.

The Company elected to measure its property, plant and equipment items at the deemed cost at the opening of 2009. The net effects of deemed cost increased property, plant and equipment and had as a contra entry equity, less taxes.

Cost includes expenditures directly attributable to the purchase of an asset. The cost of assets built by the entity itself includes costs of materials and labor, and any other costs for bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management, the costs of dismantling the item and restoring the site where it is located.

Any gains or losses arising on the disposal of a property, plant and equipment item are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognized at their net amounts as 'Other income' in profit or loss.

Depreciation is recognized on a straight-line basis in profit or loss based on the estimated useful life of each property, plant and equipment item. The approximated estimated useful lives for current and comparative periods are as follows:

Group	Useful life
Buildings	25 to 50 years
Machinery and equipment	3 to 20 years
Dies and tools	5 to 19 years
Furniture	7 to 15 years
Other components (IT)	3 to 8 years

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

										Consolidated
Cost or deemed cost	**Land**	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Other**	**PP&E in progress**	**Advances to suppliers**	**Leases / right of use (i)**	**Total**
Balance as at December 31, 2021	10,834	130,510	312,838	37,673	1,003	698	76,065	48,697	10,931	629,249
Additions	-	1,274	30,677	1,471	-	-	150,185	-	380	183,987
Write-offs	-	(29)	(20,282)	(2,301)	-	-	(106)	(16,001)	(11)	(38,730)
Transfers	-	30,105	37,076	(1,533)	-	-	(65,648)	-	-	-
Effect of changes in exchange rates	(229)	(1,930)	(4,714)	(879)	(31)	-	(752)	-	(711)	(9,246)
Balance as at December 31, 2022	**10,605**	**159,930**	**355,595**	**34,431**	**972**	**698**	**159,744**	**32,696**	**10,589**	**765,260**
Additions	-	2,023	11,472	719	-	-	90,406	189	-	104,809
Write-offs	-	-	(26,839)	(230)	-	-	(1,282)	-	-	(28,351)
Transfers	17,256	15,813	12,558	4,238	-	-	(76,262)	(2,420)	28,817	-
Reclassification to held-for-sale assets	-	(8,643)	-	-	-	-	-	-	-	(8,643)
Effect of changes in exchange rates	(237)	(2,021)	(6,199)	(1,286)	(33)	-	(200)	-	(726)	(10,702)
Effect of discontinued operations:										
Discontinued operation merged into subsidiary	76	12,014	-	-	-	-	-	-	-	12,090
Balance as at December 31, 2023	**27,700**	**179,116**	**346,587**	**37,872**	**939**	**698**	**172,406**	**30,465**	**38,680**	**834,463**
Depreciation										
Balance as at December 31, 2021	-	(39,069)	(187,281)	(20,986)	(689)	(102)	-	-	(2,099)	(250,226)
Depreciation in the year	-	(5,575)	(17,296)	(2,640)	(59)	(140)	-	-	(2,001)	(27,711)
Write-offs	-	28	20,271	1,470	-	-	-	-	-	21,769
Effect of changes in exchange rates	-	212	2,412	836	24	-	-	-	125	3,609
Balance as at December 31, 2022	**-**	**(44,404)**	**(181,894)**	**(21,320)**	**(724)**	**(242)**	**-**	**-**	**(3,975)**	**(252,559)**
Depreciation in the year	-	(7,640)	(17,765)	(2,758)	(57)	(139)	-	-	(3,869)	(32,228)
Write-offs	-	-	23,490	124	-	-	-	-	-	23,614
Transfers	-	-	987	608	-	-	-	-	(1,595)	-
Effect of changes in exchange rates	-	815	3,041	1,071	28	-	-	-	414	5,369
Effect of discontinued operations:										
Discontinued operation merged into subsidiary	-	(3,447)	-	-	-	-	-	-	-	(3,447)
Balance as at December 31, 2023	**-**	**(54,676)**	**(172,141)**	**(22,275)**	**(753)**	**(381)**	**-**	**-**	**(9,025)**	**(259,251)**
Carrying amount										
December 2022	10,605	115,526	173,701	13,111	248	456	159,744	32,696	6,614	512,701
December 2023	**27,700**	**124,440**	**174,446**	**15,597**	**186**	**317**	**172,406**	**30,465**	**29,655**	**575,212**

(i) In connection with the change of the head office of subsidiary Taurus Holdings Inc. ("TUSA") from Miami-Florida/USA to Bainbridge-Georgia/USA, in 2019, TUSA has entered into an agreement with the Decatour County, Bainbridge, Georgia, USA ("Georgia Authority/USA"), whereby it was required to make investments in fixed capital in the amount of US$10 million and to create at least 300 jobs in the city until 2024 ("Investment Agreement").

In June 2019, in connection with this agreement, TUSA has entered into an agreement with the Georgia Authority to acquire a bond issued by the Decatour County Development Authority, Bainbridge/GA, in the total amount of US$13 million, subject to annual interest of 6% p.a. and principal sole in five annual installments, beginning on December 1, 2034. The bond is acquired through the acquisition of fixed assets by TUSA, which are concurrently assigned to the Georgia Authority.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

On the same date, the parties entered into a lease agreement, whereby the Georgia Authority leases the same fixed assets back to TUSA, and this retrolease transaction is recorded by TUSA as lease, in accordance with CPC 06 / IFRS 16, which then started to recognize the right of use and lease liability related to these assets. As the lease price set forth in the agreement is the same as the amounts receivable for the bond, there is no effective disbursement or receipt by any of the parties.
As at December 31, 2023, the amount receivable for the bond and the lease liability is R$36.5 million, and are being presented net in the consolidated financial statements, in conformity with CPC 39 / IAS 32. The amount of the right of use as at December 31, 2023 related to this transaction is R$29.4 million.

									Parent
Cost or deemed cost	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Other**	**PP&E in progress**	**Advances to suppliers**	**Leases / rights of use**	**Total**
Balance as at December 31, 2021	58,754	211,584	15,321	52	698	21,330	47,738	-	355,477
Additions	369	21,695	830	-	-	106,461	-	380	129,735
Write-offs	(29)	(16,468)	(1,977)	-	-	-	(15,685)	-	(34,159)
Transfers	1,405	12,731	29	-	-	(14,165)	-	-	-
Balance as at December 31, 2022	**60,499**	**229,542**	**14,203**	**52**	**698**	**113,626**	**32,053**	**380**	**451,053**
Additions	424	1,842	24	-	-	65,578	-	-	67,868
Write-offs	-	(22,652)	(169)	-	-	(8)	-	-	(22,829)
Transfers	16	43,545	1,930	-	-	(43,215)	(2,276)	-	-
Balance as at December 31, 2023	**60,939**	**252,277**	**15,988**	**52**	**698**	**135,981**	**29,777**	**380**	**496,092**
Depreciation									
Balance as at December 31, 2021	(18,504)	(126,435)	(6,357)	(52)	(102)	-	-	-	(151,450)
Depreciation in the year	(2,278)	(9,716)	(1,126)	-	(140)	-	-	(63)	(13,323)
Write-offs	28	15,979	1,822	-	-	-	-	-	17,829
Balance as at December 31, 2022	**(20,754)**	**(120,172)**	**(5,661)**	**(52)**	**(242)**	**-**	**-**	**(63)**	**(146,944)**
Depreciation in the year	(2,369)	(11,313)	(1,236)	-	(139)	-	-	(76)	(15,133)
Write-offs	-	20,552	105	-	-	-	-	-	20,657
Balance as at December 31, 2023	**(23,123)**	**(110,933)**	**(6,792)**	**(52)**	**(381)**	**-**	**-**	**(139)**	**(141,420)**
Carrying amount									
December 2022	39,745	109,370	8,542	-	456	113,626	32,053	317	304,109
December 2023	**37,816**	**141,344**	**9,196**	**-**	**317**	**135,981**	**29,777**	**241**	**354,672**

PP&E in progress
The balance of construction in progress refers to machinery and equipment still in the implementation stage and current construction works. These assets should come into operation during 2023.

Collateral
The Company uses its assets as collaterals for the funds raised with financial institutions. Even though most property, plant and equipment items are collateralized in borrowings and financing transactions, historically these collaterals have never been enforced. As at December 31, 2023, the Company uses R$28.1 million in collaterals (R$40.3 million as at December 31, 2022).

18. Intangible assets

Goodwill
Goodwill arising on the acquisition of investments, after appropriately allocated, is added to intangible assets. In the Parent's financial statements goodwill is allocated to investments.

Goodwill arising on business combinations are classified as intangible assets and was determined in accordance with accounting practices in force at the time of each business combination, adjusted for the reclassification of certain intangible assets. Goodwill is measured at cost, less impairment losses.

Other intangibles
Separately acquired intangible assets are measured at cost on initial recognition, while the cost of intangible assets acquired in a business combination corresponds to their fair value at the acquisition date. The stated balances are net of accumulated amortization and impairment losses.

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

The amortization of intangible assets, other than goodwill and trademarks and patents classified as indefinite useful life, is based on their estimated useful lives and is recognized in profit or loss on a straight-line basis. The estimated useful lives for the current and comparative periods are approximately 5 years for system development and implementation costs.

We also clarify that the recovery of the carrying amount of goodwill and intangible assets with indefinite useful life is tested for impairment at the end of the year or when there are indications that they might be impaired, using the "value in use" concept through discounted cash flow models of the cash-generating units.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

							Consolidated
	Software	Trademarks and patents	Customer relationship	Goodwill	Product development	Intangible assets in progress	Total
Cost							
Balance as at December 31, 2021	24,137	28,940	24,165	49,843	8,657	17,161	152,903
Acquisitions	1,633	-	-	-	-	28,316	29,949
Transfers	33	-	-	-	-	(33)	-
Write-offs	(284)	-	-	-	-	-	(284)
Effect of changes in exchange rates	(667)	(1,146)	(1,536)	(1,119)	(398)	-	(4,866)
Balance as at December 31, 2022	**24,852**	**27,794**	**22,629**	**48,724**	**8,259**	**45,444**	**177,702**
Acquisitions	27	-	-	-	-	16,329	16,356
Transfers	15,848	-	-	-	-	(15,848)	-
Write-offs	(4)	-	-	-	-	-	(4)
Effect of changes in exchange rates	(689)	(1,188)	(1,593)	(1,162)	(412)	-	(5,044)
Balance as at December 31, 2023	**40,034**	**26,606**	**21,036**	**47,562**	**7,847**	**45,925**	**189,010**
Amortization							
Balance as at December 31, 2021	(16,987)	(7,388)	(23,378)	-	(2,779)	-	(50,532)
Amortization in the year	(2,240)	-	(732)	-	(627)	-	(3,599)
Write-offs	13	-	-	-	-	-	13
Effect of changes in exchange rates	599	-	1,481	-	118	-	2,198
Balance as at December 31, 2022	**(18,615)**	**(7,388)**	**(22,629)**	**-**	**(3,288)**	**-**	**(51,920)**
Amortization in the year	(2,611)	-	-	-	(601)	-	(3,212)
Write-offs	4	-	-	-	-	-	4
Effect of changes in exchange rates	701	-	1,593	-	158	-	2,452
Balance as at December 31, 2023	**(20,521)**	**(7,388)**	**(21,036)**	**-**	**(3,731)**	**-**	**(52,676)**
Carrying amount							
December 2022	6,237	20,406	-	48,724	4,971	45,444	125,782
December 2023	**19,513**	**19,218**	**-**	**47,562**	**4,116**	**45,925**	136,334

					Parent
	Software	Trademarks and patents	Product development	Intangible assets in progress	Total
Cost					
Balance as at December 31, 2021	12,217	9,485	2,536	17,161	41,399
Acquisitions	1,430	-	-	28,283	29,713
Transfers	(48)	-	-	-	(48)
Balance as at December 31, 2022	**13,599**	**9,485**	**2,536**	**45,444**	**71,064**
Acquisitions	-	-	-	16,329	16,329
Transfers	15,848	-	-	(15,848)	-
Write-offs	(4)	-	-	-	(4)
Balance as at December 31, 2023	**29,443**	**9,485**	**2,536**	**45,925**	**87,389**
Amortization					
Balance as at December 31, 2021	(7,402) -	(6,840)	(944)	-	(15,186)
Amortization in the year	(1,546)	-	(294)	-	(1,840)
Write-offs	43	-	-	-	43
Balance as at December 31, 2022	**(8,905)**	**(6,840)**	**(1,238)**	**-**	**(16,983)**
Amortization in the year	(2,242)	-	(279)	-	(2,521)
Write-offs	4	-	-	-	4
Balance as at December 31, 2023	**(11,143)**	**(6,840)**	**(1,517)**	**-**	**(19,500)**
Carrying amount					
December 2022	4,694	2,645	1,298	45,444	54,081
December 2023	**18,300**	**2,645**	**1,019**	**45,925**	**67,889**

Impairment test of cash-generating units containing goodwill

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

Cash-generating unit	**2023**
Firearms	14,938
MIM	32,624
Total CGU	**47,562**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The impairment test for the CGUs mentioned above is performed annually. The recoverable amount of the CGU is the higher of: (a) its fair value less estimated costs to sell and (b) its value in use. The value in use is measured based on the discounted cash flows (before taxes) derived from the continuing use of an asset up to the end of its useful life. The updated tests continue to indicate that there is no need for allowances for impairment losses on goodwill and intangible assets with indefinite useful lives as the value in use exceeds the carrying amount by more than 100%.

Main assumptions used in the discounted cash flow projections

The main assumptions used to determine the recoverable value are the discount rate of cash flows and growth rates. The assumptions used are as follows:

Cash-generating unit	**WACC discount rate**	**Average growth rate between 2024 and 2028**	**WACC discount rate**	**Average growth rate**
		12/31/2023		**12/31/2022**
Firearms	13.30%	4.40%	14.50%	1.50%
MIM	14.50%	3.50%	14.50%	1.50%

Discount rate

The discount rate for the CGU is represented by a post-tax rate based on 20-year US Treasury Bond rate, adjusted for a risk premium that reflects the risks of investments in equity securities and the systematic risk of the related unit. The Company estimated, based on Management's experience with the assets of this CGU, the Weighted Average Cost of Capital of the industry in which this CGU operates, which was calculated based on a possible debt-to-shareholders' equity ratio as at December 31, 2023 of 11.40% at the market interest rate of 8.30%.

Growth rate and perpetuity

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

To calculate perpetuity as at December 31, 2023, the Company used a nominal growth rate of 3.50%, in line with the expected long-term inflation projected by the Central Bank of Brazil (BACEN) and macroeconomic indicators released in BACEN’s Focus report and in the Country Forecast report of the Economist Intelligence Unit (EIU).

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

19. Borrowings and financing

The terms and conditions of outstanding borrowings and financing were as follows:

							Consolidated
					12-31-2023		12-31-2022
	Currency	Statutory interest rate	Maturity year	Contractual amount	Carrying amount	Contractual amount	Carrying amount
Working capital	R$	CDI + 2.88% p.a.	2024	**18,194**	**1,562**	18,193	3,658
FINEP	R$	TJLP (-) 0.385% p.a.	2035	**89,730**	**84,975**	-	-
Foreign exchange advance	US$	5.95% to 9.27% p.a.	2025	**406,804**	**406,804**	374,991	394,950
Working capital	US$	8.03% to 9.20% p.a.	2024	**52,460**	**12,495**	464,162	89,617
Working capital - Taurus USA	US$	SOFR day +1.95%	2026	**23,141**	**23,141**	-	-
				Total	**528,977**		**488,225**
				Current liabilities	**412,994**		**392,967**
				Noncurrent liabilities	**115,983**		**95,258**
					528,977		**488,225**

							Parent
					12-31-2023		12-31-2022
	Currency	Statutory interest rate	Maturity year	Contractual amount	Carrying amount	Contractual amount	Carrying amount
Working capital	R$	CDI + 2.88% p.a.	2024	**18,194**	**1,562**	18,193	3,658
FINEP	R$	TJLP (-) 0.385% p.a.	2035	**89,730**	**84,975**	-	-
Foreign exchange advance	US$	5.95% to 9.27% p.a.	2025	**406,804**	**406,804**	374,991	394,950
Working capital	US$	8.03% to 9.20% p.a.	2024	**52,450**	**12,495**	464,162	89,617
				Total	**505,836**		**488,225**
				Current liabilities	**412,994**		**392,967**
				Noncurrent liabilities	**92,842**		**95,258**
					505,836		**488,225**

Flow of future debt payments disclosed in noncurrent liabilities:

		Consolidated		Parent
Maturity year	12-31-2023	12-31-2022	12-31-2023	12-31-2022
2024	**7,867**	95,258	**7,867**	95,258
2025	**30,937**	-	**7,796**	-
2026	**9,355**	-	**9,355**	-
2027 and thereafter	**67,824**	-	**67,824**	-
	115,983	95,258	**92,842**	95,258

The variations in borrowings are as follows:

	Parent	Consolidated
Balance as at December 31, 2021	**693.311**	**693.311**
(+) Borrowings, net of structuring cost	276,070	858,171
(-) Repayment	(345,728)	(930,039)
(-) Interest payment	(30,656)	(30,656)
(+) Interest expense	34,052	35,358
(+/-) Exchange rate changes	(138,824)	(137,920)
Balance as at December 31, 2022	**488,225**	**488,225**
(+) Borrowings, net of structuring cost	410,096	870,610
(-) Repayment	(353,111)	(789,342)
(-) Interest payment	(32,281)	(33,429)
(+) Interest expense	36,243	37,612
(+/-) Exchange rate changes	(43,337)	(44,700)
Balance as at December 31, 2023	**505,835**	**528,976**

Borrowings and financing are guaranteed by promissory notes, short-term investments, trade receivables, mortgages on property, shares, and subsidiaries' sureties. The sureties granted by the parent company and its subsidiaries are disclosed in note 25 - Related parties.

Certain borrowings and financing agreements entered into by the Company and its subsidiaries contain restrictive covenants that restrict certain changes in the shareholding structure, including: changes in the Company's direct or indirect control, capital reductions in the Company and/or its parent company, dividend distributions, payment of interest on capital or any other payments to shareholders by the Company and/or its parent company in the event of default on any obligations, and reduction of the Company's capital. If such restrictions are breached, creditors may accelerate the maturity of their claims.

On November 4, 2021, the Company decreased capital to absorb accumulated losses, which allowed the distribution of dividends to shareholders. These situations can only take place because the Company obtained consent from the Bank Syndicate due to the Company's financial health and compliance with covenants.

As mentioned in note 1 (General Information), in June 2020 the Company signed a waiver with the Bank Syndicate extending the debt payment until August 31, 2020 and on August 10, 2020 the parties executed the contractual amendments containing the new terms and conditions of payment of the commitments with the Bank Syndicate. On November 9, 2022, the Company carried out the last mandatory extraordinary amortization with the Bank Syndicate upon exercise of subscription warrants.

On December 21, 2022, the Banks' Syndicated transaction and sharing of collaterals were terminated. The remaining debt balance, which accounts for 9.64% of the initial debt, was renegotiated between the Company and the Creditors and the transactions were amended providing for new terms, collaterals and categories, individually with each Creditor.

FINEP

In March 2023, the Company entered into an agreement with Financiadora de Estudos e Projetos – FINEP to finance projects related to research innovation and infrastructure. The purpose of this financing is to accelerate the strategic plan development, bringing state-of-the-art technology to the industrial plant, and accelerate the launching of new products, thus increasing our market share.

Among the research projects, we must highlight the New Technologies in Materials Project, which searches for materials with higher mechanical resistance and anti-corrosion, allowing the production of components with higher durability and security. In this regard, the Integrated Technology and Engineering Center Brazil/USA – CITE is working on the project to add new products and technology to offer higher resistance and durability for firearms.

The total financing amount is R$195.2 million, of which Taurus will own 90% of the financed project, which represents a total financed amount of R$175.7 million and the remainder under the Company's responsibility in contra entries of 10% representing R$19.5 million. The project has a 36-month grace period and 108 months for repayment.

Up to December 31, 2023, the Company received R$89.7 million related to this agreement.

Covenants

As described in note 1, the new debt renegotiation process with the Bank Syndicate was completed on July 18, 2018. The executed agreement, which was included in debt reprofiling process, provides for accelerated maturity in cases of noncompliance of covenants that required, among other obligations: meeting certain financial ratios, such as: net debt-to-adjusted EBITDA of 13x or lower in 2018, 8x or lower in 2019, 7x or lower in 2020, and 6x or lower beginning 2021, as well as an adjusted EBITDA-to-finance costs ratio of 0.90 or higher as at December 31, 2018 and 1.20 or higher beginning 2019. On December 21, 2022, the Bank Syndicated transaction and the sharing of collaterals were terminated but the covenants continued to be applicable individually to each institution that was part of the Bank Syndicate.

These ratios are monitored by the Company's management as the underlying agreements require that such ratios be measured annually. As at December 31, 2023, the Company was compliant with all said covenants.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

20. Other payables

		Consolidated		Parent
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
Dividends payable	**38,416**	164,119	**38,416**	164,119
Sales commissions	**5,627**	6,915	**2,708**	3,944
Accrued interest	**37**	1,166	**-**	-
Unsettled court agreements	**9,906**	10,000	**9,906**	10,000
Insurance and freight	**21,597**	10,124	**2,763**	8,264
Trade payables	**9,272**	12,641	**9,272**	12,641
Leases	**141**	8,526	**141**	267
Advances from customers	**18,314**	38,915	**16,764**	38,631
Advance – sale of property Taurus Nordeste	**4,500**	-	**-**	-
Marketing	**11,595**	10,325	**-**	-
Due to related parties	**1,986**	1,810	**3,053**	59,632
Unrealized gain on government grant	**32,781**	28,432	**-**	-
Provision for negative equity	**-**	-	**2,567**	19,474
Other	**4,746**	22,939	**1,490**	1,582
	158,918	315,912	**87,080**	318,554
Current	**102,491**	258,369	**65,253**	220,752
Noncurrent	**56,427**	57,543	**21,827**	97,802

21. Payroll and related taxes

		Consolidated		Parent
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
Payroll	**2,522**	4,324	**1,417**	1,247
Accrued bonus	**15,997**	33,221	**5,741**	19,253
Contributions payable	**7,757**	6,924	**7,005**	6,358
Accruals (vacation pay and 13th salary)	**18,050**	22,479	**15,383**	19,804
	44,326	66,948	**29,546**	46,662

22. Taxes, fees and contributions

		Consolidated		Parent
	12-31-2023	12-31-2022	12-31-2023	12-31-2022
State VAT (ICMS)	**966**	6,226	**21**	5,160
Federal VAT (IPI)	**1,896**	13,230	**1,568**	12,888
Tax on revenue (PIS)	**13**	32	**-**	-
Tax on revenue (COFINS)	**62**	147	**-**	-
Special tax – FAET (USA)	**31,306**	29,520	**-**	-
Withholding income tax (IRRF)	**1,600**	2,142	**1,385**	1,754
Income tax and social contribution	**2,415**	16,325	**364**	14,679
Other installment payments (*)	**23,188**	32,954	**14,141**	22,626
Other	**9,646**	8,864	**6,028**	6,140
	71,092	109,440	**23,507**	63,247
Current	58,681	86,843	17,770	49,025
Noncurrent	12,411	22,597	5,737	14,222

(*) Installment payments

IPI installment payment – The Company had overdue IPI for the period December 2019-March 2020. In December 2020, the Company elected to make installment payments pursuant to Regulatory Instruction (IN) 1891/2019 to regularize IPI debts. The installment plan covers the payment of principal amounting to R$34.7 million, a fine of R$6.9 million, and interest of R$793 thousand. The debt was paid in 60 installments, the installment cap allowed by said IN and is adjusted using the Selic (Central bank's policy rate). As at December 31, 2023, the adjusted balance of the IPI instalment payment plan is R$14.1 million and to date 40 installments have been paid, totaling R$28.3 million.

Income tax and social contribution installment payment – In a tax verification process conducted by the RFB, regarding tax obligations relating to income tax and social contribution on profit for prior periods, the RFB has issued

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

a self-regularization notice for the principal calculated in the amount of R$7.4 million, fine in the amount of R$1.5 million and interest in the amount of R$1.8 million.
The debt was divided in 60 installments, the installment cap allowed by the Brazilian Federal Revenue Service (RFB) and is adjusted using the Selic (Central bank's policy rate), and as at December 31, 2023, the adjustment installment payment balance is R$7.7 million, already considering 17 installments paid in the total amount of R$3 million.

23. Provision for civil, labor and tax risks

Provisions are recognized for all contingencies arising on lawsuits for which it is probable that an outflow of funds will be required to settle the contingency or obligation, when they a reliable estimate can be made.

The Company, based on information from its legal counsel and the analysis of ongoing lawsuits, recognized a provision for losses on lawsuits in an amount considered sufficient to cover the estimated losses, as shown below:

				Consolidated
			12-31-2023	**12-31-2022**
	Provision	**Escrow deposit (1)**	**Net**	**Net**
Labor	46,518	(15,108)	31,410	30,770
Civil	23,852	(1,030)	22,822	20,737
Tax	49,549	(51,296)	(1,747)	7,382
	119,919	**(67,434)**	**52,485**	58,889
Classified in current liabilities	61,206			
Classified in noncurrent liabilities	58,713			

(1) Recognized in other noncurrent assets.

				Parent
			12-31-2023	**12-31-2022**
	Provision	**Escrow deposit (1)**	**Net**	**Net**
Labor	45,298	(13,121)	32,177	29,537
Civil	17,660	(1,030)	16,630	14,330
Tax	47,734	(50,976)	(3,242)	4,912
	110,692	**(65,127)**	**45,565**	48,779
Classified in current liabilities	54,288			
Classified in noncurrent liabilities	56,404			

(1) Recognized in other noncurrent assets,

Variations in the provision:

			Consolidated
	Civil and labor	**Tax**	**Total**
Balance as at December 31, 2022	66,019	50,709	116,728
Provisions recognized in the year	16,712	117	16,829
Provisions used in the year	(1,834)	-	(1,834)
Derecognition of provision	(11,051)	(1,277)	(12,328)
Effect of discontinued operations			
Merged discontinued operation	524	-	524
Balance as at December 31, 2023	**70,370**	**49,549**	**119,919**

			Parent
	Civil and labor	**Tax**	**Total**
Balance as at December 31, 2022	56,813	47,948	104,761
Provisions recognized in the year	12,742	-	12,742
Provisions used in the year	(217)	-	(217)
Derecognition of provision	(10,302)	(214)	(10,516)
Effect of corporate restructuring			
Partial spin-off - Taurus Máquinas	3,922	-	3,922
Balance as at December 31, 2023	**62,958**	**47,734**	**110,692**

The Company and its subsidiaries are parties to other lawsuits assessed by the Company's legal counsel as having a possible or remote likelihood of loss for which no provision has been recognized since accounting practices adopted in Brazil do not require the calculation of such provision, as shown below:

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

				Consolidated				**Parent**
	12-31-2023		12-31-2022		**12-31-2023**		12-31-2022	
	Possible	**Remote**	Possible	Remote	**Possible**	**Remote**	Possible	Remote
Civil	**164,577**	**37,920**	158,893	37,525	**148,098**	**37,909**	140,727	37,105
Labor	**35,739**	**50,706**	25,285	54,327	**34,033**	**49,391**	22,242	35,490
Tax	**77,453**	**-**	70,911	-	**75,031**	**-**	63,738	-
	277,769	**88,626**	255,089	91,852	**257,162**	**87,300**	226,707	72,595

a) Labor lawsuits

The Company is a party to labor lawsuits. None of these lawsuits refers to individually significant amounts and the discussions mainly involve lawsuits claiming the payment of overtime, hazardous duty and health-hazard premiums, salary differences due to salary equalization, compensation for occupational accidents and diseases, among others.

b) Civil lawsuits

Except for the civil lawsuits listed below, no other civil lawsuit refers to individually significant amounts and the discussions mainly involve individual lawsuits related to the Company's civil liability for the products it manufactures and sells, and these other lawsuits classified as possible risk of loss total R$43.8 million for consolidated purposes.

Public Civil Action – Federal District

The Federal District filed a public civil action with a request for a preliminary injunction against Taurus, pending before the 1st Fiscal Court of the Federal District, based on the Sanctioning Administrative Proceeding No. 054.002.970/2016 filed by the Military Police of the Federal District and that culminated in the application of the penalty of temporary suspension of the right to bid and to contract with the Public Administration of the Federal District for a period of twelve (12) months. The Public Civil Action, the Federal District alleges, in summary, collective and financial losses due to alleged faulty pistols sold by Taurus during the period 2006-2011. As a result, the Federal District requested a preliminary injunction blocking the Company's assets in the total amount of R$54.8 million, and, in the merits, requested the payment of R$49.8 million for alleged damages to the public treasury, and the payment of collective pain and suffering in the amount of R$5 million. On February 19, 2021, a court decision was awarded the injunction requested and ordered Taurus to be subpoened. On March 23, 2021, the Company received a subpoena. In an Interlocutory Appeal filed by the Federal District against the decision that denied the preliminary injunction, the appellate injunction was denied. On June 18, 2021, the Company submitted its counterarguments to the Federal District's urgent relief.

The Company then filed its arguments and subsequently the Federal District filed its own counterarguments, then determining that the Public Prosecutor's Office should have access to the case and pending conclusion, awaiting an amending decision on the case.

On July 20, 2021, an amending decision was handed down and the parties were notified to indicate other evidence they intend to produce. Based on the amending decision, the Company filed a petition requesting adjustments to the decision, which was denied; the Federal District filed an interlocutory appeal claiming for the reversal of the burden of proof and suspension of the claim, which was denied. The Federal District has filed an appeal against the decision, and the appellate court approved the stay effect of the appeal.

In November 2021, the interlocutory appeals addressing the reversal of the burden of proof and urgent relief, filed by the Federal District, were denied.

In February 2022, the interlocutory appeal addressing the statute of limitation and expiration, filed by the Company, was partially accepted to determine the non-imposition of the Consumer Defense Code and rules of the collective proceeding.

The Federal District has filed Special Appeal against the decisions of both interlocutory appeals, and the Company has filed counterarguments. In August 2022 the special appeals were denied, with subsequent filing of appeals by the Federal District, which were denied in October 2023, with final and unappealable decision and subsequent return of the case records to the original court to continue with the fact finding phase. In November 2023, the case records were changed from civil class action to ordinary civil proceeding, as requested by the Company. Currently, the case records are waiting for the decision of the Public Prosecution Office.

In the opinion of its legal counsel, this action was classified with a possible likelihood of loss and its adjusted amount is R$65.8 million.

Administrative Proceeding and Lawsuit – PMESP

I – PMESP – Administrative Proceeding 24/7 Pistol
The Company was summoned to present defense in an administrative proceeding filed by the São Paulo State Military Police ("PMESP") (Sanctioning Proceeding CSMAM-002/30/16) which challenges the possibility or not of partial or full noncompliance with the agreement for acquisition and supply of ninety-eight thousand, four hundred and sixty-five (98,465) firearms, pistol type, models 24/7 and 640, between 2007 and 2011. On May 18, 2020, a decision was issued imposing a R$12.7 million fine on Taurus, as well as a penalty suspending the Company from bidding and signing any contract with the São Paulo State Public Administration during two (2) years.
The sanctioning decision of the administrative proceeding, however, was annulled by the Court of Justice of the State of São Paulo in a final decision handed down in the injunction request filed by the Company, which determined the return of the administrative proceeding to the instructional phase.
Thereafter, an administrative decision was handed down on November 13, 2021, fully accepting the sanctioning proposal issued by the Major of the Military Police of the State of São Paulo, in an addendum dated November 12, 2021, to apply a contractual fine in the amount of R$25,087,535.80, as well as penalty suspending the Company from bidding and signing any contract with the Public Administration during two (2) years. Based on this decision, Taurus has filed an administrative appeal, obtaining the stay effect. On December 1, 2021, a partial favorable decision on the Company's administrative appeal was handed down, annulling the fine and the Company's suspension from bidding and signing any contract, as well as determining the measures for performance of an independent technical expert analysis at the pistols.
Currently, measures are expected to be adopted for the performance of the independent technical expert analysis.
In the opinion of the Company's legal counsel, this administrative proceeding is classified with a possible likelihood of loss and its adjusted amount is R$25.1 million.

II - PMESP – Lawsuit SMT 40
On December 19, 2017, the Company received court subpoena in a lawsuit where the State of São Paulo requires the termination of the supply contract of 5,931 submachine guns, model SMT-40, entered into in 2011 with the São Paulo State Military Police and the return of the amount paid at the time, totaling R$21.7 million, plus inflation adjustment and other legal fees. The Company filed its defense arguments in the lawsuit and, subsequently, the Treasury and the Public Prosecution Office filed their own arguments. The lawsuit is currently waiting for the fact finding phase and production of the technical evidence.
In the opinion of its legal counsel, this action was classified with a possible likelihood of loss, estimated at R$29.9 million.

c) Tax lawsuits

Except for the tax lawsuit listed below, no other lawsuit refers to individually significant amounts and/or is still in its administrative stage. These other lawsuits classified with possible likelihood of loss total R$56.3 million.

Tax collection lawsuit - Municipality of São Leopoldo
The Municipality of São Leopoldo has filed for tax collection lawsuit seeking to collect the credit registered as an tax executable debt under No. 2016/1997, relating to the collection of Service Tax (ISS) for the assessment period January 2012-December 2014. The tax collection lawsuit is being processed at the 4th Civil Court of the São Leopoldo (RS) Court District, under Case No. 033/1.16.0014529-9, and the disputed amount is R$21.2 million. The lawsuit is pending judgment of the objection to the tax collection filed by the Company. The likelihood of loss in this lawsuit is possible.

d) Other lawsuits

Djibouti
There is a criminal lawsuit on judicial secrecy at the 11th Federal Court of Porto Alegre, filed against two former Company employees and a Yemeni national, due to alleged irregular sale of firearms in 2013 to the Government of Djibouti, whose final destination would be Yemen. Although the Company and its officers are not parties to the lawsuit, as soon as the Company became aware of the prosecution, potentially harmful to its reputation, it has requested and has been granted its inclusion as a an interest party to the lawsuit, for the purpose of clarifying to the Judge the facts known by the Company and providing the necessary support to the investigations. There are no estimated effects or provisions concerning this issue that are or should be duly reflected in the Company's individual and consolidated

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

financial statements at this date.

Ongoing lawsuits

The Company also holds an amount equivalent to R$45,4 million in ongoing lawsuits, which are classified as contingent assets and are not recognized in accounting.
Of this total, R$19.7 million is classified as Virtually Certain, which is equivalent to provable (contingent inabilities), and in this case, considering that it refers to a contingent asset (calculation of possible Taurus claims), the estimated probable amount refers to a favorable outcome. The main lawsuits are detailed below.

Monitory Action - State Department of Finance of Rio Grande do Norte
Taurus filed a monitory action for the collection of Invoice No. 18565, relating to the supply of bulletproof vests, against the State Department of Finance of Rio Grande do Norte. The aforementioned principal action, Case no. 0010866-28.2006.8.20.0001, was filed in the 1st Fiscal Court of Natal, RN, which granted the petition by judging it an enforceable title in a definite sum in favor of Taurus, which became final and unappealable on September 9, 2016. The principal action continued separately from the enforcement of sentence No. 0824885-55.2017.8.20.5001, under which the overall amount of R$3.7 million is being collected by Taurus. The enforcement of the sentence was partially challenged by the Department of Finance and, the Company was notified to adjust its calculation spreadsheet to the criteria set out in the decision. Upon submission of the new calculation spreadsheet by the Company, showing differences due by the State of Rio Grande do Norte, in August 2022 the decision on the homologation of these calculations was handed down, determining the issuance of the additional precatory letter. Currently, the lawsuit is definitely shelved and is waiting for the payment of the court-ordered debts in the adjusted overall amount. The likelihood of a favorable outcome in this lawsuit is classified as probable and, currently, the amount under dispute is R$4.4 million.

Writ of Mandamus - Federal Revenue Service Porto Alegre Commissioner
Taurus filed a writ of mandamus against the Federal Revenue Service Porto Alegre Commissioner seeking the deduction of paid prior notice, sick pay, one-third vacation bonus, maternity leave pay, and overtime amounts from the tax base of the employer's social security contribution, as provided for by Article 22, I and II, of Law 8212/91, and the social security contribution paid on behalf of outsourced contractors. Writ of Mandamus No. 5067090-11.2012.404.7100 is being handled by the 14th Federal Tax Court of Porto Alegre and the amount involved is R$2.5 million. The claim was partially granted, allowing for the possibility of offsetting the social security contributions amounts already paid and the social security contributions paid for contractors levied on paid prior notice amounts. Based on the decision on the approval, the defendant filed an interlocutory appeal, where a decision was handed down to prevent the provisional enforcement. Currently, the proceeding is at the appeal phase waiting for the decision on the Extraordinary Appeal filed by the Company, which proceeding is halted, waiting for the final decision on the matter by the STF, as well as potential court of retraction by the judging body. The likelihood of a favorable outcome in this lawsuit is classified as probable.

24. Financial instruments

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

a) Fair value versus carrying amount
The fair values of borrowings and financing and foreign currency advances, together with the carrying amounts reported in the balance sheet, are as follows:

				Consolidated
		12-31-2023		12-31-2022
	Amortized cost	Fair value	Amortized cost	Fair value
Liabilities measured at amortized cost				
Borrowings and financing	**122,173**	**94,296**	93,275	92,657
Foreign currency advances	**406,804**	**406,589**	394,950	390,380
	528,977	**500,885**	488,225	483,038

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

				Parent
		12-31-2023		12-31-2022
	Amortized cost	Fair value	Amortized cost	Fair value
Liabilities measured at amortized cost				
Borrowings and financing	**99,032**	**74,877**	93,275	92,657
Foreign currency advances	**406,804**	**406,589**	394,950	390,380
	505,836	**481,466**	488,225	483,038

In light of the short-term cycle, the Company's Management believes that the fair value of cash and cash equivalents, trade receivables, short-term investments and restricted accounts, other receivables and trade payables approximates their carrying amounts.

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 a market interest rate determined at the end of the reporting period.

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

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

25. Related parties

The Parent, its subsidiaries, and related parties carry out transactions among themselves, involving financial, sales and operating aspects of the Company. We describe below the most relevant transactions.

					Outstanding balances of subsidiaries with the parent			Effect on the result of transactions of subsidiaries with the parent
	Current assets (ii)	**Noncurrent assets (iii)**	**Total assets**	**Current liabilities (i)**	**Noncurrent liabilities**	**Total liabilities**	**Revenue**	**Expense**
December 31, 2022								
Taurus Helmets Indústria de Capacetes Ltda.	634	-	634	19	5,587	5,606	-	-
Taurus Blindagens Nordeste Ltda.	-	-	-	664	50,151	50,815	-	627
Taurus Holdings, Inc.	32	-	32	1,310	-	1,310	834,137	5,713
Taurus Investimentos Imobiliários Ltda.	1,962	47,668	49,630	471	-	471	3,594	4,267
Taurus Máquinas-Ferramenta Ltda.	-	30,786	30,786	-	-	-	3,345	5,476
Polimetal Metalurgia e Plásticos Ltda.	13,333	8,003	21,336	930	-	930	1,574	-
AMTT Taurus Comercio Varejista Ltda	3,743	14	3,757	-	-	-	1,859	-
	19,704	86,471	106,175	3,394	55,738	59,132	844,509	16,083
December 31, 2023								
Taurus Helmets Indústria de Capacetes Ltda.	**287**	**-**	**287**	**93**	**-**	**93**	**-**	**599**
Taurus Blindagens Nordeste Ltda.	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,868**
Taurus Holdings, Inc.	**15,638**	**-**	**15,638**	**2,593**	**-**	**2,593**	**787,374**	**-**
Taurus Investimentos Imobiliários Ltda.	**3,251**	**4,053**	**7,304**	**112**	**-**	**112**	**6,154**	**5,786**
Taurus Máquinas-Ferramenta Ltda.	**-**	**-**	**-**	**-**	**-**	**-**	**3,736**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**-**	**-**	**-**	**860**	**-**	**860**	**1,819**	**-**
AMTT Taurus Comercio Varejista Ltda	**5,605**	**1,466**	**7,071**	**-**	**-**	**-**	**887**	**-**
	24,781	**5,519**	**30,300**	**3,658**	**-**	**3,658**	**799,970**	**12,253**

(i) Refers to amounts recorded in line items trade payables - R$2,590, other payables - R$1,068
(ii) Refers to amounts recorded in line items trade receivables - R$19,406 and other receivables - R$5,375
(iii) Refers to amounts recognized in line items intragroup loans - R$5,519 from parent company Taurus Armas S.A. which are adjusted at 100% of CDI (Interbank Deposit Certificate) rate

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

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

As for transactions involving the Company and subsidiary Polimetal Metalurgia e Plásticos Ltda., these refer to the purchase of work in process, since the subsidiary carries out a part of the production process in the firearms segment.

Taurus Investimentos Imobiliários is the owner of tracts of land and buildings where the head offices of Taurus Armas and Polimetal (RS) and Taurus Helmets (PR) are located, in addition to the investment properties in Porto Alegre (RS). Transactions with this company are carried out through payment of rents and intragroup loans.

Founded in 1969 and headquartered in Brasília, the National Association of Firearms and Ammunition Industry (ANIAM) is a non-profit civil entity, which represents the firearms and ammunition industry and commerce in Brazil and which President is Mr. Salesio Nuhs, who is also the Global CEO of Taurus Armas. Taurus Armas S/A is an associate of this entity and makes monthly contributions based on the amount recorded in 2023, as shown in the table below.

The Brazilian Entity for the Wildlife Conservation (SBCF), which sponsor is related party CBC, is a non-profit private entity engaged in promoting, before the governments and the civil society, the adoption of a new strategic proposal to seek the conservation and rational use of the Brazilian wildlife. SBCF's President is Mr. Salesio Nuhs, who is also the Global CEO of Taurus Armas and the Financial Director is Mr. Sérgio Sgrillo, who is also the Chief Financial and Investor Relations Officer of Taurus Armas. Taurus Armas S/A is an associate of this entity and makes monthly contributions based on the amount recorded in 2023, as shown in the table below.

The transactions conducted with related parties follow the price conditions and terms agreed between the parties and cannot be compared to those under transactions with unrelated parties.

As at December 31, 2023, non-consolidated transactions involving Taurus Armas S.A. and its related parties refer mainly to sales of firearms for trading and purchase of ammunition, parts and accessories. The amount of these transactions is shown below:

	Current assets (ii)	Noncurrent assets (iii)	Current liabilities (i)	Noncurrent liabilities (iv)	Revenue	Expense
December 31, 2022						
Companhia Brasileira de Cartuchos	8,432	-	9,326	-	13,780	42,730
CBC Brasil Comércio e Distribuição	136,980	-	86	-	383,657	-
GN Importações	85	-	-	-	51	11
Taurus JM Indústria de Peças	-	-	-	1,806	4	10,913
Joalmi Indústria e Comércio	203	-	-	-	-	-
ANIAM - Assoc. Nac. da Ind. de Armas e Munições	-	-	-	-	-	735
ABIMDE – Assoc. Bras. das Ind. de Materiais de Defesa e Segurança	-	-	-	-	-	14
SBCF – Soc. Bras. de Conservação da Fauna	-	-	-	-	-	64
	145,700	-	9,412	1,806	397,492	54,467
December 31, 2023						
Companhia Brasileira de Cartuchos	**4,071**	**-**	**5,655**	**-**	**14,703**	**20,662**
CBC Brasil Comércio e Distribuição	**28,299**	**-**	**7**	**-**	**69,370**	**-**
GN Importações	**-**	**-**	**-**	**-**	**19**	**-**
Taurus JM Indústria de Peças	**113**	**1,884**	**-**	**1,988**	**-**	**3,487**
Joalmi Indústria e Comércio	**243**	**-**	**-**	**-**	**-**	**-**
Jindal Defence Systems Private Limited	**-**	**10,650**	**-**	**-**	**-**	**-**
ANIAM - Assoc. Nac. da Ind. de Armas e Munições	**-**	**-**	**-**	**-**	**-**	**600**
SBCF – Soc. Bras. de Conservação da Fauna	**-**	**-**	**-**	**-**	**-**	**150**
	32,726	**12,534**	**5,662**	**1,988**	**84,092**	**24,899**

(i) Refers to amounts recorded in line items trade payables
(ii) Refers to amounts recorded in line items trade receivables
(iii) Refers to amounts recognized in line items intragroup loans in the amount of R$12,534 from parent company Taurus Armas S.A. which are adjusted at 6-month SOFR + 0.25% p.a.
(iv) Represent loan agreements with subsidiary Taurus JM Industria de Peças Ltda. which are adjusted at 100% of CDI (Interbank Deposit Certificate) rate
(*) Comparative balance with December 31, 2022

Marketplace Platform

The Company has a partnership with its related party Companhia Brasileira de Cartuchos (CBC) a Marketplace platform.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Marketplace is the most collective concept of online sales. On this platform, different stores can advertise their products, giving the customer a range of options, the stores, called sellers in this operation, join the Marketplace platform and pay a fee for the use of the platform and also royalties on sales made through the platform to the Marketplace operator.

On the Company's Marketplace platform, one of the seller operators is the company GN Importações Ltda., which has Mr. Guilherme Nuhs and Ms. Mara Nuhs, who are related to the Company's CEO Mr. Salesio Nuhs, as a related party.

The Company has formalized contracts for the use and operation of the platform under equal market conditions for all *sellers* that join the platform according to the terms and conditions set by Taurus and CBC, and therefore GN has accepted the same terms and conditions offered to the other operators.

In the transactions carried out by GN on the Marketplace platform, GN pays a monthly fee of R$500.00 for the use of the platform, of which R$250.00 to Taurus Armas and R$250.00 to CBC, and royalties of 20% on sales and use of the brand, and in exceptions due to the need for some sales promotion, preapproved between the parties, the percentage of royalties can be lower.

Officers' and Directors' transactions
Officers and directors hold an immaterial percentage of Company's voting shares.

Officers' and Directors' compensation
The compensation of officers and directors includes salaries, management fees, and benefits:

	Consolidated		Parent	
	12-31-2023	12-31-2022	**12-31-2023**	12-31-2022
Statutory officer's compensation and benefits	**10,603**	9,253	**10,603**	9,253
Share-based compensation plan	**11,333**	8,666	**11,333**	8,666
Directors' compensation and benefits	**1,044**	1,044	**1,044**	1,044
Supervisory Board members' compensation and benefits	**447**	419	**447**	419
	23,427	19,382	**23,427**	19,382

The compensation of the Statutory Officers consists of a fixed and a variable portion.
Fixed compensation: an annual amount is set for each officer, which is paid on a monthly basis.
Variable compensation: consists of short-term compensation and profit sharing (when applicable) and long-term compensation (stock grant). Generally, the goals set by the Company to evaluate Officers consist of economic goals and their permanence at the Company.

The gain in the Share-based Payment Plan (stock grant) is linked to the appreciation of the market price of Company shares, i.e., the value the individual performance of an officer and the performance of Management as a whole add to the Company reflects on the officers' earnings in this type of compensation, while keeping their interests aligned with the Company's interest in the long run. For more information on Share-based Payment Plan, see note 27.

Sureties between related parties
Borrowings and financing in the form of PPEs (export prepayments) owed to KG Banco Itaú and ACCs (advances on exchange contracts) owed to Banco Pine are covered by a set of joint collaterals, consisting of sureties granted by Taurus Helmets, the collateral assignment of shares, the collateral assignment of receivables, mortgages on properties and shares of Taurus International held by Taurus Armas S.A. The guaranteed debt totals R$83.4 million (R$162.4 million as at December 31, 2022) to Taurus Armas S.A.
Subsidiary Taurus International has an overdraft account with a US banking institution, 53RD Bank, on which there is an additional guaranteed consisting of a surety granted by its parent Taurus Armas S.A.

26. Equity

a) Capital
As at December 31, 2023, the Company's issued capital is R$367.9 million (R$367.9 million at December 31, 2022), represented by 126,634,434 book-entry, registered shares, divided into 46,445,314 common shares and 80,189,120

preferred shares without par value.

On October 5, 2018, the Company issued four series of subscription warrants, with each warrant converting into one share. In 2022, up to December 31, the warrants exercised were automatically converted into capital, in an amount equivalent to R$59.7 million, which was ratified by the Company's Board of Directors. The table below shows the maturities of all shares and the updated position as at December 31, 2023:

	QUANTITIES			
Types of share	**TASA11**	**TASA13**	**TASA15**	**TASA17**
Strike price	R$4.00	R$5.00	R$6.00	R$7.00
Series maturity	04/05/2019	07/05/2021	10/07/2021	10/05/2022
Number of shares	24,899,874	20,000,000	20,000,000	9,000,000
Exercised	13,148,993	19,925,599	19,913,827	8,957,803
Forfeited	11,750,881	74,401	86,173	42,197

Preferred shares

Preferred shares are not entitled to different dividends and have preemptive rights in the liquidation of its interest in the capital.

Pursuant to Article 5, paragraph 4, of the Company's Bylaws, preferred shares are entitled to vote in any resolutions made at a Shareholders' Meeting on the matters listed below, in which case each preferred share correspond to one vote:

(i) Company's transformation, merger, consolidation or spin-off;
(ii) Approval of agreements between the Company and its Controlling Shareholder, as defined in the Level 2 Regulation, directly or through third parties, as well as other companies in which the Controlling Shareholder has an interest, whenever, as set forth in an legal or bylaws provision, these matters are required to be approved at a shareholders' meeting;
(iii) Appraisal of assets for the Company's capital increase;
(iv) Selection of a specialized company to determine of the Company's economic value, under Chapter VII of the Company's Bylaws; and
(v) Change or revocation of bylaws provisions which change or modify any requirement prescribed in item 4.1 of the Level 2 Regulations, except that this voting right shall prevail only while the Level 2 of Corporate Governance Participation Agreement remains in force.

Authorized shares (in thousands of shares):

	12-31-2023	12-31-2022
Common shares	103,703	103,703
Preferred shares	207,405	207,405
	311,108	311,108

Issued, fully paid-in shares:

	Common shares		Preferred shares		
	Number in thousands	**Amount in R$ thousands**	**Number in thousands**	**Treasury shares (-) in thousands**	**Amount in R$ thousands**
As at December 31, 2022 Common: R$13.25; Preferred: R$13.35*	46,445	615,396	80,189	-	1,070,523
As at December 31, 2023 Common: R$14.96; Preferred: R$15.20*	**46,445**	694,817	**80,189**	**(441)**	1,212,170

*Closing share quotation on the indicated date, multiplied by the total shares outstanding on the same date.

b) Reserves and earnings retention

Legal reserve

Calculated as 5% of profit for the year, pursuant to Article 193 of Law 6404/76 up to the limit of 20% of capital, after deduction of accumulated losses, in conformity with art. 189 of the same Law. As at December 31, 2023, legal reserve in the amount of R$7.6 million (R$26 million as at December 31, 2022) was recognized.

Tax incentive reserve
The Company is eligible to ICMS and Fundopem tax incentives. Management, in view of the publication of Supplementary Law 160/17 and in conformity with Law 6404/76, allocated them as tax incentive reserve in equity. The balance as at December 31, 2023 and 2022 is R$118.5 million.

Statutory reserve
On April 28, 2023, the EGM approved the creation of a statutory investment reserve. The purpose of the reserve is to protect the Company's net assets, finance investment plans and increase working capital, enable the Company's share repurchase programs, enable stock option plans and other share-based compensation plans or benefits to Management and/or employees, allow the absorption of losses whenever necessary, and authorize the distribution of dividends, as proposed by the Board of Directors and approvals set forth in the Company's Bylaws and applicable laws. The remaining balance of profit after the allocations to the legal reserve tax incentive reserve and mandatory minimum dividends shall be allocated to this statutory reserve.

Treasury shares
The EGM held on April 28, 2023 approved the share repurchase program. The purpose of the Repurchase Program is the purchase of shares issued by the Company for holding in treasury, cancellation or subsequent disposal of the shares, for an efficient management of the capital structure and maximization of the value generation for the shareholder and coverage of the Company's obligations arising from the Stock Grant Plan (Stock Grant), intended to management, officers or other holders of the Company's strategic positions.
Within the scope of the current Repurchase Program, up to 300.0 thousand common shares (TASA3) and 3,003.3 thousand preferred shares (TASA4) can be acquired. Until the end of 2023, the Company acquired 440.9 thousand common shares which, up to this date, are held in treasury at the amount of R$6.8 million.

Earnings reserve
As set forth in article 199 of Law 6.404/76 (Brazilian Corporate Law), the balance of earnings reserves must not exceed capital. Considering Management's proposal for allocation of adjusted profit (item c), the balance of the statutory reserve at the end of 2023 is R$399.4 million and of the legal reserve is R$48.7 million, totaling R$448.1 million in earnings reserves. In view of the balance in excess of capital, and pursuant to the same article 199 of the Brazilian Corporate Law, Management's proposal to the Extraordinary General Meeting (EGM), to be held on April 30, 2024, and which is legally responsible for deciding on the allocation of profit for 2023, will include the capital increase with the statutory reserve balance in the amount of R$80.2 million, without issuance of new shares.

c) Dividends

Pursuant to the Company's bylaws, common and preferred shares are entitled to mandatory minimum dividend of 35% of adjusted profit, and preferred shares are entitled to all other rights attributable to common shares under equal conditions.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Proposed dividends

The dividend proposal recorded in the Company's financial statements, subject to approval at the Annual General Meeting, is as follows:

Profit for the year	**152,790**
Allocations:	
Recognition of legal reserve - Art. 193	(7,639)
Valuation adjustments to equity	535
Dividend distribution base	**145,686**
Mandatory dividends (35%)	50,989
Mandatory dividends per share	0.404060
Interim dividends in 2023	(12,663)
Interim dividends in 2023 per share	(0.100000)
Total dividends for distribution	**38,327**
Total dividend per share - net	**0.304060**
Retained earnings	**107,359**
Recognition of statutory reserve - Art. 194	(107,359)

Of the amount of R$51 million (0.404060 per share) relating to mandatory minimum dividends for 2023, interim dividends were approved in June 2023 and paid in August 2023, in the amount of R$12.7 million, as detailed below. Accordingly, the remaining mandatory dividend balance payable for 2023 is R$38.3 million.

Interim dividends

The meeting of the Board of Directors held on June 21, 2023 approved the distribution of interim dividends as prepayment of mandatory dividend for FY2023. The interim distribution was carried out based on the statutory reserve. The total distributed amount was R$12.7 million, equivalent to the amount of R$0.10 per common and preferred share issued by the Company. The statement of calculation of interim dividends is as follows:

	Amount per share (1)		Number of shares	Total dividends
Common shares	R$	0.10	46,445,314	4,644
Preferred shares	R$	0.10	80,189,120	8,019
Total			**126,634,434**	**12,663**

(1) Amounts in reais

The effective distribution will consider the date of August 21, 2023 as the base date of the shareholding position to determine the right to receive dividends. Payment was made to shareholders on August 31, 2023 and, as detailed above, these interim dividends were attributed to the total amount of mandatory minimum dividends for 2023.

d) Valuation adjustments to equity

Deemed cost

The line item valuation adjustments to equity in equity includes adjustments due to the adoption of the deemed cost of property, plant and equipment at the date of transition to IFRSs. The amounts recognized in valuation adjustments to equity are fully or partially reclassified to full or partial profit or loss for the year upon the depreciation of the related line items or the disposal of the assets.

Cumulative translation adjustments

Cumulative translation adjustments include all foreign exchange differences arising on translating the financial statements of foreign operations.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

e) Earnings (loss) per share

		Parent and Consolidated
Basic numerator	**12-31-2023**	12-31-2022
Profit (loss) for the year		
Common shares	56,234	190,712
Preferred shares	96,556	329,272
	152,790	519,984
Basic denominator – Weighted average number of outstanding shares (no. of shares)		
Common shares	46,445,314	46,445,314
Preferred shares	80,172,192	74,770,473
	126,617,506	121,215,787
Basic earnings (loss) per share (R$ per share)		
Common shares	1.21076	4.10616
Preferred shares	1.20436	4.40377

		Parent and Consolidated
Diluted numerator	**12-31-2023**	12-31-2022
Profit (loss) for the year		
Common shares	56,234	190,712
Preferred shares	96,556	329,272
	152,790	519,984
Diluted denominator – Weighted average number of outstanding shares (no. of shares)		
Common shares	46,445,314	46,445,314
Preferred shares	80,172,192	74,770,473
	126,617,506	121,215,787
Potential increase in the number of shares from the exercise of warrants		
Common shares	-	-
Preferred shares	69,765	-
	69,765	-
Diluted earnings (loss) per share (R$ per share)		
Common shares	1.21076	4.10616
Preferred shares	1.20331	4.40377

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

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

27. Share-based payment

a) Stock option plan

Up to April 28, 2023, the Company had the following share-based payment arrangement:

Stock option plan (settable in shares)

On April 26, 2021, the Company approved the Company's First Stock Option Plan that entitles the statutory officers to acquire Company shares. Under this program, the stock options may be exercised at the market price of the shares on grant date. The Board of Directors was responsible for the Plan's management.

The Plan's purpose is to allow granting stock options to the Company's statutory officers previously discussed and selected by the Board of Directors, for the purpose of: (i) attracting, motivating, and retaining in the Company highly performant, strategic executives, capable of advancing its core business; (ii) aligning the interests of statutory officers with the interests of Company shareholders, encouraging commitment, engagement, and ownership of the Company's business; (iii) fostering the expansion, success, and achievement of the goals set by the Company; and (vi) offering statutory officers yet another way to be able to share the Company's performance and success.

The Company's current or future statutory officers are eligible to participate in the Plan. The approval of the actual participants and the number of stock options to be granted to each officer shall be determined by the Board of Directors. The exercise of Stock Options by a participant is not subject to the participant's achieving individual targets or the Company's overall targets but rather to the officer's continuing relationship with the Company.

In the event of the resignation or dismissal for cause of a participant, the stock options that have not been exercised by the termination date, observing the stock option vesting periods, shall be automatically extinguished, by operation of law, regardless of prior notice or notification, and without any right to an indemnity.

Expenses are recognized on a daily pro rata basis, from the stock options' grant date to its vesting date.

The pricing model used to measure the price of the stock options granted is Black, Scholes & Merton. The fair values of the stock options already granted was calculated based on the Black, Scholes & Merton option valuation model, using the following assumptions.

(i) Number of shares subject to stock options:

			Shares subject of the stock options
	Type	**Percentage**	**Number**
1st Stock option program - 2021	Common	33.33%	728,332
	Preferred	66.67%	1,456,668
		100.00%	**2,185,000**
2nd Stock option program - 2021	Common	33.33%	100,000
	Preferred	66.67%	200,000
		100.00%	**300,000**
3rd Stock option program - 2022	Common	33.33%	26,666
	Preferred	66.67%	53,334
		100.00%	**80,000**
Total stock options		**100.00%**	**2,565,000**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

(ii) Stock options' life

Percentage of total stock options	26.11%	24.63%	24.63%	24.63%
Exercise date	04/30/2023	04/30/2025	04/30/2027	04/30/2029

The information used in the analysis of the fair values on the grant date of the share-based plans is as follows:

	1st Stock option program - 2021	2nd Stock option program - 2021	3rd Stock option program - 2022
Fair value on grant date	R$ 24.14	R$ 24.49	R$ 20.38
Share price on grant date	R$ 20.82	R$ 20.27	R$ 20.27
Strike price	R$ 26.68	R$ 25.43	R$ 24.72
Expected volatility (weighted average)	89.81%	79.75%	67.56%
Stock option life (weighted average life expectancy)	4.97	4.53	3.95
Expected dividends	2.85%	4.05%	4.84%
Risk-free interest rate (based on government bonds)	7.78%	10.20%	12.28%

The Extraordinary General Meeting held on April 28, 2023 approved the Company's proposal for substitution of the Stock Option Plan ("Stock Options") for the new Share Grant Plant ("Stock Grant"). More information in item b below.

b) Share grant plans (Stock Grant)

The Extraordinary General Meeting held on April 28, 2023 approved the Company's proposal for substitution of the Stock Option Plan ("Stock Options") for the new Share Grant Plant ("Stock Grant"). The Board of Directors will be responsible for the Stock Grant Plan's management.

The substitution was proposed because the Stock Options Plan has not attained the proposed purpose, in light of its economic aspects against the current conditions of the Company's stock market. The substituted plan ("Stock Options") allowed the statutory officers to acquire the Company's shares and, under this program, the options could be exercised at the stock market price on the grant date. On the other hand, the new plan ("Stock Grant") allows the statutory officers to receive, free of charge, the Company's preferred shares, based on the terms and conditions set out in the plan, as detailed below.

The Plan's purpose is to allow offering to the beneficiaries duly discussed and selected by the Board of Directors the opportunity of becoming the Company's shareholders, for the purpose of: (i) attracting, motivating, and retaining in the Company highly performant, strategic executives, capable of advancing its core business; (ii) aligning the interests of statutory officers with the interests of Company shareholders, encouraging commitment, engagement, and ownership of the Company's business; (iii) fostering the expansion, success, and achievement of the goals set by the Company; and (vi) offering statutory officers yet another way to be able to share the Company's performance and success.

The Company's current or future statutory officers are eligible to participate in the Plan. The approval of the actual participants and the number of shares to be granted to each officer shall be determined by the Board of Directors. The assignment of shares by the participant is not subject to the participant's achieving individual targets or the Company's overall targets but rather to the officer's continuing relationship with the Company.

In the event of the resignation or dismissal for cause of a participant, the Rights to Receive Shares that have not been converted into shares by the termination date, observing the Grace Periods of the Rights to Receive Shares, shall be automatically extinguished, by operation of law, regardless of prior notice or notification, and without any right to an indemnity. In the event of the participant's dismissal due to the Company's decision, without cause, the Rights to Receive Shares will be granted proportionally to the period during which the participant has occupied the respective position compared to the total period of the Program, subject to the provisions set out in the instrument entered into by the Company and the participant upon the participant's dismissal.

On June 21, 2023, the Board of Directors approved the First Share-Based Compensation Program ("Stock Grant"), which granted to the program beneficiaries the right to receive the total volume of 2,184,000 Company's preferred shares. The total number of shares subject to delivery will be subject to adjustments due to corporate transactions, such as splits, reverse splits and bonuses. The shares received will be entitled to all rights and benefits relating to the preferred shares currently issued by the Company.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

As regards the accounting aspects, in view of the substitution of share-based compensation plans, the Company, based on the principles set out in CPC 10 (R1) / IFRS 2 – Share-Based Payment, has recognized the incremental fair value granted, which corresponds to the difference between the fair value of the modified equity instrument and the fair value of the original equity instrument, both estimated on the modification date.

The fair value of the shares granted under the Stock Grant plan was measured at the market price of the shares on the grant date, which was R$11.41. In turn, the fair value of the stock options ("Stock Options") for purposes of measurement of the incremental fair value, was calculated based on the Black, Scholes & Merton option valuation model, considering the following assumptions:

	Stock option program - accumulated
Share price on grant date	R$ 14.66
Strike price	R$ 20.27
Expected volatility (weighted average)	60.82%
Stock option life (weighted average life expectancy)	3.86
Expected dividends	5.63%
Risk-free interest rate (based on government bonds)	10.54%

Expenses are recognized on a daily pro rata basis, from the grant date to the date in which the beneficiary acquires the Rights to Receive Shares. The Company recognized in profit (loss) for the year ended December 31, 2023 a total of R$11.3 million (R$6.5 million as at December 31, 2022).

(i) Number of shares under the plan:

			Shares under the Plan
	Type	**Percentage**	**Number**
Share-based compensation plan - Stock Grant - 2023	Preferred	100.00%	2,184,000

(ii) Life of Call Options (vesting period)

Percentage of total shares	20.00%	10.00%	10.00%	10.00%	10.00%	40.00%
Exercise date	04/28/2024	03/31/2025	03/31/2026	03/31/2027	03/31/2028	03/31/2029

The changes in the shares granted is shown in the table below and demonstrates the changes in the option plan that was substituted:

	Parent
Number of outstanding options/shares - 12/31/2022	**2,565,000**
Granted	2,184,000
Vested / Delivered	-
Substituted	(1,897,500)
Forfeited	(667,500)
Number of outstanding options/shares - 12/31/2023	**2,184,000**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

28. Net operating revenue

Pursuant to IFRS 15/CPC 47 - Revenue from Contracts with Customers, revenue is recognized when control of the goods is transferred to the customer.

Revenue from contracts with customers is recognized to the extent that it is probable that there will be no significant reversal in the accumulated revenue amount. As a result, for contracts where the Company is unable to make a reasonable estimate of the returns, revenue is expected to be recognized after the elapse of the return period. A liability for reimbursement and an asset for recovery will be recognized for these contracts and stated separately on the balance sheet.

Sales taxes
Sales revenues are subject to the following taxes and contributions at the following statutory rates:

	Tax rates
State VAT (ICMS)	0%-25%
Federal VAT (IPI)	0%-45%
Tax on revenue (COFINS)	3% and 7.6%
Tax on revenue (PIS)	0.65% and 1.65%

	Consolidated		Parent	
	12-31-2023	**12-31-2022**	**12-31-2023**	**12-31-2022**
Sale of goods	**2,094,285**	3,213,571	**1,208,398**	2,236,246
Provision of services	**98**	374	**98**	374
Total gross revenue	**2,094,383**	3,213,945	**1,208,496**	2,236,620
Sales taxes	**(301,869)**	(666,904)	**(135,932)**	(491,655)
Returns and discounts	**(10,627)**	(7,020)	**(7,386)**	(4,975)
Total net operating revenue	**1,781,887**	**2,540,021**	**1,065,178**	**1,739,990**

Because its sales have short-term maturities and the effects of calculating present value adjustments being immaterial, the Company does not adjust the present value of the respective balances.

29. Other operating income

	Consolidated		Parent	
	12-31-2023	**12-31-2022 Restated**	**12-31-2023**	**12-31-2022**
Other operating income				
Tax recovery	**20,018**	27,211	**120**	26,755
Royalties	**5,065**	4,313	**5,065**	4,313
Sale of property, plant and equipment	**140**	206	**-**	151
Recovery of expenses on trade payables	**5,173**	6,692	**5,173**	6,679
Recovery of past-due receivables – allowance for doubtful debts	**578**	549	**575**	543
Changes in the fair value of investment property	**18,032**	-	**-**	-
Other income	**10,026**	14,185	**6,451**	7,508
	59,032	**53,156**	**17,384**	**45,949**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

30. Expenses by nature

	Consolidated		Parent	
	12-31-2023	**12-31-2022 Restated**	**12-31-2023**	**12-31-2022**
Expenses by function				
Cost of sales	(1,150,695)	(1,379,597)	(692,288)	(903,474)
Selling expenses	(223,345)	(252,717)	(65,176)	(99,071)
Allowance for impairment of financial instruments	(1,654)	(2,799)	(1,331)	(2,639)
General and administrative expenses	(220,909)	(202,331)	(126,161)	(120,122)
Other operating expenses	(22,873)	7,476	(14,994)	5,213
	(1,619,476)	**(1,829,968)**	**(899,950)**	**(1,120,093)**
Expenses by nature	**12-31-2023**	**12-31-2022**	**12-31-2023**	**12-31-2022**
Depreciation and amortization	(35,455)	(31,313)	(17,654)	(15,163)
Personnel expenses	(357,753)	(370,513)	(240,458)	(274,657)
Tax expenses	(16,407)	(13,948)	(7,998)	(9,108)
Raw materials and supplies and consumables	(711,403)	(910,184)	(388,048)	(541,390)
Auxiliary materials and upkeep and maintenance supplies	(79,721)	(103,481)	(76,529)	(100,143)
Freight and insurance	(115,098)	(134,876)	(47,814)	(72,026)
Outside services	(85,433)	(69,006)	(57,840)	(51,878)
Advertising and publicity	(49,626)	(45,885)	(6,530)	(8,064)
Expenses on product warranty	(1,422)	(2,741)	(809)	(2,904)
Water and power	(30,297)	(39,026)	(14,628)	(15,497)
Travel and lodging	(9,522)	(10,485)	(6,007)	(7,432)
Expenses on commissions	(36,913)	(43,250)	(5,146)	(7,891)
Cost of property, plant and equipment written off	(4,737)	(1,442)	(2,172)	(729)
Civil, labor and tax risks	(8,129)	9,252	(8,661)	10,397
Rentals	(5,962)	(6,813)	(10,054)	(10,796)
Other expenses	(71,598)	(56,257)	(9,602)	(12,812)
	(1,619,476)	**(1,829,968)**	**(899,950)**	**(1,120,093)**

31. Finance income (costs), net

Finance income (costs) consists primarily of foreign exchange gains and losses arising on translating borrowings, trade receivables and trade payables, and income payable on liabilities (borrowings)

	Consolidated		Parent	
	12-31-2023	12-31-2022 Restated	**12-31-2023**	12-31-2022
Finance income				
Interest	**19,666**	20,458	**11,508**	23,695
Foreign exchange gains	**123,667**	345,567	**122,683**	342,935
Other income	**16,112**	17,491	**13,708**	16,742
	159,445	383,516	**147,899**	383,372
Finance costs				
Interest and fines	**(48,606)**	(42,623)	**(49,099)**	(42,218)
Foreign exchange losses	**(112,089)**	(332,713)	**(110,757)**	(329,492)
Other expenses	**(8,729)**	(12,824)	**(7,901)**	(11,641)
Finance income (costs), net	**(9,979)**	(4,644)	**(19,858)**	21

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

32. Provision for product warranty

The Company quantifies and recognizes an estimate for the warranty-related costs, according to history of and current repair costs. The provision for product warranty ensures that the repair costs in case of replacement or repair do not affect the results of operations for the periods in which these additional costs were incurred. Therefore, amounts are recognized on an accrual basis. As at December 31, 2023 and 2022, the balances are as follows:

	Consolidated		Parent	
	12-31-2023	**12-31-2022**	**12-31-2023**	**12-31-2022**
Domestic market	**6,337**	7,752	**5,418**	6,286
Foreign market	**6,731**	8,258	**-**	-
Total	**13,068**	**16,010**	**5,418**	**6,286**
Current liabilities	**9,159**	10,999	**5,418**	6,286
Noncurrent liabilities	**3,909**	5,011	**-**	-

33. Additional cash flow information

As at December 31, 2023, the variations in assets and liabilities that did not affect the Company's cash flows are as follows:

	Consolidated		Parent	
	12-31-2023	12-31-2022	**12-31-2023**	12-31-2022
Non-cash transactions				
(Increase) decrease of interest in subsidiaries	-	-	(31,918)	-
Taxes offset	(14,988)	-	(11,329)	-
Variations in intragroup loans	-	-	49,330	-

Supervisory Board's Opinion

The Supervisory Board of Taurus Armas S.A., in compliance with legal and statutory provisions, reviewed the Management Report and the Financial Statements for the year ended December 31, 2023, approved by the Board of Directors at a meeting held on March 22, 2024.

Based on the conducted reviews and also taking into consideration the unqualified Independent Auditor's Report issued by Deloitte Touche Tohmatsu Auditores Independentes on March 22, 2024, in addition to information and clarifications received from the Company's Management in the course of the year, it represents that the mentioned documents are appropriate to be reviewed by the Annual Shareholders' Meeting.

São Leopoldo, March 22, 2024.

Haroldo Zago
Chairman

Mauro César Medeiros de Mello
Board Member

Valmir Pedro Rossi
Board Member

AUDIT AND RISK COMMITTEE’S OPINION OF TAURUS ARMAS S.A.

The members of the Audit and Risk Committee of Taurus Armas S.A., in the discharge of their statutory duties and responsibilities, as provided for in the Charter of the Advisory Committees to the Board of Directors, compose a statutory advisory body supporting the Board of Directors and acting in a permanent, independent manner, with own budget beginning 2022. Their duties are determined in the Company’s bylaws by the Board of Directors.

In 2023, the Committee held eight meetings to address the following matters: The Company’s strategic projects and monitoring of the major ongoing activities together with the financial, commercial, legal, tax, accounting and HR management areas; the development of accounting controls and tax policies, analysis of contingencies, analysis and approval of Interim Financial Information and Financial Statements; monitoring of the strategic projects that are underway and to be implemented; meetings with Deloitte Independent Auditors; risk, system and process management for purposes of risk assessment, risk mapping, internal control mapping, information security, monitoring of inventory-taking engagements, the development of ESG-related matters and situation of the ethics committee’s activities; monitoring of related-party transactions; analysis of and advisory on strategic projects at a corporate and market level; and monitoring of external audit engagement schedules and reports.

The Committee has advised the Board of Directors on: discussions of policies, strategic projects and procedures. In accordance with the good practices, the Audit Committee has held separate meetings with the independent auditors to discuss engagements involving the review of Interim Financial Information and audit of the financial statements for 2023.

As per its statutory duties, the Committee proceeded to review and analyze the financial statements, accompanied by the independent auditor’s report and the Management Report for 2023 (“2023 Annual Financial Statements”) and, considering the information provided by the Company’s Management and Deloitte Touche Tohmatsu Auditores Independentes, is of the unanimous opinion that these financial statements present fairly, in all material respects, the financial positions of the Company and its subsidiaries, and recommends the approval of the financial statements and the Management Report by the Board of Directors and their submission to the Annual Shareholders’ Meeting, pursuant to the Brazilian Corporate Law.

São Leopoldo, March 22, 2024.

Sérgio Laurimar Fioravanti

Magno Neves Fonseca

Luciano Luiz Barsi

STATEMENT OF THE EXECUTIVE COMMITTEE OF TAURUS ARMAS S.A. ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, Leonardo Brum Sesti and Eduardo Minghelli, Officers of Taurus Armas S.A., a company with registered head office at Av. São Borja, 2181/Prédio A, CEP: 93.035-411, São Leopoldo, RS, enrolled with Corporate Taxpayer Identification (CNPJ/MF) under No. 92.781.335/0001-02, in compliance with provisions of Article 25, V and VI, of CVM Instruction 480, of December 7, 2009, hereby declare that they have reviewed, discussed and agreed with the Financial Statements of Taurus Armas S.A. and consolidated companies for the period from January 1, 2023 to December 31, 2023.

São Leopoldo, March 22, 2024.

Salesio Nuhs
Chief Executive Officer

Sergio Castilho Sgrillo Filho
Chief Finance and Administrative Officer
Investor Relations Officer

Leonardo Brum Sesti
Executive Officer without specific designation

Eduardo Minghelli
Executive Officer without specific designation

STATEMENT OF THE EXECUTIVE COMMITTEE OF TAURUS ARMAS S.A. ON THE INDEPENDENT AUDITOR'S REPORT

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, Leonardo Brum Sesti and Eduardo Minghelli, Officers of Taurus Armas S.A., a company with registered head office at Av. São Borja, 2181/Prédio A, CEP: 93.035-411, São Leopoldo, RS, enrolled with Corporate Taxpayer Identification (CNPJ/MF) under No. 92.781.335/0001-02, in compliance with provisions of Article 25, V and VI, of CVM Instruction 480, of December 7, 2009, hereby declare that they have reviewed, discussed and agreed with the opinions expressed by Deloitte Touche Tohmatsu Auditores Independentes, in its Independent Auditor's Report on the Financial Statements for the period from January 1, 2023 to December 31, 2023, issued on March 22, 2024.

São Leopoldo, March 22, 2024.

Salesio Nuhs
Chief Executive Officer

Sergio Castilho Sgrillo Filho
Chief Finance and Administrative Officer
Investor Relations Officer

Leonardo Brum Sesti
Executive Officer without specific designation

Eduardo Minghelli
Executive Officer without specific designation

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT ON THE
INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Management of
Taurus Armas S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Taurus Armas S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2023, and the related statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including the material accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Taurus Armas S.A. as at December 31, 2023, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audit in accordance with Brazilian and lnternational Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters (KAM) are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements for the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group audit

Why it is a KAM

As described in note 2.2 to the individual and consolidated financial statements, the Company's financial statements consolidate the operations of subsidiaries located in Brazil and abroad.

This situation requires a structured internal control system to ensure that the information related to these subsidiaries are properly collected and processed and that the unrealized balance sheet balances, income and expenses, gains and losses, arising from transactions between the Group companies, are duly eliminated, as well as properly disclosed in the Company's individual and consolidated financial statements.

This matter was considered a key audit matter as: (i) the volume of transactions between the Company and its subsidiaries is very high, mainly with its subsidiaries in the United States, and the collection and processing of this information relies on the proper operation of internal control activities; (ii) the Company's transactions abroad are denominated in functional currencies different from the Parent's presentation currency in Brazil; (iii) the participation of the component auditors requires sending instructions and our guidance, oversight and continuing review during the audit; (iv) there is the inherent risk that the information related to subsidiaries is not properly collected and processed and that the unrealized balances, income, expenses, gains and losses, arising from transactions between the Group companies, are not properly eliminated and/or disclosed in the Company's individual and consolidated financial statements.

How the matter was addressed in our audit

Our audit procedures to address such key audit matter included, without limitation:

(a) Obtaining an understanding of the processes performed by the Company for consolidation purposes;
(b) Identifying the significant internal control activities determined by the Executive Board and related to the collection and processing of the subsidiaries' financial information;
(c) Conducting tests on the translation of the currency of the foreign subsidiaries' financial information into the Parent's functional and presentation currency;
(d) Conducting tests on the elimination of unrealized balances, income, expenses, gains and losses arising from transactions between the Group companies;
(e) Defining the significant components and the audit scope applicable to each component, taking into consideration materiality and risk aspects.
(f) Sending instructions and guidance, and supervise and review the component auditor's work in the performance of audit procedures in certain Group subsidiaries.

We consider that the procedures adopted by the Executive Board for the consolidation of its financial statements are appropriate in the context of the individual and consolidated financial statements taken as a whole. The guidance, oversight and review processes of the component auditors were considered appropriate and sufficient.

We also assessed the appropriateness of the disclosures about the basis of consolidation of the Group companies included in the consolidated financial statements, about the translation of balance sheets of foreign subsidiaries and about the transactions and balances with these subsidiaries, which are presented in notes 2.2, 2.4 and 25 to the individual and consolidated financial statements, respectively, and we consider that these disclosures are appropriate in the context of the individual and consolidated financial statements taken as a whole.

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Revenue from contracts with customers

Why it is a KAM	How the matter was addressed in our audit
As described in note 28 to the individual and consolidated financial statements, sales revenue is recognized when the Company and its subsidiaries satisfy their performance obligations when transferring the control over products to the customer. The high volume of transactions requires a robust internal control system that relies on information technology to capture, record and process information related to the revenue cycle. This matter was considered a key audit matter as: (i) the amounts of sales revenue represent a significant balance in the set of the Company's individual and consolidated financial statements; (ii) the volume of transactions is high and its processing depends on the proper implementation of internal control activities and automated systems; (iii) there is an inherent risk that revenue might be recognized without fulfilling the criteria necessary for its recognition.	Our audit procedures related to revenue recognition included, without limitation: (a) Obtaining an understanding of the flow of sales transactions considering the nature of the Company's different transactions; (b) Assessing the significant internal control related to the occurrence, integrity, accuracy and recognition of revenue on the proper accrual period; (c) Involving our information technology specialists in assessing the automated systems and controls that support the sales transactions; (d) Performing tests, on a sampling basis, on sales transactions, where we inspected the documentation supporting the accounting records, as well as the delivery receipts so as to assess whether only the sales whose performance obligation was reached were considered by the Company in its individual and consolidated financial statements; (e) Recalculating the revenue amounts recognized in the individual and consolidated financial statements, through statistical regressions based on independent assumptions related to the revenue transactions; and (f) Assessing the disclosures made by the Company in the individual and consolidated financial statements. Our procedures described above identified certain internal control deficiencies in the Company's revenue recognition process. These deficiencies led us to adapt our audit approach and expand the extent and modify the nature and timing of our initially planned substantive procedures, in order to obtain sufficient and appropriate audit evidence. We also identified adjustments to the revenue balance, which were considered immaterial by the Company's Executive Board and were not made in the individual and consolidated financial statements. Based on the audit procedures described above and the audit evidence obtained, we consider that the revenue recognition criteria adopted by the Executive Board and the related disclosures in the notes to the financial statements are acceptable in the context of the individual and consolidated financial statements taken as whole.

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Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2023 prepared under the responsibility of the Company's Executive Board and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company's individual and consolidated financial statements. In forming our opinion, we assess whether these statements are reconciled with the other financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the independent auditor's report

The Executive Board is responsible for such other information. The other information comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Board and those charged with governance for the individual and consolidated financial statements

The Executive Board is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by IASB, and for such internal control as the Executive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

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Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.

- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

Porto Alegre, March 22, 2024

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Otávio Ramos Pereira
Engagement Partner

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