



**Quotations (30-06-11):**

FJTA3 R\$ 3,36

FJTA4 R\$ 3,40

Porto Alegre, August 09, 2011 - Forjas Taurus S.A. (Bovespa: FJTA3, FJTA4), the largest producer of weapons in Latin America and one of the largest in the world, consisting of companies distributed between eight business units in Brazil and one in the USA, with its main activities involving the production and sale of weapons, motorbike helmets, large forging and tooling machinery, announces its results for the second quarter of 2011 (2Q11) and the accumulated results for the first semester of 2011 (1S11). The Company's operational and financial information, except when stated otherwise, is consolidated in accordance with IFRS – *International Financial Reporting Standards* and the monetary values are expressed in millions of Reais.

## COMMENTS ON CONSOLIDATED PERFORMANCE

### 1 – Economic – financial performance

#### 1.1 – Main economic-financial indicators

Market value  
(30-06-11):  
R\$ 478 million

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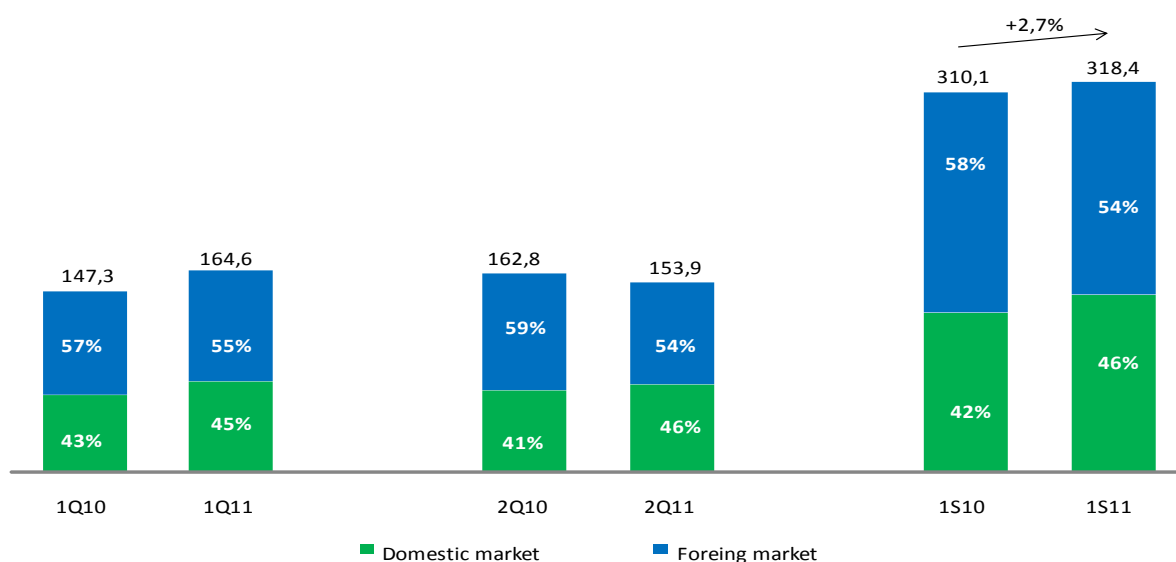
Amounts consolidated in millions of R\$, except when stated otherwise

	Quarter			Semester		
	2Q10	2Q11	Variation	1S10	1S11	Variation
Net income	162,8	153,9	-5,5%	310,1	318,4	+2,7%
Domestic market	66,6	70,8	+6,3%	130,0	145,1	+11,6%
Foreign market	96,2	83,1	-13,6%	180,1	173,3	-3,8%
Exports – US\$	44,2	52,9	+19,8%	99,3	107,0	+7,7%
Gross profit	61,2	59,7	-2,5%	137,2	119,8	-12,7%
Gross margin - %	37,6	38,8	+1,2 p.p.	44,2	37,6	-6,6 p.p.
Operational profit (EBIT)	22,6	16,6	-26,4%	51,2	36,0	-29,6%
Net profit	19,2	(0,2)	-	34,0	6,9	-79,6%
Net margin - %	11,8	-0,1	-11,7 p.p.	11,0	2,2	-8,8 p.p.
EBITDA <sup>1</sup>	32,2	24,4	-24,3%	71,0	51,9	-27,0%
EBITDA margin - %	19,8	15,8	-4,0 p.p.	22,9	16,3	-6,6 p.p.
Total assets	923,8	960,7	+4,0%	923,8	960,7	+4,0%
Shareholders' equity	441,5	459,6	+4,1%	441,5	459,6	+4,1%
Investments	14,4	12,8	-11,4%	24,0	27,1	+13,0%

<sup>1</sup> - EBITDA = profit before interest, taxes, depreciation and amortization

#### 1.2 – Consolidated net income

Consolidated net income reported in 2Q11 amounted to R\$ 153,9 million (R\$ 162,8 million in 2Q10). For the accumulated 1S11, consolidated net income reported an increase of 2,7% compared to the same period from the previous year, reaching R\$ 318,4 million. This change is due mainly to the following factors: (i) valuation of the Brazilian Real against the North American dollar, which resulted in a decrease, when measured in Reais, of 3,8% of consolidated net income on the foreign market; (ii) decrease of 49,2% in sales from the machine-tooling segment; and (iii) an increase of 29,4% in sales from the motorcycle helmet segment.



### 1.3 – Information by business segment

The following table illustrates the consolidated financial results by business segment:

	Net income			Gross profit			Gross margin		
	1S10	1S11	Var.	1S10	1S11	Var.	1S10	1S11	Var.
<b>Weapons</b>	208,8	223,8	7,1%	111,2	94,4	-15,1%	53,2%	42,2%	-11,0 p.p.
<b>Helmets</b>	43,9	56,8	29,4%	19,2	23,9	24,8%	43,7%	42,1%	-1,6 p.p.
<b>Machinery</b>	28,8	14,6	-49,2%	2,0	(1,4)		6,9%	-9,4%	
<b>Other</b>	28,6	23,2	-18,6%	4,9	2,9	-41,1%	17,2%	12,5%	-4,7 p.p.
<b>Total</b>	<b>310,1</b>	<b>318,4</b>	<b>2,7%</b>	<b>137,2</b>	<b>119,8</b>	<b>-12,7%</b>	<b>44,2%</b>	<b>37,6%</b>	<b>-6,7 p.p.</b>

- (i) Weapons – operations undertaken by Forjas Taurus S.A. and Taurus Holdings, Inc. (United States);
- (ii) motorcycle helmets – operations undertaken by Taurus Blindagens Ltda., Taurus Helmets Indústria Plástica Ltda. and Taurus Blindagens Nordeste Ltda.;
- (iii) Machinery – operations undertaken by Taurus Máquinas-Ferramenta Ltda.;
- (iv) Others – Forging (Forjas Taurus S.A.), boilers (1S10 Forjas Taurus S.A. and 1S11 Taurus Máquinas-Ferramenta Ltda.), bullet proof jackets and plastic products (Taurus Blindagens Ltda.)

#### Weapons

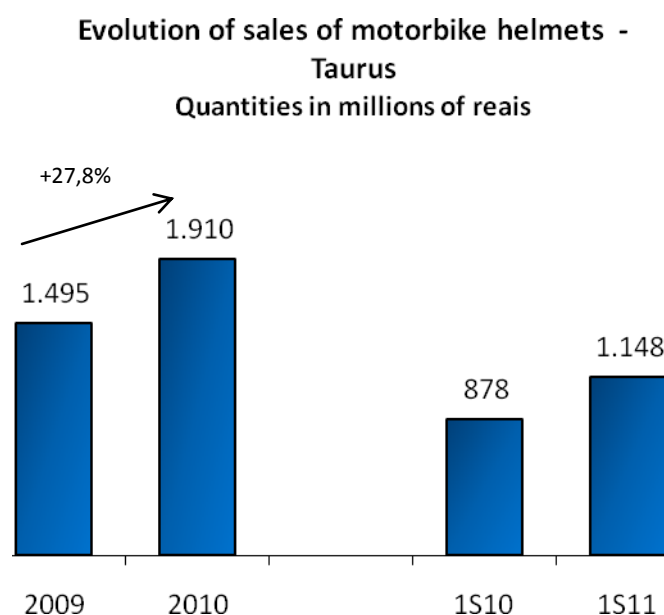
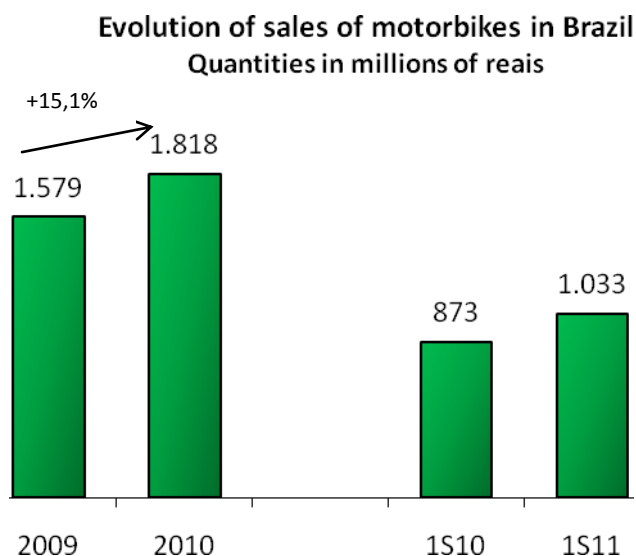
In 2Q11 this segment represented 70,2% of total consolidated net income, reaching R\$ 108,1 million (R\$ 105,6 million, equivalent to 64,9% of total consolidated net income in 2Q10). In 1S11, the segment reported consolidated net income of R\$ 223,8 million, representing 70,3% of total net income and 7,1% higher than total consolidated net income registered in the same period for 2010 (R\$ 208,8 million, representing 67,3% of total consolidated net income in 1S10).

#### Motorcycle helmets

Sales of motorcycle helmets represented 18,7% (R\$ 28,8 million) of total consolidated net income of 2Q11, representing an increase of 24,4% compared to R\$ 23,2 million, equivalent to 14,2% of total consolidated net income in 2Q10. In 1S11, the segment represented 17,8% of total consolidated net income, reaching R\$ 56,8 million, 29,4% greater than the R\$ 43,9 million, or 14,1%, of total consolidated net income for 1S10.

Sales volumes of motorbikes in Brazil in 2010 and in the first semester of this year leveraged the sales of motorcycle helmets, with the main consumer market being individuals, mainly from economic classes C and D.

3Presented below is the evolution of sales for the motorbike market in Brazil and the evolution of sales of motorcycle helmets by Taurus, in the years 2009 and 2010 and for the first semesters of 2010 and 2011.



### Machines tools

Net income from large tooling machinery in 2Q11 was R\$ 6 million, representing 3,9% of total consolidated net income (R\$ 18,7 million, equal to 11,5% of total consolidated net income in 2Q10). In 1S11, the segment registered net income of R\$ 14,6 million, or 4,6% of total consolidated net income (R\$ 28,8 million, equal to 9,3% of total consolidated net income for 1S10).

### Other segments

Net income from other products, amounted to R\$ 11 million in 2Q11, representing 7,1% of total consolidated net income (R\$ 15,3 million, equivalent to 9,4% of total consolidated net income in 2Q10). Accumulated for the 1S11, net income reached R\$ 23,2 million, equivalent to 7,3% of total consolidated net income (R\$ 28,7 million, or 9,2% of total consolidated net income for 1S10).

#### **1.4 –Gross profit and gross margin**

Consolidated gross profit reached R\$ 59,7 million in 2Q11, representing a gross margin of 38,8% (R\$ 61,2 million registered in 2Q10 and gross margin of 37,6%). In 1S11, gross profit reached R\$ 119,8 million and gross margin of 37,6% (R\$ 137,2 million and gross margin of 44,2% in 1S10). The gross profit and gross margin were influenced mainly by the following factors: (i) valuation of the Real against the North American currency; and (ii) increase in the costs of production and raw materials for weapons and motorcycle helmets, respectively.

#### **1.5 – Net operational expenses**

Operational expenses (sales, general, administrative and other), net of other operational income, in 2Q11 amounted to R\$ 43,1 million or 28% of total consolidated net income, (R\$ 38,7 million, equivalent to 23,7% of total consolidated net income for 2Q10). In 1S11, operational expenses amounted to R\$ 83,8 million, equivalent to 26,3%, of total consolidated net income, 1,7 p.p. below the R\$ 86 million, equivalent to 27,7% of total consolidated net income registered in 1S10.

#### **1.6 – Operational profit - EBIT**

Consolidated operational profit, measured based on the concept of EBIT (profit before interest and taxes), in 2Q11, amounted to R\$ 16,6 million, resulting in an operational margin of 10,8% (R\$ 22,6 million and operational margin of 13,8% in 2Q10). In 1S11, operational profit amounted to R\$ 36 million and the operational margin was 11,3% (R\$ 51,2 million and operational margin of 16,5% in 1S10).

#### **1.7 – EBITDA and EBITDA margin**

The generation of consolidated cash in 2Q11, measured based on EBITDA (profit before interest, taxes, depreciation and amortization), amounted to R\$ 24,4 million and registered an EBITDA margin of 15,8% (R\$ 32,2 million and EBITDA margin of 19,8% in 2Q10). The EBITDA for 1S11 amounted to R\$ 51,9 million and the EBITDA margin was 16,3% (R\$ 71 million and EBITDA margin of 22,9% in 1S10). The variation in the EBITDA was due mainly to the reduction reported for gross profit, affected by the factors highlighted in item 1.4 and the reduction of 3% in total operational expenses, net, as reported in item 1.5.

#### **1.8 – Financial results**

The net financial results in 2Q11 was R\$ 10,7 million, negative (R\$ 0,6 million positive, for the same period in 2010). The net financial result accumulated for the semester was R\$ 14,8 million negative (R\$ 3,1 million, negative in 1S10). This increase in net financial expenses is due to the following factors: (i) valuation of the Real against the North American currency, resulting in a currency loss on export receivables; and (ii) increase in financial costs of loans and financing, particularly the Selic rate and CDI.

#### **1.9 – Net results**

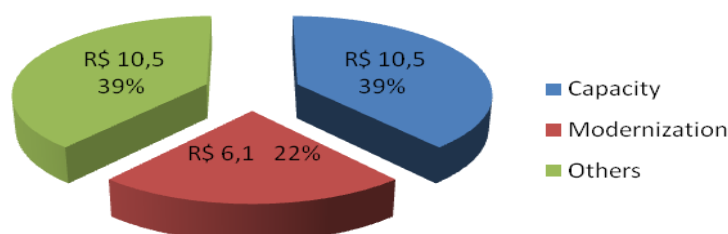
Consolidated net results for 2Q11, reported a loss of R\$ 0,2 million (net profit of R\$ 19,2 million in 2Q10). In 1S10, Forjas Taurus S.A. and the consolidated companies reported net profit of R\$ 6,9 million (R\$ 34 million for the same period in 2010). This decrease in consolidated net profit was due mainly to the following factors: (a) Positive: (i) decrease in net operational expenses; (ii) realization of profits on consolidated inventories; (b) Negative: (i) valuation of the Real against the US dollar; (ii) decrease of 49,2% in net income for the machine tooling segment, resulting in

negative gross margin; (iii) increase in the production costs and costs of raw materials for weapons and motorcycle helmets, respectively; and (iii) increase in net financial expenses.

### 1.10 – Consolidated investments

The consolidated investments in property, plant and equipment in 2Q11 amounted to R\$ 12,8 million (R\$ 14,4 million in 2Q10). Depreciation and amortization amounted to R\$ 7,8 million (R\$ 8,1 million in 2Q10). Accumulated investments in the first semester of 2011, amounted to R\$ 27,1 million (R\$ 24 million in 1S10) and depreciation and amortization amounted to R\$ 15 million (R\$ 16,3 million in 1S10).

Equipment, facilities and production processes used by the Company and its subsidiaries enable the investment program to be managed in accordance with product launches and in accordance with market demand. Within this context, in 1S11, investments in property, plant and equipment were made as demonstrated in the following graph:



### 1.11 – Financial position

Cash and cash equivalents amounted to R\$ 187 million at 30-06-11 (R\$ 188,7 million at 31-12-10). Of this total, R\$ 110,6 million (R\$ 149 million at 31-12-10) comprises post fixed CDBs, remunerated at rates that vary between 98 and 103.5% of CDI, contracted from top line financial institutions.

The loans and financing for the Taurus companies are allocated mainly to finance: (i) working capital; (ii) investments to modernize the factory park; and (iii) exports. Net indebtedness at 30-06-11, for the amount of R\$ 142,9 million (R\$ 141,3 million at 31-12-10), the changes compared to 31-12-10 and the main related indicators, are illustrated below:

	In millions of R\$		
	<u>31-12-10</u>	<u>30-06-11</u>	<u>Variation</u>
Short term indebtedness	123,3	139,5	+13,1%
Long term indebtedness	206,7	190,4	-7,9%
Gross indebtedness	330,0	329,9	-
(-) Cash and cash equivalents and financial investments	188,7	187,0	-0,9%
Net indebtedness	141,3	142,9	+1,1%
Net indebtedness /EBITDA	1,02x	1,19x <sup>(1)</sup>	+0,17 x
EBITDA/financial expenses, net	18,1x	9,2x <sup>(1)</sup>	-8,9x

(1) 12 months adjusted EBITDA for the period ended 30-06-11.

## 2 – Capitals market

### 2.1 – Performance of shares in Forjas Taurus S.A. - Bovespa

The Company's shares have been listed on Bovespa since March 1982. The preference shares, (FJTA4), which has greatest market liquidity, closed 1S11 quoted at R\$ 3,40.

	30-06-10	30-12-10	30-06-11
<b>(i) Share quotation – R\$ Historic</b>			
ON (FJTA3)	5,30	5,50	3,36
PN (FJTA4)	5,00	4,10	3,40
<b>(ii) Number of shares</b>			
ON	42.744.720	42.744.720	47.019.192
PN	85.489.440	85.489.440	94.038.384
Total	128.234.160	128.234.160	141.057.576
<b>(ii) Market value – In millions of R\$</b>			
ON	226.547	235.096	157.984
PN	427.447	350.507	319.731
Total	653.994	585.603	477.715

### 2.2 – Adhesion to level 2 – BM&FBOVESPA

In the ceremony held on 07-07-2011 at BM&FBOVESPA, Forjas Taurus S.A. officially joined Level 2 trading on the Stock Exchange. It has operated on the Stock Exchange since 1982, the Company is now part of the 180 companies belonging to the differentiated listing of Corporate Governance.



## 3 – Guidance 3Q11

Forjas Taurus S.A. and the consolidated companies present below the consolidated guidance for 3Q11:

**Net income**

**R\$ 197 million**

**EBITDA**

**R\$ 30 million**

**Investments**

**R\$ 10 million**