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

Taurus Armas S.A.

Individual and Consolidated Financial Statements for the Year Ended December 31, 2022 and Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

Contents

Company Data/Capital Breakdown

Number of shares (units)	Current Year 12/31/2022
Common - Paid-in capital	46,445,314
Preferred - Paid-in capital	80,189,120
Total - Paid-in Capital	126,634,434
Common - Held in treasury	-
Preferred - Held in treasury	-
Total - Held in treasury	-

Individual FS / Balance Sheet - Assets

(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
1	Total assets	2,122,509	1,936,806
1.01	Current assets	819,991	862,066
1.01.01	Cash and cash equivalents	107,155	65,399
1.01.01.01	Cash and banks	91,055	54,006
1.01.01.02	Highly liquid short-term investments	16,100	11,393
1.01.02	Short-term investments	92,010	70,778
1.01.02.03	Short-term investments at evaluated at amortized cost	92,010	70,778
1.01.03	Accounts receivable	224,150	360,933
1.01.03.01	Trade receivables	224,150	360,933
1.01.04	Inventories	331,810	274,370
1.01.06	Recoverable taxes	22,939	53,471
1.01.06.01	Recoverable current taxes	22,939	53,471
1.01.07	Prepaid expenses	6,408	7,265
1.01.08	Other current assets	35,519	29,850
1.01.08.03	Other	35,519	29,850
1.01.08.03.03	Related parties - financial loan	12,682	4,326
1.01.08.03.04	Other receivables	22,837	25,524
1.02	Noncurrent assets	1,302,518	1,074,740
1.02.01	Long-term receivables	216,782	160,678
1.02.01.03	Long-term investments at evaluated at amortized cost	21,931	-
1.02.01.07	Deferred taxes	37,338	101,951
1.02.01.07.01	Deferred income tax and social contribution	37,338	101,951
1.02.01.09	Due from related parties	86,471	40,681
1.02.01.09.02	Receivables from subsidiaries	86,471	40,681
1.02.01.10	Other noncurrent assets	71,042	18,046
1.02.01.10.03	Recoverable taxes	14,435	4,886
1.02.01.10.04	Other	56,607	13,160
1.02.02	Investments	727,546	683,822
1.02.02.01	Equity interests	727,546	683,822
1.02.02.01.02	Equity interests in subsidiaries	727,546	683,822
1.02.03	Property, plant and equipment	304,109	204,027
1.02.03.01	Fixed assets in use	190,483	182,697
1.02.03.03	Construction in progress	113,626	21,330
1.02.04	Intangible assets	54,081	26,213
1.02.04.01	Intangible assets	54,081	26,213
1.02.04.01.02	Intangible assets	54,081	26,213

Individual FS / Balance Sheet - Liabilities

(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
2	Total liabilities and equity	2,122,509	1,936,806
2.01	Current liabilities	840,338	959,181
2.01.01	Payroll, benefits and taxes thereon	46,662	46,450
2.01.01.01	Payroll and related taxes	6,358	9,479
2.01.01.02	Payroll and related taxes	40,304	36,971
2.01.02	Trade payables	70,543	90,658
2.01.02.01	Local suppliers	54,951	66,300
2.01.02.02	Foreign suppliers	15,592	24,358
2.01.03	Taxes payable	49,025	39,102
2.01.03.01	Federal tax liabilities	43,832	34,394
2.01.03.01.01	Income tax and social contribution payable	14,679	15,301
2.01.03.01.02	Other taxes	29,153	19,093
2.01.03.02	State tax liabilities	5,160	4,678
2.01.03.03	Municipal tax liabilities	33	30
2.01.04	Borrowings and financing	392,967	618,904
2.01.04.01	Borrowings and financing	392,967	618,904
2.01.04.01.01	In local currency	1,838	43,572
2.01.04.01.02	In foreign currency	391,129	575,332
2.01.05	Other payables	220,752	122,520
2.01.05.02	Other	220,752	122,520
2.01.05.02.02	Dividends payable	164,119	68,002
2.01.05.02.08	Advances from customers	38,631	40,897
2.01.05.02.09	Other payables	18,002	13,621
2.01.06	Provisions	60,389	41,547
2.01.06.01	Tax, social security, labor and civil provisions	54,103	35,012
2.01.06.01.01	Tax provisions	47,727	27,689
2.01.06.01.02	Social security and labor provisions	5,328	6,536
2.01.06.01.04	Civil provisions	1,048	787
2.01.06.02	Other provisions	6,286	6,535
2.01.06.02.01	Provision for warranties	6,286	6,535
2.02	Noncurrent liabilities	257,940	220,578
2.02.01	Borrowings and financing	95,258	74,407
2.02.01.01	Borrowings and financing	95,258	74,407
2.02.01.01.01	In local currency	1,820	-
2.02.01.01.02	In foreign currency	93,438	74,407
2.02.02	Other payables	112,024	95,164
2.02.02.01	Due to related parties	57,546	53,996

2.02.02.01.04	Due to other related parties	57,546	53,996
2.02.02.02	Other	54,478	41,168
2.02.02.02.03	Taxes payable	14,222	22,707
2.02.02.02.04	Provision for negative equity	19,474	18,461
2.02.02.02.06	Trade payables	12,641	-
2.02.02.02.09	Other payables	8,141	-
2.02.04	Provisions	50,658	51,007
2.02.04.01	Tax, social security, labor and civil provisions	50,658	51,007
2.02.04.01.01	Provisions Tax	221	221
2.02.04.01.02	Social security and labor provisions	36,095	35,818
2.02.04.01.04	Civil provisions	14,342	14,968
2.03	Equity	1,024,231	757,047
2.03.01	Issued capital	367,936	308,191
2.03.02	Capital reserves	- 21,355	- 27,281
2.03.02.03	Disposal of subscription warrants	9,880	9,880
2.03.02.04	Stock options granted	14,090	5,423
2.03.02.09	Capital Transactions	- 45,325	- 42,584
2.03.04	Profit reserve	464,256	233,936
2.03.04.01	Legal reserve	41,064	15,065
2.03.04.05	Profit retention reserve	304,702	-
2.03.04.07	Tax incentive reserve	118,490	92,587
2.03.04.08	Proposed additional dividends	-	126,284
2.03.06	Valuation adjustments to equity	44,535	45,225
2.03.08	Cumulative translation adjustments	168,859	196,976
2.03.08.01	Cumulative translation adjustments	168,859	196,976

Individual FS / Statement of Profit or Loss
(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
3.01	Net operating revenue	1,739,990	1,728,844
3.02	Cost of sales	-903,474	-867,550
3.03	Gross profit	836,516	861,294
3.04	Operating (expenses) income	-99,840	59,449
3.04.01	Selling expenses	-99,071	-90,569
3.04.02	General and administrative expenses	-120,122	-129,999
3.04.03	Impairment losses	-2,639	-1,696
3.04.04	Other operating income	45,949	97,511
3.04.05	Other operating expenses	5,213	-13,205
3.04.06	Equity in earnings (losses)	70,830	197,407
3.05	Profit before finance income (costs) and taxes	736,676	920,743
3.06	Finance income (expenses)	21	-67,693
3.06.01	Finance income	383,372	223,521
3.06.02	Finance expenses	-383,351	-291,214
3.07	Pretax income	736,697	853,050
3.08	Income tax and social contribution	-216,713	-217,990
3.08.01	Current	-152,099	-153,650
3.08.02	Deferred	-64,614	-64,340
3.09	Profit (loss) from continuing operations	519,984	635,060
3.11	profit (loss) for the period	519,984	635,060
3.99	Earnings per share (R$/share)	-	-
3.99.01	Basic earnings per share	-	-
3.99.01.01	Common shares (ON)	4.10618	5.37733
3.99.01.02	Preferred shares (PN)	4.40376	6.48158
3.99.02	Diluted earnings per share	-	-
3.99.02.01	Common shares (ON)	4.10618	5.37733
3.99.02.02	Preferred shares (PN)	4.40376	5.89284

Individual FS / Statement of Comprehensive Income
(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
4.01	Profit for the period	519,984	635,060
4.02	Other comprehensive income	- 28,116	25,014
4.02.01	Translation adjustments for the period	- 28,116	25,014
4.03	Comprehensive income for the period	491,868	660,074

Individual FS / Statement of Cash Flows - Indirect Method

(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
6.01	Net cash from operating activities	689,901	199,562
6.01.01	Cash generated by operating activities	615,808	660,736
6.01.01.01	Profit (loss) before income tax and social contribution	736,697	853,050
6.01.01.02	Depreciation and amortization	15,163	12,808
6.01.01.03	Cost of capital assets written off	16,335	3,597
6.01.01.04	Allowance for doubtful debts	2,639	1,696
6.01.01.05	Share of results of investees	-70,830	-197,407
6.01.01.08	Accrued interest on borrowings and intragroup borrowings	38,966	33,857
6.01.01.10	Allowance for inventory losses	-2,831	-3,812
6.01.01.11	Provision for warranties	18,742	-5,062
6.01.01.12	Provision for civil, labor and tax risks	-249	-2,623
6.01.01.13	Exchange differences on borrowings and other items	-138,824	-35,368
6.01.02	Changes in assets and liabilities	228,883	-315,688
6.01.02.01	(Increase) decrease in trade receivables	134,144	-179,362
6.01.02.02	Decrease (increase) in inventories	-54,610	-65,664
6.01.02.03	Decrease (increase) in other receivables	-24,534	-31,221
6.01.02.04	(Decrease) increase in trade payables	-7,474	7,602
6.01.02.05	Increase (decrease) in accounts payable	181,357	-47,043
6.01.03	Other	-154,790	-145,486
6.01.03.01	Payment of income tax and social contribution	-154,790	-145,486
6.02	Net cash from investing activities	-251,142	-179,831
6.02.01	Due from related parties	-45,792	-11,086
6.02.02	In investments	-2,739	-
6.02.04	In property, plant and equipment	-129,735	-88,298
6.02.05	In intangible assets	-29,713	-9,669
6.02.06	Financial investments	-43,163	-70,778
6.03	Net cash from financing activities	-397,003	11,045
6.03.01	Payment of interest on equity and dividends	-194,238	-
6.03.02	Borrowings and intragroup borrowings	276,070	182,696
6.03.03	Repayment of borrowings	-345,728	-243,477
6.03.04	Capital increase	-104,325	118,869
6.03.06	Payment of interest on borrowings and intragroup borrowings	-	-
6.03.07	Payment of interest on borrowings and intragroup borrowings	-32,176	-31,224
6.03.10	Due to related parties	3,394	-15,819
6.05	Increase (decrease) in cash and cash equivalents	41,756	30,776
6.05.01	Cash and cash equivalents at the beginning of the year	65,399	34,623
6.05.02	Cash and cash equivalents at the end of the year	107,155	65,399

Individual FS / Statement of Value Added
(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
7.01	Revenue	2,279,878	2,318,707
7.01.01	Sales of goods and services	2,236,568	2,222,892
7.01.02	Other income	45,949	97,511
7.01.04	Allowance for (reversal of) doubtful debts	- 2,639	- 1,696
7.02	Inputs purchased from third parties	- 814,434	- 800,179
7.02.01	Cost of products, goods and services sold	- 551,372	- 547,715
7.02.02	Supplies, power, outside services and other inputs	- 263,062	- 252,464
7.03	Gross value added	1,465,444	1,518,528
7.04	Withholdings	- 15,163	- 12,808
7.04.01	Depreciation, amortization and depletion	- 15,163	- 12,808
7.05	Wealth created	1,450,281	1,505,720
7.06	Wealth received in transfer	454,202	420,928
7.06.01	Equity in earnings (losses)	70,830	197,407
7.06.02	Finance income	383,372	223,521
7.07	Wealth for distribution	1,904,483	1,926,648
7.08	Wealth distributed	1,904,483	1,926,648
7.08.01	Personnel expenses	235,148	233,637
7.08.01.01	Wages	175,835	156,987
7.08.01.02	Benefits	47,015	65,574
7.08.01.03	Severance Pay Fund (FGTS)	12,298	11,076
7.08.02	Taxes, fees and contributions	760,680	762,587
7.08.02.01	Federal	588,264	637,906
7.08.02.02	State	172,141	124,442
7.08.02.03	Municipal	275	239
7.08.03	Lenders and lessors	388,671	295,364
7.08.03.01	Interest	383,350	291,214
7.08.03.02	Rentals	5,321	4,150
7.08.04	Shareholders	519,984	635,060
7.08.04.03	Retained earnings (accumulated losses)	519,984	635,060

Individual FS / Statements of Changes in Equity / SCE - 01/01/2022 to 12/31/2022
(In thousands of Brazilian reais)

Line Item	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	308,191	-27,281	233,936	-	242,201	757,047
5.03	Adjusted opening balances	308,191	-27,281	233,936	-	242,201	757,047
5.04	Shareholders' capital transactions	59,745	5,926	-126,285	-164,070	-	-224,684
5.04.01	Capital increases	59,745	-	-	-	-	59,745
5.04.03	Recognized stock options granted	-	8,666	-	-	-	8,666
5.04.06	Dividends	-	-	-126,285	-164,070	-	-290,355
5.04.08	Others transactions	-	-2,740	-	-	-	-2,740
5.05	Total comprehensive income	-	-	-	519,984	-28,116	491,868
5.05.01	Profit for the period	-	-	-	519,984	-	519,984
5.05.02	Other comprehensive income	-	-	-	-	-28,116	-28,116
5.05.02.04	Translation adjustments for the period	-	-	-	-	-28,116	-28,116
5.06	Internal changes in equity	-	-	356,605	-355,914	-691	-
5.06.01	Recognition of reserves	-	-	356,605	-356,605	-	-
5.06.02	Realization of revaluation reserve	-	-	-	691	-691	-
5.07	Closing balances	367,936	-21,355	464,256	-	213,394	1,024,231

Individual FS / Statements of Changes in Equity / SCE - 01/01/2021 to 12/31/2021
(In thousands of Brazilian reais)

Line Item	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	560,287	-31,116	-	-704,720	217,818	42,269
5.03	Adjusted opening balances	560,287	-31,116	-	-704,720	217,818	42,269
5.04	Shareholders' capital transactions	-252,096	3,835	126,284	176,681	-	54,704
5.04.01	Capital increases	118,869	-	-	-	-	118,869
5.04.03	Recognized stock options granted	-	5,423	-	-	-	5,423
5.04.06	Dividends	-	-	126,284	-194,284	-	-68,000
5.04.08	Others transactions	-	-1,588	-	-	-	-1,588
5.04.09	Reduction of share capital	-370,965	-	-	370,965	-	-
5.05	Total comprehensive income	-	-	-	635,060	25,014	660,074
5.05.01	Profit for the period	-	-	-	635,060	-	635,060
5.05.02	Other comprehensive income	-	-	-	-	25,014	25,014
5.05.02.04	Translation adjustments for the period	-	-	-	-	25,014	25,014
5.06	Internal changes in equity	-	-	107,652	-107,021	-631	-
5.06.01	Recognition of reserves	-	-	107,652	-107,652	-	-
5.06.02	Realization of revaluation reserve	-	-	-	631	-631	-
5.07	Closing balances	308,191	-27,281	233,936	-	242,201	757,047

Consolidated FS / Balance Sheet - Assets
(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
1	Total assets	2,276,173	2,093,620
1.01	Current assets	1,467,612	1,455,990
1.01.01	Cash and cash equivalents	201,219	185,764
1.01.01.01	Cash and banks	178,607	171,251
1.01.01.02	Highly liquid short-term investments	22,612	14,513
1.01.02	Short-term investments	105,544	70,778
1.01.02.01	Short-term investments at fair value through profit or loss	-	-
1.01.02.01.01	Bank certificates of deposit	-	-
1.01.02.03	Short-term investments at evaluated at amortized cost	105,544	70,778
1.01.03	Accounts receivable	352,437	515,163
1.01.03.01	Trade receivables	352,437	515,163
1.01.04	Inventories	630,390	491,864
1.01.06	Recoverable taxes	37,039	65,261
1.01.06.01	Recoverable current taxes	37,039	65,261
1.01.07	Prepaid expenses	41,946	30,985
1.01.08	Other current assets	99,037	96,175
1.01.08.01	Noncurrent assets for sale	68,034	66,396
1.01.08.03	Other	31,003	29,779
1.01.08.03.02	Others account receivables	31,003	29,779
1.02	Noncurrent assets	808,561	637,630
1.02.01	Long-term receivables	165,705	151,816
1.02.01.03	Long-term investments at evaluated at amortized cost	21,931	-
1.02.01.07	Deferred taxes	60,855	121,380
1.02.01.07.01	Deferred income tax and social contribution	60,855	121,380
1.02.01.10	Other noncurrent assets	82,919	30,436
1.02.01.10.03	Other	15,176	5,627
1.02.01.10.04	Recoverable taxes	67,743	24,809
1.02.02	Investments	4,373	4,420
1.02.02.01	Equity interests	4,373	4,420
1.02.02.01.04	Investments in joint ventures	4,214	4,261
1.02.02.01.05	Other investments	159	159
1.02.03	Property, plant and equipment	512,701	379,023
1.02.03.01	Fixed assets in use	352,958	302,958
1.02.03.03	Construction in progress	159,743	76,065
1.02.04	Intangible assets	125,782	102,371
1.02.04.01	Intangible	125,782	102,371
1.02.04.01.02	Intangible assets	125,782	102,371
1.02.04.02	Goodwill	-	-

Consolidated FS / Balance Sheet - Liabilities

(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
2	Total liabilities and equity	2,276,173	2,093,620
2.01	Current liabilities	998,666	1,119,801
2.01.01	Payroll, benefits and taxes thereon	66,948	66,860
2.01.01.01	Payroll and related taxes	6,924	10,068
2.01.01.02	Payroll and related taxes	60,024	56,792
2.01.02	Trade payables	112,230	143,606
2.01.02.01	Local suppliers	69,285	82,160
2.01.02.02	Foreign suppliers	42,945	61,446
2.01.03	Taxes payable	86,843	96,632
2.01.03.01	Federal tax liabilities	80,930	91,276
2.01.03.01.01	Income tax and social contribution payable	16,326	21,105
2.01.03.01.02	Other taxes	64,604	70,171
2.01.03.02	State tax liabilities	5,848	5,311
2.01.03.03	Municipal tax liabilities	65	45
2.01.04	Borrowings and Financing	392,967	618,904
2.01.04.01	Borrowings and Financing	392,967	618,904
2.01.04.01.01	In local currency	1,838	43,572
2.01.04.01.02	In foreign currency	391,129	575,332
2.01.05	Other payables	258,369	140,158
2.01.05.02	Other	258,369	140,158
2.01.05.02.02	Dividends payable	164,119	68,002
2.01.05.02.09	Other payables	38,915	41,181
2.01.05.02.11	Other payables	55,335	25,145
2.01.06	Provisions	71,598	53,641
2.01.06.01	Tax, social security, labor and civil provisions	60,599	41,731
2.01.06.01.01	Tax provisions	48,003	27,689
2.01.06.01.02	Social security and labor provisions	6,693	8,776
2.01.06.01.04	Civil provisions	5,903	5,266
2.01.06.02	Other allowances, provisions and accruals	10,999	11,910
2.01.06.02.01	Provision for warranties	10,999	11,910
2.01.07	Liabilities on non-current assets for sale and discontinued	9,711	5,830
2.01.07.02	Liabilities on assets from discontinued operations	9,711	5,830
2.02	Noncurrent liabilities	253,276	216,772
2.02.01	Borrowings and financing	95,258	74,407
2.02.01.01	Borrowings and financing	95,258	74,407
2.02.01.01.01	In local currency	1,820	-
2.02.01.01.02	In foreign currency	93,438	74,407

2.02.02	Other payables	80,140	64,169
2.02.02.01	Due to related parties	1,808	1,651
2.02.02.01.04	Due to other related parties	1,808	1,651
2.02.02.02	Other	78,332	62,518
2.02.02.02.04	Other Payables	22,597	23,583
2.02.02.02.06	Trade payables	12,641	-
2.02.02.02.09	Other Payables	43,094	38,935
2.02.03	Deferred taxes	16,738	16,469
2.02.03.01	Deferred income tax and social contribution	16,738	16,469
2.02.04	Provisions	61,140	61,727
2.02.04.01	Tax, social security, labor and civil provisions	56,129	55,191
2.02.04.01.01	Tax provisions	2,706	2,641
2.02.04.01.02	Social security and labor provisions	37,529	37,563
2.02.04.01.04	Civil provisions	15,894	14,987
2.02.04.02	Other allowances, provisions and accruals	5,011	6,536
2.02.04.02.01	Provision for warranties	5,011	6,536
2.03	Consolidated equity	1,024,231	757,047
2.03.01	Issued capital	367,936	308,191
2.03.02	Capital reserves	- 21,355	- 27,281
2.03.02.03	Disposal of subscription warrants	9,880	9,880
2.03.02.04	Stock options granted	14,090	5,423
2.03.02.09	Capital Transactions	- 45,325	- 42,584
2.03.04	Profit reserve	464,256	233,936
2.03.04.01	Legal reserve	41,064	15,065
2.03.04.05	Profit retention reserve	304,702	-
2.03.04.07	Tax incentive reserve	118,490	92,587
2.03.04.08	Proposed additional dividends	-	126,284
2.03.05	Retained earnings/accumulated losses	-	-
2.03.06	Valuation adjustments to equity	44,535	45,225
2.03.08	Cumulative translation adjustments	168,859	196,976
2.03.08.01	Cumulative translation adjustments	168,859	196,976

Consolidated FS / Statement of Profit or Loss
(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
3.01	Net operating revenue	2,540,021	2,740,464
3.02	Cost of sales	- 1,379,597	- 1,422,708
3.03	Gross profit	1,160,424	1,317,756
3.04	Operating (expenses) income	- 399,574	- 344,191
3.04.01	Selling expenses	- 252,716	- 241,989
3.04.02	General and administrative expenses	- 201,921	- 205,125
3.04.03	Impairment losses	- 2,804	- 1,509
3.04.04	Other operating income	52,540	117,931
3.04.05	Other operating expenses	8,687	- 12,981
3.04.06	Equity in earnings (losses)	- 3,360	- 518
3.05	Profit before finance income (costs) and taxes	760,850	973,565
3.06	Finance income (expenses)	- 4,732	- 72,281
3.06.01	Finance income	383,378	224,975
3.06.02	Finance expenses	- 388,110	- 297,256
3.07	Pretax income	756,118	901,284
3.08	Income tax and social contribution	- 233,341	- 263,904
3.08.01	Current	- 171,864	- 179,195
3.08.02	Deferred	- 61,477	- 84,709
3.09	Profit (loss) from continuing operations	522,777	637,380
3.10	Profit (loss) from discontinued operations, net	- 2,793	- 2,320
3.10.01	Profit (loss) from discontinued operations	- 2,793	- 2,320
3.11	Consolidated profit (loss) for the period	519,984	635,060
3.11.01	Attributable to owners of the Company	519,984	635,060
3.99	Earnings per share (R$/share)	-	-
3.99.01	Basic earnings per share	-	-
3.99.01.01	Common shares (ON)	4.10618	5.37733
3.99.01.02	Preferred shares (PN)	4.40376	6.48158
3.99.02	Diluted earnings per share	-	-
3.99.02.01	Common shares (ON)	4.10618	5.37733
3.99.02.02	Preferred shares (PN)	4.40376	5.89284

Consolidated FS / Statement of Comprehensive Income

(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
4.01	Consolidated profit for the period	519,984	635,060
4.02	Other comprehensive income	- 28,116	25,014
4.02.01	Translation adjustment for the period	- 28,116	25,014
4.03	Consolidated comprehensive income for the period	491,868	660,074
4.03.01	Attributable to owners of the Company	491,868	660,074

Consolidated FS / Statement of Cash Flows - Indirect Method

(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
6.01	Net cash from operating activities	525,345	397,939
6.01.01	Cash generated by operating activities	717,917	863,971
6.01.01.01	Profit (loss) before income tax and social contribution	756,118	901,284
6.01.01.02	Depreciation and amortization	31,310	28,805
6.01.01.03	Cost of capital assets written off	17,232	15,373
6.01.01.04	Other items that do not affect cash included in profit	-	-
6.01.01.05	Share of results of investees	3,360	518
6.01.01.07	Allowance for doubtful debts	557	1,509
6.01.01.10	Accrued interest on borrowings and intragroup loans	35,358	34,159
6.01.01.11	Provision for warranties	-4,608	-73,555
6.01.01.13	Net cash from discontinued operations	2,933	1,547
6.01.01.15	Exchange differences on translating borrowings and financing	-137,920	-35,109
6.01.01.16	Allowance for inventory losses	-3,793	-3,819
6.01.01.17	Provision for warranties	-	-
6.01.01.18	Exchange differences on translating borrowings and financing	-	-
6.01.01.19	Tax, social security, labor and civil provisions	19,806	-4,067
6.01.01.20	Net cash from discontinued operations	-2,436	-2,674
6.01.02	Changes in assets and liabilities	-17,867	-304,428
6.01.02.01	(Increase) decrease in trade receivables	150,935	-171,517
6.01.02.02	(Increase) decrease in inventories	-148,655	-163,126
6.01.02.03	(Increase) in other receivables	-49,222	-47,284
6.01.02.04	Increase in trade payables	-14,295	15,035
6.01.02.05	Increase in accounts payable	43,370	62,464
6.01.03	Other	-174,705	-161,604
6.01.03.01	Fair value of held-for-sale asset	2,218	4,283
6.01.03.02	Income tax and social contribution paid	-176,923	-165,887
6.02	Net cash from investing activities	-280,458	-247,536
6.02.01	Due from related parties	-911	-
6.02.03	In investments	-6,006	-4,779
6.02.04	In property, plant and equipment	-183,987	-159,771
6.02.05	In intangible assets	-29,949	-10,587
6.02.06	Financial investments	-56,697	-70,778
6.02.07	Net cash from discontinued investing activities	-2,908	-1,621
6.03	Net cash from financing activities	-236,860	-51,818
6.03.01	Payment of interest on equity and dividends	-194,238	-
6.03.02	Borrowings and intragroup borrowings	858,171	198,043
6.03.03	Repayment of borrowings	-930,039	-342,588
6.03.05	Capital increase	59,745	118,869
6.03.09	Debits with related parties	157	-
6.03.10	Payment of interest on borrowings and intragroup borrowings	-30,656	-27,874
6.03.11	Intragroup borrowings	-	1,651
6.03.13	Net cash generated by financing activities of discontinued operations	-	81
6.04	Exchange differences on translating cash and cash equivalents	7,428	-4,052
6.05	Increase (decrease) in cash and cash equivalents	15,455	94,533
6.05.01	Cash and cash equivalents at the beginning of the year	185,764	91,231
6.05.02	Cash and cash equivalents at the end of the year	201,219	185,764

Consolidated FS / Statement of Value Added
(In thousands of Brazilian reais)

Line Item	Description	Current Year 01/01/2022 to 12/31/2022	Prior Year 01/01/2021 to 12/31/2021
7.01	Revenue	3,119,837	3,385,572
7.01.01	Sales of goods and services	3,070,101	3,269,150
7.01.02	Other income	52,540	117,931
7.01.04	Allowance for (reversal of) doubtful debts	- 2,804	- 1,509
7.02	Inputs purchased from third parties	- 1,474,487	- 1,529,816
7.02.01	Cost of products, goods and services sold	- 999,793	- 1,071,643
7.02.02	Supplies, power, outside services and other inputs	- 474,694	- 458,173
7.03	Gross value added	1,645,350	1,855,756
7.04	Withholdings	- 31,310	- 28,805
7.04.01	Depreciation, amortization and depletion	- 31,310	- 28,805
7.05	Wealth created	1,614,040	1,826,951
7.06	Wealth received in transfer	377,225	222,137
7.06.01	Equity in earnings (losses)	- 3,360	- 518
7.06.02	Finance income	383,378	224,975
7.06.03	Other	- 2,793	- 2,320
7.06.03.20	Wealth created by discontinued operations for distribution	- 2,793	- 2,320
7.07	Wealth for distribution	1,991,265	2,049,088
7.08	Wealth distributed	1,991,265	2,049,088
7.08.01	Personnel expenses	262,950	262,328
7.08.01.01	Wages	197,485	178,907
7.08.01.02	Benefits	51,919	71,075
7.08.01.03	Severance Pay Fund (FGTS)	13,546	12,346
7.08.02	Taxes, fees and contributions	814,377	849,782
7.08.02.01	Federal	627,393	709,443
7.08.02.02	State	186,196	139,616
7.08.02.03	Municipal	788	723
7.08.03	Lenders and lessors	393,954	301,918
7.08.03.01	Interest	388,106	297,255
7.08.03.02	Rentals	5,848	4,663
7.08.05	Other	519,984	635,060
7.08.05.01	Accumulated losses, net of valuation adjustments to equity - Continuing operation	522,777	637,380
7.08.05.02	Accumulated losses, net of valuation adjustments to equity - discontinued operation	- 2,793	- 2,320

Consolidated FS / Statements of Changes in Equity / SCE -- 01/01/2022 to 12/31/2022
(In thousands of Brazilian reais)

Line Item	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	308,191	-27,281	233,936	-	242,201	757,047
5.03	Adjusted opening balances	308,191	-27,281	233,936	-	242,201	757,047
5.04	Shareholders' capital transactions	59,745	5,926	-126,285	-164,070	-	-224,684
5.04.01	Capital increases	59,745	-	-	-	-	59,745
5.04.03	Recognized stock options granted	-	8,666	-	-	-	8,666
5.04.06	Dividends	-	-	-126,285	-164,070	-	-290,355
5.04.08	Others transactions	-	-2,740	-	-	-	-2,740
5.05	Total comprehensive income	-	-	-	519,984	-28,116	491,868
5.05.01	Net income for the period	-	-	-	519,984	-	519,984
5.05.02	Other comprehensive income	-	-	-	-	-28,116	-28,116
5.05.02.04	Translation adjustments for the period	-	-	-	-	-28,116	-28,116
5.06	Internal changes in equity	-	-	356,605	-355,914	-691	-
5.06.01	Recognition of reserves	-	-	356,605	-356,605	-	-
5.06.02	Realization of revaluation reserve	-	-	-	691	-691	-
5.07	Closing balances	367,936	-21,355	464,256	-	213,394	1,024,231

Consolidated FS / Statements of Changes in Equity / SCE -- 01/01/2021 to 12/31/2021
(In thousands of Brazilian reais)

Line Item	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	560,287	-31,116	-	-704,720	217,818	42,269
5.03	Adjusted opening balances	560,287	-31,116	-	-704,720	217,818	42,269
5.04	Shareholders' capital transactions	-252,096	3,835	126,284	176,681	-	54,704
5.04.01	Capital increases	118,869	-	-	-	-	118,869
5.04.03	Recognized stock options granted	-	5,423	-	-	-	5,423
5.04.06	Dividends	-	-	126,284	-194,284	-	-68,000
5.04.08	Others transactions	-	-1,588	-	-	-	-1,588
5.04.09	Reduction of Share Capital	-370,965	-	-	370,965	-	-
5.05	Total comprehensive income	-	-	-	635,060	25,014	660,074
5.05.01	Net income for the period	-	-	-	635,060	-	635,060
5.05.02	Other comprehensive income	-	-	-	-	25,014	25,014
5.05.02.04	Translation adjustments for the period	-	-	-	-	25,014	25,014
5.06	Internal changes in equity	-	-	107,652	-107,021	-631	-
5.06.01	Recognition of reserves	-	-	107,652	-107,652	-	-
5.06.02	Realization of revaluation reserve	-	-	-	631	-631	-
5.07	Closing balances	308,191	-27,281	233,936	-	242,201	757,047

Taurus Armas S.A.

Management Report - FY2022

São Leopoldo, March 21, 2023

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, 2022, 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 2021, unless otherwise stated.

Message from Management

Upon the end of fiscal year 2022, we are once again pleased to submit Taurus' earnings. Such pride stems from the confirmation that we have successfully built a solid company, with consistent foundations, over the last few years. We rely on a modern and efficient operating base, drawing our focus to increasingly progress in terms of innovation, having consolidated a level of operating profitability that is quite comfortable on surpassing the average levels achieved by the global firearms industry, through a business model that assures strong cash generation, which allowed significantly reducing the bank debts and financial leverage, thereby transforming the capital structure. All of these aspects are indicative of a strong brand positioning in the markets where Taurus operates, and a brand that is admired by consumers.

The demand trend in the United States, the world's largest firearms market and, therefore, our major market, has confirmed our expectations, showing a downturn in comparison with the historical peaks observed in 2020 and, particularly, in 2021. In 2022, the NICS (National Instant Background Check System) - an index that shows the number of people who are willing to acquire a firearm in the United States - totaled 16.4 million inquiries, the third highest number in the historical series, since the indicator started being recorded in 2000, being surpassed only by data from 2020 and 2021. In light of such indicator performance only in 4Q22, one may observe a 20.4% increase over the prior quarter. This scenario arises from the market seasonality, which tends to show a lower turnover during the period from May to July, and a sales growth at the end of the year, due to the hunting season in this country, the "Black Friday" and Christmas season. At Taurus, we have adopted the strategic decision of taking advantage of this growth in retail demand at the end of 2022, with a view to lowering inventory levels in our distributors. During the first months of 2023, the upward trend in the indicator regarding the intention to buy firearms was repeated, which will positively affect our sales in the medium term.

Over the last few years, Taurus has gained market share in the United States and consolidated itself as the world's leading company in terms of sales volume in the sector. In January, we attended the SHOT Show, in Las Vegas - USA, the largest firearms trade fair in the world, where we launched nine new models of light firearms, further corroborating that, in view of the audience interest and contact with our distributors, our products have been increasingly recognized by our consumers. Such recognition has also led to three important awards being granted to us in 2022: the GX4 pistol won the Handgun of the Year 2022, from the American magazine GUNS & AMMO, and the Best Value Handgun (the best

cost-benefit), from Ballistic's; whereas the Taurus 856 Executive Grade revolver won the Golden Bullseye, from NRA (National Rifle Association), one of the most prestigious awards in the firearms industry. In January, we pioneered the launch of the T.O.R.O. (Taurus Optic Ready Option) revolver line.

The Brazilian market was heated in 2022, particularly due to expectations over the presidential elections and potential changes in legislation. As foreseen, this scenario became more pronounced in 4Q22, given the election of the current President, which generated an impact of higher demand, with the anticipation of purchases by consumers, in light of the imminence of more restrictive rules being imposed on the sale of firearms in the country.

In the foreign market, except for the USA, we have maintained our sales performance, serving over 40 countries in 2022. We have been constantly monitoring the market opportunities, as well as the international firearms biddings, where Taurus is highly competitive on account of the quality of its products and the best production costs. In 4Q22, two major sales were made to the Philippines, totaling more than 10,000 firearms delivered to the Army and police forces. We consider the Philippines to be an important strategic partner for Taurus and, although these sales slightly pressured our margins, since success in international biddings requires an effort in terms of pricing, our strong competitiveness still enabled us to maintain an interesting margin for the Company.

For 2023, we expect a challenging market, albeit with attractive opportunities in other countries, besides the USA, which we have been working on. We have foreseen the potential to supply over 44,000 tactical firearms and 90,000 pistols to the Indian market, where we are present and, in addition to the 425,000 rifles already disclosed, there are other opportunities for more than 55,000 firearms. On the one hand, there is the adverse economic environment. According to the Global Economic Prospects report, released by the World Bank in January, global growth is slowing sharply due to high inflation, higher interest rates, declining investments, and repercussions from the Russian invasion in Ukraine. The possibility of recession in some countries cannot yet be ruled out; however, on the other hand, a certain resilience in global economic activity can be perceived. Under this international scenario, the outlook for Brazil is not likely to be much different. In view of the foregoing, Taurus' solid position in relation to its indebtedness and cash flows is a relevant matter.

As regards the firearms market in the United States, which has always been an important priority for Taurus, demand is expected to stabilize at a level higher than that attained during the pre-pandemic period. As previously mentioned, the NICS accumulated in the first two months of 2023 substantiates this trend, posting an increase of 2.7% over the same period of 2022, and of 24.5% in relation to the first two months of 2019, before the pandemic beginning. In Brazil, the market slightly downturned at the beginning of the year on awaiting the regulation of the decree that will determine the new rules for the sector, which should occur by April. From this fact onwards, the outlook points out operations at a regular pace, even with a greater domestic market turnover, due to the stalled demand during this period. Likewise, as for demands from the armed forces and public security, the acquisitions usually take place upon the approval of budgets and the allocation of funds.

In the foreign market, apart from the United States, we remain alert to all opportunities, such as the ongoing bidding process for 425,000 rifles by the Indian Ministry of Defense. This is the largest bid for rifles ever conducted worldwide and will probably maintain this position for many years to come. Once all the registration bureaucracy is completed, our factory in India is finally ready to operate, just pending the final government homologation. The strategy of establishing *the plant in India has enabled us to participate in this bidding process, since there is a restrictive requirement for local producers. This scenario corroborates Management's decision to constantly monitor new opportunities and capture untapped markets. In addition to its unprecedented magnitude, this bidding process has a differentiated characteristic, which is the possibility of the second-ranked bidder being able to take 40% of the order, as long as it accepts the same price and conditions as the winner, which may also contribute to lessening the price war among the participants. Furthermore, we have been monitoring other smaller tenders in these countries, in which we should also participate.*

Our strategy for maintaining Taurus' prominence in the global firearms market continues to entail a focus on innovation, with investments in the development of technology for materials, products, processes and equipment that guarantee increasing quality and efficiency in the production line. As an example, the first automated bolt line has been installed at the plant in Brazil. Drawing on an automation process, Taurus has been developing a production line that performs self-management and on-line corrections of the manufacturing parameters, thereby guaranteeing superior quality and losses tending to zero levels. We are delighted to have seen this automated process in operation, in a fully successful "try out". Investments in R&D are gradually becoming aspects that consolidate Taurus's competitive edge within the global market. The launch of innovative products is part of our strategy of attracting growing consumer interest in Taurus' products. In this sense, after the launch in Brazil in July 2022, we are finally launching in the United States, in 1Q23, the GX4 Graphene pistol, the first one in the world that uses graphene. Such material is now used in the TS9 Graphene and TS9c Graphene pistols, which will be launched in Brazil in April, together with several other innovative products, on the occasion of LAAD Defense & Security 2023 - International Defense and Security Fair, the largest defense fair in Latin America.

The revolutionary and disruptive technology of using graphene in the production of firearms, which placed Taurus and Brazil in the limelight in the global firearms industry, is one of the examples of innovative projects developed by the Integrated Engineering and Technology Center (CITE) in Brazil/USA, which contributed to the achievement of another important milestone for the Company. On March 14, we disclosed a Material Event Notice, whereby informing the market that we were granted approval by FINEP (Studies and Projects Financing Agency, as a Public Company associated with the Ministry of Planning) of credit facilities intended to finance the Strategic Innovation Plan for Competitiveness (PEI) project. This funding is exclusively intended for innovation and is only released after a strict assessment process. In addition to the aforesaid funds, in the amount of R$175.7 million, subject to a very attractive interest rate, Taurus' financing of these credit facilities introduces a factor that is perhaps even more important for us, which is the return to the credit market with a seal of approval in relation to the quality and trust as to the soundness of the Company's fundamentals, and the innovative nature of the technological projects that have been developed. As we continue to prioritize our investments in the development and use of technology and innovation resources, there is now room for Taurus to present other innovative projects at FINEP.

We ended 2022 showing a sound and sustainable situation. The strong cash generation has allowed us to reduce our gross debt by R$205.1 million during the year, so that we recorded a financial leverage measured by the EBITDA/Net Debt ratio of 0.2x at the end of 2022. We hold very competitive production costs and expenses under control, which allowed us to maintain high profitability margins, much higher than those recorded by foreign players in the same sector. In FY2022, Taurus posted a gross margin of 45.7%, compared to Ruger's at 30.2% and Smith & Wesson's at 35.8%, reinforcing that the latter company closed its fiscal year in January 2023, thus including the results for December 2021, when the US market was still buoyant. In terms of EBITDA margin, Taurus attained 31.3% in the year, a performance that outweighed our expectations, while Ruger recorded an EBITDA margin of 22.1% and Smith & Wesson, equally benefited by the last two months of 2021, of 23.8%.

Profit for 2022 reached R$520.0 million, up by 167.6% when compared to 2021's figures, after the elimination of accumulated losses and the legal reserve realization. In light of such results, we will submit for approval, at a General Shareholders' Meeting, a proposal for the payment of mandatory minimum dividends equivalent to, as established in our Bylaws, 35% of adjusted profit, including the creation of a statutory reserve in an amount that provides the flexibility to approve possible payments of dividends with greater frequency in 2023, in addition to the possibility of creating a share buyback program for Taurus shares, always maintaining a comfortable cash position - R$328.7 million as at

December 31, 2022 - in the Company. Our objective is always aimed at maximizing the return for our shareholders, reaffirming Taurus's new phase as a reliable and safe company, which intends to compensate its shareholders without impairing its strategy of growth and technological development.

This structure achieved by Taurus, based on all the efforts endeavored since 2018 in connection with the Company's restructuring, has enabled it, in just a few years, to attain the current consolidated situation of stability and comfortable cash position and, while relying on the best corporate governance practices, has also allowed us to draw our attention to another essential aspect, which is the development of people and our responsibility for the environmental preservation matters. We are very pleased to announce that we will submit our first Annual Sustainability Report in April, prepared in record time. I invite and strongly recommend everyone to appraise this document, which comprises our achievements and the ESG culture that is being developed at Taurus.

We began the year 2023 with the plant facilities adjusted to the new level of the post-pandemic market, and confident in our strength and capability for adapting and identifying opportunities in different market scenarios. Taurus currently presents itself as a solid company, with a consolidated management model, focused on the future. It has been constantly seeking to maintain its position as the largest light firearms producer in the world, whether through demand growth, its ability to quickly adapt to new trends, or through acquisitions and partnerships. Our focus is primarily driven to the law-enforcement market, a Company's strategy for accessing a new market niche in the United States, while entering other police markets worldwide, as well as being a prime choice for the civilian consumer, who seeks to use police-use firearms.

We would like to thank our shareholders, Board members, business partners and employees for their support, which has been essential for the development of today's Taurus, a company with solid foundations.

The Management

Operational Performance

In 2022, Taurus produced 1.8 million firearms at its two industrial plants located in Brazil and USA, **the second best volume for one year in the Company's history.**

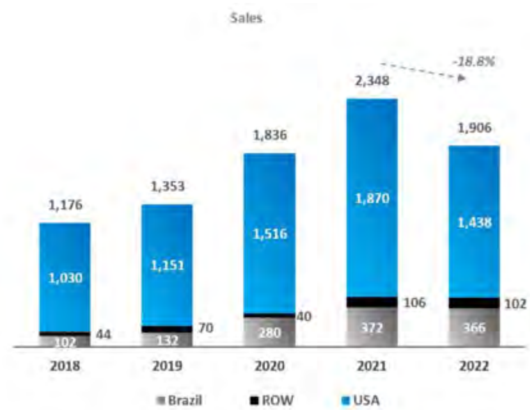
The Company continues to invest in developing products that meet consumer demand, through the use of innovative materials, integrated technology and efficient production processes, based on the projects designed by the Integrated Engineering and Technology Center (CITE) in Brazil/USA, which allow manufacturing differentiated, quality firearms at competitive costs.

Market recognition has been reaffirmed in view of important awards received in 2022, namely:

- Handgun of the Year 2022, from the American magazine GUNS & AMMO – Taurus GX4 Pistol.
- Best Value Handgun (the best cost-benefit), from the American magazine Ballistic's - Taurus GX4 Pistol.
- Golden Bullseye, from the NRA (National Rifle Association) Publications, one of the most prestigious awards in the US firearms industry – Taurus 856 Executive Grade revolver.

Firearms Production – Taurus
(thousand units)

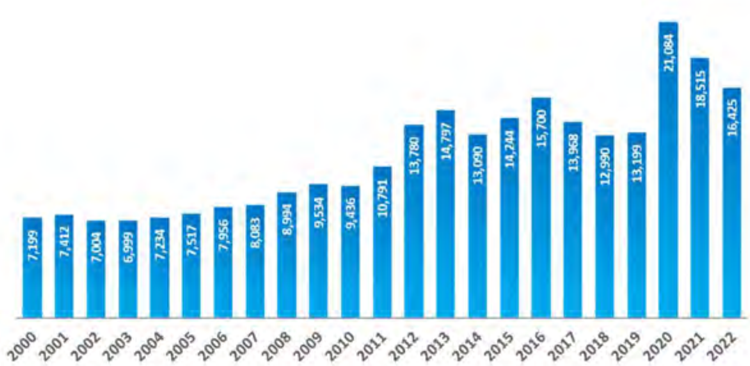
Firearms Sales - Taurus
(thousand units)



In terms of sales volume, Taurus sold 1.9 million firearms during the year, down by -18.8% over 2021, a performance that was expected given the conditions of the US market, the main destination of Taurus' products. The comparison basis data for FY2021 and FY2020 reflects outliers in the US market, when different extraordinary reasons, such as the effects from the Covid-19 pandemic and the large public demonstrations in some US regions, led to a significant increase in the demand for firearms in the country.

In the United States, Taurus' sales accounted for 75.5% of the total volumes sold by the Company in 2022, totaling 1.4 million units, down by 23.1% over the prior year. In 2022, the number of individuals willing to buy firearms in the United States, measured by the Adjusted NICS (National Instant Background Check System), reached 16.4 million, down by -11.3% over 2022, still representing, however, the third highest index in the historical series, surpassed only by the figures recorded in 2020 and 2021.

US market - Adjusted NICS (National Instant Background Check System)
(thousand units)



In Brazil, demand had already been following an upward trend in 2020 and 2021 and remained at high levels in 2022, particularly due to Taurus' offering of new and innovative products in the domestic market, for instance: the GX4 Graphene pistol, the third generation of pistols and the first one in the world to use graphene; a new range of tactical firearms, such as the T4 rifles in caliber. 300 AAC Blackout and T10 caliber 308, 1911 Government pistol in 9mm caliber, the KR-9 carbine; the limited edition TS9 Executive Grade pistol; and the TX22 Competition model. In 2022, the 366,000 units sold in the domestic market accounted for 19.2% of the Company's total sales volume. In relation to the prior year, sales made in the Brazilian market during 2022 remained virtually flat, whereas the sales volume dropped by 1.6%.

Taurus' products are sold in more than 100 countries. The other countries, except for the United States, to which Taurus exports its products represent an additional market pursued with greater or lesser priority by the Company, according to the conditions prevailing in the US market, which tends to provide more advantageous margins, and the availability of products. In 2022, these sales totaled 102,000 units, down by 3.8% against 2021's figures, but considerably higher than the sales volumes reported in prior years. A special highlight for 2022 revolves around the Philippines, where Taurus sold more than 10,600 firearms, including pistols and rifles, to the Army and police forces.

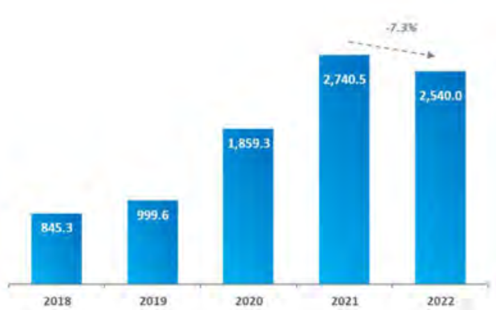
Economic and financial performance

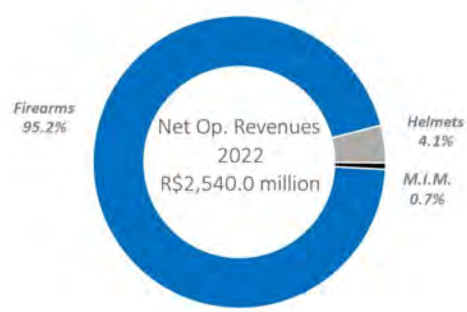
Net Operating Revenue

In addition to the firearms & accessories, major operating segment accounting for 95.2% of revenue in 2022, Taurus' net operating revenue includes the proceeds from M.I.M. (metal injection molding) sales and helmets. The helmets and M.I.M. segments, which hold a slight share of the Company's consolidated revenues, accounted for 4.1% and 0.7%, respectively.

Primarily driven by the lower volume of firearms & accessories sales, Taurus' consolidated net revenue reached R$2,540.0 million in 2022, **hitting a level in excess of R$2 billion for the second time in the Company's history**, even though the performance has been 7.3% lower than the figures reported in the prior year.

Consolidated Net Operating Revenue - (R$ million)





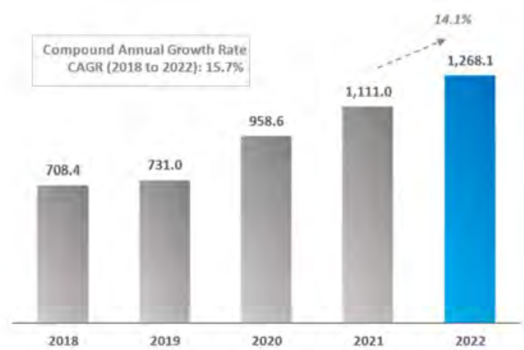
The **firearms & accessories segment** posted net revenue of R$2,416.9 million in 2022, down by -7.3% when compared to 2021, revenues decreased by -18.8% rate observed in the same period in terms of firearm sales volumes.Such performance derives from the mix of higher added-value firearms sales, with products manufactured through efficient processes that allow developing differentiated, innovative and quality models, at competitive costs. This strategic model has been adopted by Taurus and prioritizes investments in R&D and financial and human resources intended for the technological development, activities performed since August 2020 in the Integrated Engineering and Technology Center (CITE) in Brazil/USA.

Strategically, the average sales price of Taurus firearms has been increasing continuously. In 2022, such price was R$1,268.1, up by 14.1% in relation to the prior year, and 79.0% when compared to the average sales price for 2018, when the Company's current management members took office.

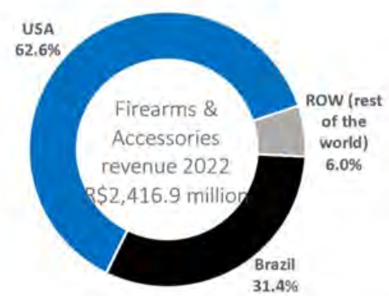
The higher average sales price has also contributed to partially offsetting the revenue losses in Brazilian reais (R$) given the local currency appreciation against the US dollar (US$), which adversely affects the Company's performance since its sales are substantially made to the foreign market and, therefore, denominated in foreign currency. When accounting for such sales in local currency, there would be gains or losses on the Brazilian real (R$) appreciation or depreciation. Based on the annual average quotation, the US dollar depreciated by -4.3% between 2022 and 2021 against the Brazilian real, thus reducing revenues from sales made in foreign currency.

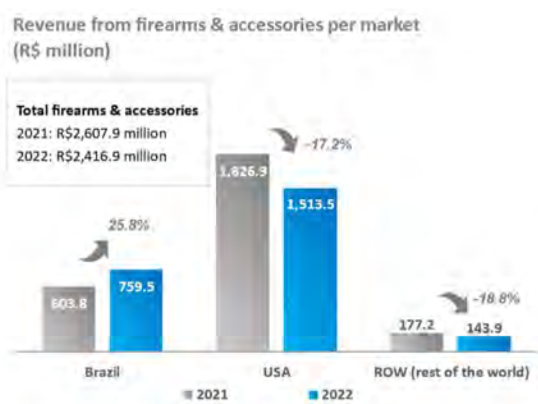
In assessing the evolution of the firearms & accessories revenues per region, one may observe a 25.8% growth in revenues from sales made in Brazil, when compared to 2022's and 2021's figures. The domestic market performance has partially offset the decrease in net revenue from sales made in the United States (- 37.5% in the quarter-to-quarter assessment and -17.2% in the annual assessment) and in other countries to which Taurus exported its products (-44.3% in the quarterly assessment and -18.8% in the annual assessment).

Taurus Average Sales Price
(R$/unit)



Net Operating Revenue - Firearms & Accessories (R$ million)



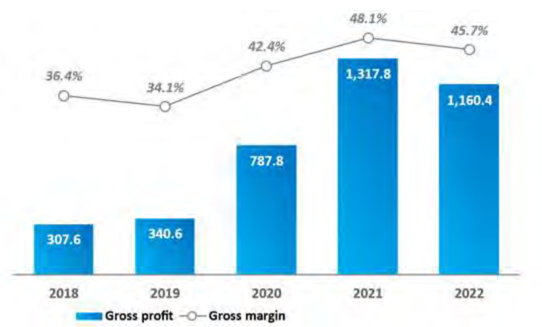


Gross profit

In 2022, the cost of sales totaled R$1,379.6 million, which represents a decrease of -3.0% over the prior year. Although the Company has strictly controlled costs, the inflationary pressure, especially during the first half of the year, plus the 12% wage adjustment granted in 2022 and the portion of fixed costs, which do not depend on the production volume, led to a reduction in COGS for the periods under analysis, at a lower percentage rate than that of revenues.

Accordingly, during the year, the Company recorded gross profit of R$1,160.4 million, corresponding to a -11.9% decrease over 2021, but still the **second best gross profit in Taurus' history**, exceeding by 47.3% the gross profit recorded in 2020.

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



Gross margin reached 45.7% and remained at a high level, despite the pressure exerted by some factors, namely: (i) lower gross margin for the last quarter of the year (39.2%) driven by the sale of over 10,000 firearms to the Army and police forces of the Philippines, an important strategic partner for Taurus. Nevertheless, the success of these bidding processes requires very competitive pricing, but still allowed the Company to attain an advantageous margin; (ii) appreciation of the Brazilian real against the US dollar during the year, which lowered the profitability of sales denominated in foreign currency; and (iii) lower dilution of fixed costs. In 2022, the downturn in the US firearms market, the major consumer of Taurus' products, did not cause the Company to pressure its margins as a way of boosting sales in the country, thus holding an outstanding position in such market. Taurus' operating efficiency is corroborated when comparing the Company's gross profitability reported for 2022, at 45.7%, with the figures disclosed by US companies operating in the sector, which are also listed on stock exchanges, namely: *Smith & Wesson, with a margin of 35.8%, and Ruger, of 30.2%.

**Smith & Wesson: Fiscal year ended January 2023.*

Operating expenses

In 2022, operating expenses totaled R$399.6 million, up by 16.1% over the prior year. Such performance primarily derives from non-recurring factors reported in line item "Other operating income (expenses)", which, in 2021, included a revenue balance of R$105.0 million, reducing total operating expenses. In that year, the Company recorded extraordinary revenue equivalent to US$3.0 million at Taurus USA, due to the full waiver of the loan granted under the US government program, namely Paycheck Protection Program (PPP), during the Covid-19 pandemic-derived crisis. Moreover, the balance reported in line item "Other operating income (expenses)" includes revenues amounting to R$69.0 million from the recovery of PIS/COFINS, IPI and deemed ICMS. In 2022, Taurus also reported a revenue balance in this line item, in the amount of R$61.2 million, which is R$43.8 million or 41.7% lower than 2021's figures.

In the first half of the year, the Company endeavored commercial efforts that included strengthening the internal marketing team, attendance at various events in the sector, as well as the replacement of the advertising agency, aimed at further strengthening the Taurus brand, particularly in the US market. This scenario has resulted in selling expenses amounting to R$252.7 million in the year, up by 4.4% over 2021.

General and administrative expenses amounted to R$201.9 million in 2022, a decrease of -1.6% (R$3.2 million) against the prior year. The 4.3% appreciation in the Brazilian real against the US dollar, considering the annual average quotation, has contributed to reducing the expenses incurred by Taurus' US unit. In addition, Management endeavored to lower expenses throughout the year, thereby offsetting the inflationary pressure and the 12% wage adjustment granted in 2022 to all employees, including the administrative team.

	2022	2021	2022x 2021 % Chg.
Selling expenses	252.7	242.0	*4.4%*
General and administrative expenses	201.9	205.1	*-1.6%*
Asset impairment losses (income)	2.8	1.5	*86.7%*
Other operating (income) expenses	-61.2	-105.0	*-41.7%*
Share of profit (loss) of subsidiaries	3.4	0.5	*580.0%*
Operating expenses (SG&A)	**399.6**	**344.2**	***16.1%***
Operating exp./Op. income, net (%)	*15.7%*	*12.6%*	*3.1 p.p.*
Ptax dollar exchange rate at end of period (R$)	*5.17*	*5.40*	*-4.3%*

EBITDA

On account of the factors referred to above, including the decrease in sales volumes and revenues, primarily arising from the changes in the US market outlook, gross profit and increase in operating expenses, especially due to the lower volume of nonrecurring revenues reported in 2022, the EBITDA decreased. In 2022, such indicator reached R$795.5 million, down by 20.7% over the prior year.

The EBITDA performance was within Taurus' expectations, given that FY2021, the basis of comparison considered, was atypical for the firearms & accessories segment, with record demand in the United States providing exceptional sales and results, which also benefited from the Brazilian real depreciation effects on revenue earned by the Company in US dollars. In 2022, Taurus reaffirmed its position as a strong cash-generating company, having recorded **the Company's second highest EBITDA for one year**, which surpassed 2020’s figures by 67.7%.

Concurrently, the Company maintained a high level of operating profitability, which is a feature of its operations, with an EBITDA margin of 31.3% in 2022. This performance places Taurus in a quite differentiated position in relation to US competitors listed on the stock exchanges and which, therefore, publicly disclose their results. Ruger recorded an EBITDA margin of 22.1% in 2022, whereas Smith & Wesson, whose last fiscal year ended January 2023, posted an EBITDA margin of 23.8%.

EBITDA calculation
reconciliation according to CVM Resolution 156/22

R$ million	2022	2021	2022x 2021 % Chg.
Net operating revenue	2,540.0	2,740.5	*-7.3%*
Cost of sales	-1,379.6	-1,422.7	*-3.0%*
Gross profit	1,160.4	1,317.8	*-11.9%*
Operating expenses	-399.6	-344.2	*16.1%*
Share of profit (loss) of subsidiaries	3.4	0.5	*580.0%*
Depreciation and amortization	31.3	28.8	*8.7%*
EBITDA	**795.5**	**1,002.9**	***-20.7%***
EBITDA margin	*31.3%*	*36.6%*	*-5.3 p.p.*

EBITDA (R$ million) and EBITDA margin (%)

Ebitda (earnings before interest, taxes, depreciation and amortization) is not a financial measurement according to the BR GAAP and International Financial Reporting Standards, or IFRS, and should not be considered on its own as an operating performance measurement or alternative to operating cash flow as liquidity measurement. This indicator is a managerial measurement, presented to offer additional information on operating cash generation.

Financial result

Taurus’ finance income (costs) primarily comprise exchange gains (revenues) and losses (expenses). The depreciation in the Brazilian currency is reflected in the form of an exchange gain (revenues) on the trade receivables portfolio and the cash in US dollars of the US subsidiary and in the form of an exchange loss (expenses) on the financial obligations resulting from our bank debt, mostly denominated in US dollars (as at December 31, 2022: position of R$484.5 million or 99.3% of the total bank debt). Nevertheless, the exchange gains (losses) are accounting records that have no cash effect.

The US dollar rate prevailing at the end of the reporting period is used in assessing the evolution of Taurus' finance income (costs) since exchange gains and losses are earned/incurred on balance sheet accounts and recorded based on the exchange rates in effect at the end of each reporting period. Considering the Ptax dollar rate at the end of 2022 and 2021, the Brazilian real (R$) depreciated by 6.5% over this period.

R$ million	2022	2021	*2022x 2021 % Chg.*
(+) Finance income	**383.4**	**225.0**	*70.4%*
Foreign exchange gains	*345.6*	*196.6*	*75.7%*
Interest and other income	*37.8*	*28.4*	*33.1%*
(-) Finance costs	**388.1**	**297.3**	*30.5%*
Foreign exchange losses	*332.7*	*245.5*	35.5%
Interest, IOF and other costs	*55.4*	*51.8*	6.9%
(+/-) Finance income (costs), net	**-4.7**	**-72.3**	*-93.5%*
Ptax dollar exchange rate at end of period (R$)	**5.22**	**5.58**	*-6.5%*

In recent years, Taurus has fully reversed its financial profile. The bank debt restructuring substantially reduced the debt cost. Concurrently, finance income increased as a result of the significant operating income (expenses), which boosted the Company's cash flows while allowing a higher volume of funds allocated to short-term investments. In 2022, net finance costs totaled R$4.7 million, against R$72.3 million in 2021. The growth in finance income, at R$158.4 million over the period, mainly arising from the evolution related to exchange gains, has offset the higher finance costs over the period.

Net income

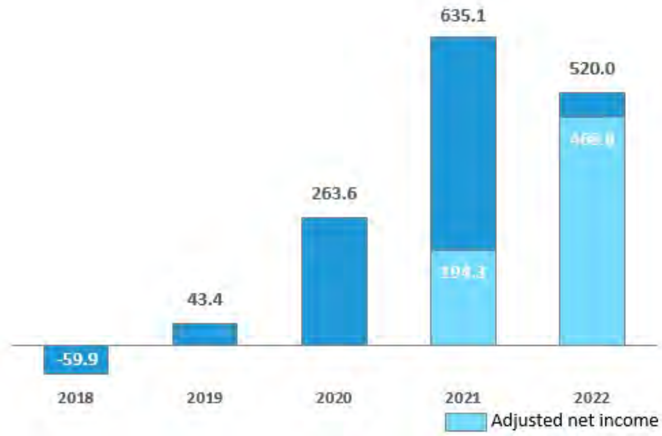
In 2022, Taurus reported the **second highest earnings in its history**, with profit of R$520.0 million and margin on net revenue of 20.5%. Such outcome comprises a -18.1% decrease in profit and -2.7 p.p. in net margin over 2021, when Taurus was fully prepared to benefit from the extremely favorable market conditions in the United States.

The profit performance recorded since 2018, when the current management took over its positions within the Company, reflects a change in Taurus's profile and the consolidation of a solid company, prepared to adjust to the market conditions and opportunities.

It is worth stressing that **adjusted profit** for 2022 (after the recognition of legal reserve, tax incentive reserve and valuation adjustments to equity), which was used as a basis for calculating the payment of dividends, totaled R$468.8 million, up by R$274.5 million or 141.3% when compared to adjusted profit for 2021, in the amount of R$194.3 million.

The Company's strategy is focused on R&D activities, through the development of products incorporating innovation and cutting-edge technology and efficient processes that ensure competitive manufacturing costs. In light of its operating flexibility and operations conducted worldwide, all market opportunities are continuously assessed by Taurus' market intelligence team.

Net income (R$ million)

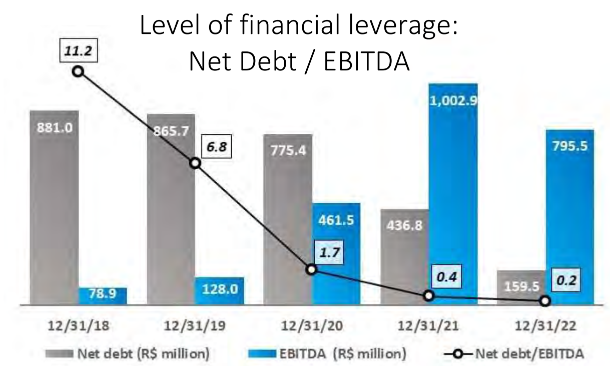


Indebtedness

Over the past 12 months, Taurus' gross bank debt was reduced by R$205.1 million as at December 31, 2022, and went from R$693.3 million as at December 31, 2021 to R$488.2 million at the end of 2022. Concurrently, the Company boosted its cash position and short-term investments by 28.1% (R$72.2 million) and reported a balance of R$328.7 million at the end of 2022.This scenario arises from the strong cash generation. Accordingly, net bank debt totaled R$159.5 million as at December 31, 2022, down by 63.5% (R$277.2 million) throughout the year.

R$ million	12/31/2022	12/31/2021	*% Chg.*
Borrowings and financing	*78.0*	*476.0*	*-83.6%*
Foreign exchange drafts	*314.9*	*142.9*	*120.4%*
Short term	***393.0***	***618.9***	***-36.5%***
Foreign exchange drafts	*95.3*	*74.4*	*28.1%*
Long term	***95.3***	***74.4***	***28.1%***
Gross debt	***488.2***	***693.3***	***-29.6%***
Cash and short-term investments	*328.7*	*256.5*	*28.1%*
Net debt	***159.5***	***436.8***	***-63.5%***
Ptax dollar exchange rate at reporting date (R$)	***5.22***	***5.58***	***-6.5%***
Gross debt translated into US dollars (US$ million)	***93.6***	***124.2***	***-24.6%***
Net debt translated into US dollars (US$ million)	***30.6***	***78.3***	***-60.9%***

At the end of 2022, the amount of R$78.0 million or 16.0% of the total gross bank debt was comprised of the remaining balance associated with the agreement executed with the syndicate of creditor banks, with full maturity in the short term. At that date, the remaining debt amount included foreign exchange drafts and working capital loans. Total gross debt (99.3%) was virtually recorded in foreign currency at the end of 2022. As its revenue substantially derives from sales made overseas (65.3% of total net revenue in 2022) in US dollars, the Company relies on a natural hedge for its debt denominated in that currency. The debt portion maturing in the short term accounted for 80.5% (R$393.0 million) of gross bank debt, whereas the remaining noncurrent portion of 19.5% (R$95.3 million) matures in 2024. As observed in prior years, the Company has already been negotiating with the lender banks to change this profile and extend the debt maturity term.



While ensuring strong cash generation and, at the same time, significantly reducing its bank debt, Taurus' capital structure included a largely unleveraged position as at December 31, 2022, with a net debt-to-EBITDA ratio of 0.2x. According to the ratio, 20% of the cash generation measured through 2022 EBITDA would be sufficient to settle the total bank debt recorded at the end of the reporting period.

As detailed in the "Events after the reporting period" section of this report, in March 2023, the Company obtained approval for an innovation project submitted to FINEP and was granted a financing equivalent to 90% of the total project amount. Holding a strategic focus based on innovation and technological development while drawing on a sound operational and financial structure, Taurus attained a position that allowed it to access such type of incentive-advantaged financing, at extremely competitive rates. The granted credit facilities amounting to R$175.7 million are subject to a grace period of 36 months. For further details on the transaction, see the "Events after the reporting period" section of this report.

Capital expenditures

Taurus' investments remain focused on boosting the industrial efficiency and technological development. In 2022, the Company made investments amounting to R$213.9 million, out of which 71.0% (R$151.9 million) was allocated to the modernization and expansion of plants, including the acquisition of machinery and equipment. The amount of R$30.0 million was allocated to the development of new products, which accounts for 14.0% of annual investments. Other investments made in 2022 refer to the construction and expansion of plant facilities, the opening of AMTT store in São Paulo, among others.

An important innovation made through investments in R&D and equipment refers to the installation of Taurus' first autonomous manufacturing system, with an autonomous cell for machining the main component (bolt) of the GX4 pistol, based on a project developed by the Integrated Engineering and Technology Center (CITE) in Brazil/USA and using equipment ordered from third parties. The new technologies ensure greater accuracy and less deviation in the manufacture of parts and components, providing scrap rate reduction and productivity and efficiency gains, since it prevents the production of defective parts or failures that may damage the machine and generate long production downtimes, which translates into higher quality, efficiency, and cost reduction. The project is inserted into the industry 4.0 model, including the possibility to hold controls and perform remote monitoring of status.

This first autonomous system installed had its trial operation carried out in February. Drawing on the technology already developed and the experience gathered, other similar machining processes may be automated at Taurus, with implementation by its own in-house team and, therefore, lower development costs.

Statement of Value Added

The value added by Taurus from its activities in 2022 was R$1,991.3 million.This indicates an increase of 63.8% over the R$3,119.8 million in gross revenue recorded by the Company during the year. Thus, for each R$1.00 received by Taurus in 2022, we added R$0.64, which was distributed among personnel (wages, benefits, and severance pay fund, or FGTS), governments (federal, state and municipal taxes), as payments to lenders and lessors (interest and lease payments), in addition to the retained earnings (accumulated losses) recorded by the Company.

Subsequent Events

Approval of financing by FINEP

On March 14, 2023, the Company disclosed a Material Fact, whereby informing that we were granted approval by FINEP (Studies and Projects Financing Agency, as a Public Company associated with the Ministry of Planning) of credit facilities intended to partially finance the Strategic Innovation Plan for Competitiveness (PEI) project presented by Taurus.

The approval of these credit facilities by FINEP may be construed as an important milestone for the Company, since, more important than the available funds, it asserts the soundness, reliability and credibility achieved by Taurus, ratifying the innovative nature of the projects developed by the Company. The investments made in innovation over the past years have substantially transformed Taurus' position in the domestic and global markets.

The financing amount approved, which will be released in six semiannual installments, totaled R$175.7 million, which accounts for 90% of the total amount of the Project. Payment will be made in 108 monthly installments, subject to a 36-month grace period and bearing interest (TJLP) of – 0.385% p.a., including the payment of 0.91% on each installment referring to the TIV (inspection and surveillance fee).

Taurus' Strategic Innovation Plan for Competitiveness (PEI) submitted to FINEP is driven towards the innovation of products and processes. The project for the creation of modern facilities for the Integrated Engineering and Technology Center (CITE) stands out, centralizing the activities of more than 250 engineers. A new R&D complex will be built with 8,480m², including modern metallurgy and metrology laboratories, training and people development rooms, a large open-space concept room to foster the engineering teams' creativity, an area for production try-outs and integration of production systems, an experimental and prototyping laboratory, a product testing and application laboratory, and a production tooling development station.

Election of Officer

Taurus' Board of Directors, at a meeting held on March 2, 2023, has appointed as an Officer without special designation, Mr. Eduardo Minghelli, a professional with over 32-year experience in the industry, more than 15 years of which in the Company. Mr. Eduardo Minghelli took office on March 3, 2023, with a term of office effective until the Annual General Shareholders' Meeting to be held in 2023.

Capital Markets

Taurus has common (TASA3) and preferred shares (TASA4) listed on B3's Level II listing segment, a market segment that brings together companies that voluntarily comply with special corporate governance rules. Both shares are part of the IGCX (Differentiated Corporate Governance Stock Index) and ITAG (Differentiated Tag Along Stock Index) portfolios, whereas preferred shares also comprise the IBrA (Broad Brazil Index), IGCT (Corporate Governance Trade Index), INDX (Industrial Sector Index) and SMLL (Small Cap Index) of B3.

In 2022, both common (TASA3) and preferred shares (TASA4) depreciated by -45.9%, compared to the appreciation of 4.7% of Ibovespa and depreciation of -15.1% of SMLL, B3 index that compiles shares of companies with lower market value.

On October 5, 2022, the Company completed its significant capital increase recorded since 2018, which contributed decisively to reducing the debt. In December 2022, the last installment referring to the subscription warrants of the series (A, B, C and D) was approved, totaling:

(i) 61,946,222 additional preferred shares, providing the same rights attributed to the other Company's preferred shares already issued, participating on equal terms in all benefits, including dividends and any capital compensations that may be approved;

(ii) R$334,411,550.00 for capital increase.

Political and regulatory scenario for the sector

As foreseen, in the course of one of the first measures taken by the current Brazilian government, on the first day after his inauguration, the President signed a decree changing the rules applicable to the acquisition and registration of firearms (Decree 11366/23). The Decree suspended authorization for the opening of new shooting clubs, acquisition of restricted-use firearms and ammunition. A working group has been established to make new regulations for the Disarmament Bylaws. During the first quarter of 2023, the domestic market has remained unchanged, while awaiting the regulation of Decree 11366 to be published in April.

ESG

Upon celebrating its 83rd anniversary in 2022, Taurus is ready for an innovative future. Navigating a successful path within its industry, it continues to reinvent itself and bring news inside and outside the company. The "people" and "technology & innovation" aspects contribute to the engagement of a collaborative environment to forge the tripod that underpins our ESG vision.

Taurus aims to consolidate itself as a Strategic ESG Defense Company within the market, assuring socio-environmental commitment, social responsibility and appropriate management of all its actions. Seeking the accuracy of those actions, our Executive Committee is engaged in all strategic definitions intended to guarantee that all decisions made are consistent with the ESG position and assure the implementation the ESG culture within the company. This scenario holds through the creation of an ESG Committee, composed of executive board members and managers from Taurus' strategic areas, with results being monitored by the Board of Directors.

The actions taken throughout 2022 include the Sustainability Report preparation, comprising annual data, based on the metrics addressed in the GRI and SASB models, with the reliability of information provided in the document being validated through checking procedures performed by Ernst & Young. Such report, which will be disclosed in April 2023, addresses a direct relationship between the development of people, innovation and technology, since Taurus believes that investments in technology, innovation and R&D cannot be sustained without investing in the development and training of people, promoting a collaborative environment. Furthermore, it includes information on the key sources of contribution to the greenhouse gas emissions, in compliance with the specifications set out in the Brazilian Program, namely GHG Protocol, and other environmental matters.

For 2023, Taurus is expected to join GHG Protocol program and make continuous process improvements. An analysis of specific indicators concerning the ESG matters and an assessment of the ESG management system used to monitor such indicators and other related matters are likely to be conducted.

In view of those actions, Taurus aims to ensure the sustainability and profitability of the business through innovation and technological development. The planning process involves adopting actions to lessen the environmental impacts, focused on people development and improvements to processes in conformity with the corporate strategy.

Corporate Governance

Our Management believes that adopting the best corporate governance practices, with transparent actions and follow-ups and controls, is key for the good progress of the business. Thus, our corporate governance model is based on ethical principles, centered on integrity and responsibility in decision making, by seeking to create value for all our stakeholders on this basis. Against this backdrop, in recent years we have reinforced our control structure and sought to improve our corporate governance mechanisms.

Taurus' shares are listed on Level II of the B3, a listing segment that brings together companies that undertake to follow differentiated corporate governance rules, in addition to those determined by the Brazilian Corporate Law.

The main duties of our **Board of Directors** are setting our strategic stance and course. In the current two-year term, which will end with the election to be held at the 2023 Annual shareholders' meeting, our Board consists of six members, five of whom, including the Chairman, are independent. The Board of Directors has an **Audit and Risks Committee** that provides advisory and technical support, and which in 2020 was declared a statutory committee for the purpose of reinforcing its control and monitoring position. We also have a permanently functioning **Supervisory Board**, elected annually by the Shareholders' Meeting, consisting of, in the term of office that ends at the Shareholders' Meeting to be held in April, three members and their alternates.

Our **Executive Committee** is responsible for conducting the business and implementing the strategy approved by the Board of Directors. Currently, it consists of three statutory officers: the CEO, the CFO, and the Investor Relations Officer, and an executive officer without special designation, in charge of the engineering and quality areas.

We have policies, codes, and practices that set rules and principles that ensure good corporate governance within Taurus, such as the Related-Party Transactions Policy, the Security Trading Policy, the Code of Ethics, and the Anticorruption Manual.

For detailed information on our management and control structure, please see our Reference Form and our Governance Report, both available on our investor relations website (www.taurusri.com.br) and the Brazilian Securities and Exchange Commission website (www.gov.br/cvm).

External Audit - CVM Instruction 162/22

Deloitte Touche Tohmatsu Auditores Independentes Ltda. provided the external auditing service consisting of the audit of our financial statements and the financial statements of our subsidiaries for 2022, 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 Deloitte in the United States, expressed in USD, and prepared in accordance with accounting practices generally accepted in the United States (USGAAP), for which we paid R$1,779 thousand.

Additionally, in 2022, 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$19 thousand, which represents approximately 2.8% of the overall fees charged by 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 of the financial statements.

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.

Helmet operation

In March 2018, the Company's Management made a commitment to sell the helmet operation. In order to conduct this process, Taurus hired specialized consulting services. In light of the divestment decision, the investment was classified as ‘held for sale’ and accounted for pursuant to Brazilian accounting pronouncement CPC 31 - Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). The helmet operation has one manufacturing plant, in Mandirituba, Paraná State.

The Company is still assessing the proposals received for the sale of its helmet operation. Since the Company aims to obtain the return of the actual value of the business, is not under pressure to realize these assets to meet its cash requirements, and the operation remains in progress, the Company decided to return the consolidation of this operation as a going concern in the interim financial information for March 2021. Since then, balances relating to such helmet operation have been included in the Company’s consolidated balances.

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's strategy for 2023 revolves around entirely transferring the 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.

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.

As an additional option to assist in the economic and financial restructuring, the Company maintains its strategy of:
(a) divestment of non-core assets, namely: the helmet operation (historically cost-effective and profitable), whose decision to sell and authorize the sale efforts was made by the Board of Directors in March 2018, in addition to extensive land in a prime residential area of Porto Alegre, where the Company's former facilities were located; and
(b) sound restructuring plan, which is still in progress with some stages to be completed monitored by Management while other stages have been completed, conducted by a specialized consulting firm already hired.
This restructuring plan, which is in progress, showed positive results throughout 2018 with substantial improvements in 2019. The Company believes that it has obtained efficiency gains in 2020, such as greater reduction of production costs, increased production scale, better dilution of finance costs, considerable improvement of its product quality and strengthening of its processes, and it also expects to continue bringing gains over the next years, in particular for its new plant in Bainbridge, Georgia, in the United States.

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

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 current agreement for amendment in line with the pandemic scenario. 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 contemplate 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.

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 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. For further information on this negotiation, see note 18.

2. Presentation of the financial statements for the year

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.

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.

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

The individual and consolidated annual financial statements for the year ended December 31, 2022 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, 2022, 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 16, 2023.

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 December 31 of each year. 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**	**2022**	**2021**
Taurus Helmets Indústria de Capacetes Ltda. (*)	Brazil	**100.00%**	**100.00%**
Taurus Blindagens Nordeste Ltda. (*)	Brazil	**100.00%**	**100.00%**
Taurus Holdings, Inc. (**)	United States	**100.00%**	**100.00%**
Taurus Máquinas-Ferramenta Ltda. (*)	Brazil	**100.00%**	**100.00%**
Taurus Investimentos Imobiliários Ltda. (*)	Brazil	**100.00%**	**100.00%**
Polimetal Metalurgia e Plásticos Ltda.	Brazil	**100.00%**	**100.00%**
T. Investments Co. Inc.	Panama	**100.00%**	**100.00%**
AMTT Taurus Comercio Varejista Ltda.	Brazil	**100.00%**	**0.00%**

(*) 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, Braztech International, L.C., Inc., and Tamel Properties, 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 period 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 period, 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 interim 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 (allowance for inventory losses), 13 – Income tax and social contribution, 14 – Assets held for sale (impairment), 16 – Property, plant and equipment (impairment), 17 – Intangible assets (impairment), 22 – Provision for civil, labor and tax risks, and 23 – Financial instruments.

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, while at the same time the Company increased its sales volume to its subsidiary Companhia Brasileira de Cartuchos – CBC, which has no history of default and in the current scenario will also experience increase in potential demand.

Inventories (expected losses on inventories): Due to the market upturn, the Company is experiencing high demand for its finished products and the materials that make up its products, so that no changes are identified that would require special attention to this issue.

Income tax and social contribution: In light of its past performance, the Company recognizes accumulated tax loss which, due to the changes in its operations management and market changes can be quickly used in the determination of future taxable income, owing to its current capacity and future profit generation projection. However, the Company still has a significant debt that substantially impacts its finance income (costs), thus contributing to the decrease of taxable income (loss) and our estimates are intended to address these situations and all influence that may affect the tax basis.

Assets held for sale, Property, plant and equipment and Intangible assets (impairment): The Company, based on economic projection studies conducted by a specialized consulting firm, has demonstrated its ability to generate cash through its assets and thus do not point to the need for impairment adjustments or material and/or urgent efforts to realize its held-for-sale assets.

Dividends: The proposed distribution of dividends made by the Company's Management that does not exceed mandatory minimum dividends of 35%, as prescribed by the Company's bylaws, is recognized as current liabilities as it is considered a legal obligation under the Company's bylaws. The portion of the dividends in excess of the mandatory minimum dividends, declared by Management before the end of the annual reporting period to which the financial statements refer, and not yet approved by the shareholders, is recognized as proposed additional dividends, under shareholders' equity.

Provision for civil, labor and tax risks: The Company has a strong management of its risks, with appropriate technical evaluations that show that there are no specific implications related to the pandemic that may change or increase the existing and/or known risks.

Financial instruments: In contrast to other segments that have been affected by market downturns, the need to raise fund, among other issues, the high demand in the Company's segment has been allowing a better cash position, increasing the availability of credit facilities, and no possible changes also in its financial liabilities have been identified.

The Company assessed its supply chain, current market demands, its customers' ability to settle their debts, its financial capacity and its ability to raise funds and continue as a going concern. The Company, as part of the analyses described above, has revised its allowances, estimates, impairment calculations, and they do not indicate any changes and need to recognize allowances or change its figures.

In light of all circumstances described and analyzed above, there are no impacts that, as already mentioned, give rise to changes in criteria, allowances or any other applicable contingency.

(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 annual financial statements as at December 31, 2022 are the same accounting policies used to prepare the annual financial statements for the year ended December 31, 2021. All amounts are expressed in thousands of Brazilian reais (R$), unless otherwise stated.

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, 2022, 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 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, non-convertible debentures, 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, 2022 and adopted by the Company are as follows:

(i) **Amendments to IFRS 3 (CPC 15 (R1)) - Reference to the Conceptual Framework**
This standard became effective beginning January 1, 2022. Refers to amendments to IFRS 3 (CPC 15(R1)) concerning the Conceptual Framework from 2018 rather than 1989 Framework.

(ii) **Amendments to IAS 16 (CPC 27) - Property, Plant and Equipment: Proceeds before Intended Use**
The amendments prohibit deducting from the cost of a property, plant and equipment item any proceeds from the sale of items produced before the asset is available for use, that is, proceeds to bring the asset to the place and condition necessary for it to be able to operate as intended by Management. This standard became effective beginning January 1, 2022.

(iii) **Amendments to IAS 37 (CPC 25) - Onerous Contracts - Cost of Fulfilling a Contract**
This standard became effective beginning January 1, 2022. Refers to amendments specifying that the cost of fulfilling a contract comprises the costs directly related to that contract. The costs directly related to the contract comprise the incremental costs of fulfilling this contract (for example, employees or materials) and the allocation of other costs directly related to the fulfillment of contracts (for example, allocation of depreciation expenses to an item of property, plant and equipment used in fulfilling the contract).

(iv) **Annual Improvements to IFRS 2018-2020 Cycle**
This standard came into effect beginning January 1, 2022. Refers to amendments to IFRS 1 (CPC 27 (R1), CPC 43 (R1)) First-time Adoption of International Financial Reporting Standards, IFRS 9 (CPC 48) *Financial Instruments*, IFRS 16 (CPC 06(R2)) *Leases*, and IAS 41 (CPC 29) *Agriculture*.

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

(v) **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.

(vi) **Amendments to IFRS 10 (CPC 36 (R3)) and IAS 28 (CPC 18 (R2)): Sale or Contribution of Assets between an**

Investor and its Associate or Joint Venture
In case of sale or contribution of assets between an investor and its associate or joint venture, the transaction effect would only be recognized in profit or loss to the extent the transaction is conducted with an unrelated third party. These amendments are effective for periods beginning on or after January 1, 2023.

(vii) **Amendment to IAS 1 (CPC 26 (R1)) – Classification of Liabilities as Current or Non-current**
This standard will come into effect beginning January 1, 2023. Clarifies aspects to be considered for the classification of liabilities as current or non-current liabilities.

(viii) **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”.

(ix) **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”.

(x) **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. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

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

c) Share-based payment 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.

d) Cash-settled payment plan (Phantom Shares)
The Company's Cash-settled Stock Option Plan, known as Phantom Shares, was approved at the Annual and Extraordinary Shareholders' Meeting held on April 26, 2021 and is intended to grant to eligible employees rights on the appreciation of the Company's shares, to be settled in cash, as part of the variable compensation package, so as to acknowledge the successful attainment of the proposed goals that allowed the Company's turn-around and offer incentive to retain executives.

The Company's current or future statutory officers are eligible to participate in the Plan.

In total, the payment of the additional bonus to the Beneficiaries corresponded to seven hundred and eighty thousand (780,000) phantom shares, corresponding to the average quotation at B3 of one (1) preferred share of Taurus Armas S.A. (B3: TASA4) at the five previous auctions, including the Base Date, considering the ceiling price of R$25.00. Payment was made in local currency on December 30, 2021. Information about the plan for the year ended December 31, 2021 is described in note 27. Up to the date of approval of this interim financial information, there is no cash-settled payment plan for FY2022.

e) 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.

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 5% 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 regards 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, 2022, the maximum credit risk exposure was as follows:

		Consolidated		Parent
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
Fair value through profit or loss				
Cash and cash equivalents	**201,219**	185,764	**107,155**	65,399
Amortized cost				
Trade receivables	**352,437**	515,163	**224,150**	360,933
Short-term investments and restricted account	**127,475**	70,778	**113,941**	70,778
Other receivables	**3,323**	54,588	**101,565**	38,684
Total	**684,454**	826,293	**546,811**	535,794

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
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
Domestic – trade receivables	**216,732**	316,763	**196,585**	299,136
United States – trade receivables	**118,351**	163,572	**1,242**	15,458
Other	**33,824**	50,968	**32,117**	49,621
Total	**368,907**	531,303	**229,944**	364,215

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

		Consolidated		Parent
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
Trade receivables – public bodies	**26,948**	13,587	**26,948**	13,587
Trade receivables – distributors	**251,560**	412,293	**138,238**	268,543
Final customers	**90,399**	105,423	**64,758**	82,085
Total	**368,907**	531,303	**229,944**	364,215

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, 2022, the aging list of trade receivables and the allowance for expected credit losses are as follows:

						Consolidated
			12-31-2022			**12-31-2021**
	Portfolio	**Allowance**	**% coverage**	**Portfolio**	**Allowance**	**% coverage**
Current	**311,047**	**(2,590)**	**0.8%**	**434,203**	**(4,978)**	**1.1%**
0-30 days past due	**21,980**	**(497)**	**2.3%**	**52,115**	**(599)**	**1.1%**
31-60 days past due	**5,223**	**(125)**	**2.4%**	**7,298**	**(269)**	**3.7%**
61-90 days past due	**5,198**	**(679)**	**13.1%**	**3,434**	**(123)**	**3.6%**
91-180 days past due	**6,089**	**(1,528)**	**25.1%**	**6,888**	**(120)**	**1.7%**
181-360 days past due	**3,566**	**(1,190)**	**33.4%**	**8,507**	**(201)**	**2.4%**
Over one year past due	**15,804**	**(9,861)**	**62.4%**	**18,858**	**(9,850)**	**52.2%**
Total	**368,907**	(16,470)		**531,303**	(16,140)	

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

						Parent
			12-31-2022			12-31-2021
	Portfolio	Allowance	% coverage	Portfolio	Allowance	% coverage
Current	**211,379**	**(1,454)**	**0.7%**	**328,760**	**(1,788)**	**0.5%**
0-30 days past due	**277**	**(247)**	**89.2%**	**25,809**	**(57)**	**0.2%**
31-60 days past due	**99**	**(42)**	**42.4%**	**4,074**	**(218)**	**5.4%**
61-90 days past due	**3,291**	**(631)**	**19.2%**	**459**	**(80)**	**17.4%**
91-180 days past due	**6,017**	**(1,500)**	**24.9%**	**127**	**(17)**	**13.4%**
181-360 days past due	**6,484**	**(1,020)**	**15.7%**	**2,136**	**(87)**	**4.1%**
Over one year past due	**2,397**	**(900)**	**37.5%**	**2,850**	**(1,035)**	**36.3%**
Total	**229,944**	(5,794)		**364,215**	(3,282)	

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
				12-31-2022
	Carrying amount	Contractual cash flow	Up to 1 year	1-2 years
Non-derivative financial liabilities				
Trade payables	124,871	128,994	112,667	16,327
Borrowings and financing	93,275	105,941	89,308	16,633
Foreign currency advances	394,950	430,788	345,055	85,733
	613,096	**665,723**	**547,030**	**118,693**

				Parent
				12-31-2022
	Carrying amount	Contractual cash flow	Up to 1 year	1-2 years
Non-derivative financial liabilities				
Trade payables	83,184	87,307	70,980	16,327
Borrowings and financing	93,275	105,941	89,308	16,633
Foreign currency advances	394,950	430,788	345,055	85,733
	571,409	**624,036**	**505,343**	**118,693**

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

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

As at December 31, 2022, 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, 2022 are shown below.
This analysis considers a 25% and 50% variation in the exchange rate prevailing at the end of the year, in addition to the probable scenario based on the projected future quotation of the currencies on the maturity date of the instruments, as disclosed by the Focus bulletin from the Central Bank.

Currencies and indices		**Rate - 12/31/2022**	**Variation by +/- 25%**	**Variation by +/- 50%**
US dollar	Decrease	**5.2177**	3.9133	2.6089
US dollar	Increase	**5.2177**	6.5221	7.8266

				Consolidated
		Balance in 2022 – in US dollar	**Variation by +/- 25%**	**Variation by +/- 50%**
Asset – US dollar depreciation				
Trade receivables	US dollar – US$	**29,165**	(38,044)	(76,088)
		Balance in 2022 – in US dollar	**Variation by +/- 25%**	**Variation by +/- 50%**
Liability – US dollar appreciation				
Borrowings and financing	US dollar – US$	**(17,176)**	(22,404)	(44,809)
Trade payables	US dollar – US$	**(8,231)**	(10,736)	(21,473)
Foreign currency advances	US dollar – US$	**(75,694)**	(98,738)	(197,475)

				Parent
		Balance in 2022 – in US dollar	**Variation by +/- 25%**	**Variation by +/- 50%**
Asset – US dollar depreciation				
Trade receivables	US dollar – US$	**6,393**	(8,340)	(16,680)
		Balance in 2022 – in US dollar	**Variation by +/- 25%**	**Variation by +/- 50%**
Liability – US dollar appreciation				
Borrowings and financing	US dollar – US$	**(17,176)**	(22,404)	(44,809)
Trade payables	US dollar – US$	**(2,988)**	(3,898)	(7,796)
Foreign currency advances	US dollar – US$	**(75,694)**	(98,738)	(197,475)

(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 changes in market interest rates refers mainly to the Company's short- and long-term obligations subject to floating interest rates, mainly the Libor and 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 the Libor and CDI.

The sensitivity analysis related to the financial items subject to variable interest as at December 31, 2022 is shown below. This analysis considers a 25% and 50% variation in the interest rate prevailing at the end of the year.

Index	**Index as at 12-31-2022**	**Variation by +/- 25%**	**Variation by +/- 50%**
CDI - decrease	13.65%	10.24%	6.83%
CDI - increase	13.65%	17.06%	20.48%
LIBOR 30 days	4.40%	5.50%	6.60%

Consolidated
Gain (loss)

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

	Index	Balance 12-31-2022	Variation by +/- 25%	Variation by +/- 50%
Assets				
Short-term investments	CDI - decrease	150,087	(5,118)	(10,236)

	Index	Balance 12-31-2022	Variation by +/- 25%	Variation by +/- 50%
Liabilities				
Intragroup borrowings	CDI - increase	(1,808)	(62)	(123)
Loans	CDI - increase	(3,658)	(125)	(250)
Loans	LIBOR 30 days - increase	(89,617)	(985)	(1,970)

				Parent
				Gain (loss)
	Index	**Balance 12-31-2022**	**Variation by +/- 25%**	**Variation by +/- 50%**
Assets				
Short-term investments	CDI - decrease	130,041	(4,434)	(8,869)
Intragroup loans	CDI - decrease	86,471	(2,949)	(5,897)

	Index	Balance 12-31-2022	Variation by +/- 25%	Variation by +/- 50%
Liabilities				
Intragroup borrowings	CDI - increase	(57,546)	(1,962)	(3,930)
Loans	CDI - increase	(3,658)	(125)	(250)
Loans	LIBOR 30 days - increase	(89,617)	(985)	(1,970)

Interest Rate Benchmark Reform

The global financial sector is preparing itself for the transition of the London Interbank Offered Rate (LIBOR), one of the benchmark rates currently available in the market. The USD LIBOR rate, used by the Company in one of its borrowing lines, will be discontinued on June 30, 2023.

The Company will have no borrowing pegged to the USD LIBOR rate in 2023 and, accordingly, there is no risk related to such interest rate transition.

(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	
	12-31-2022	**12-31-2021**
Total liabilities	**1,251,942**	1,336,573
Less: Cash and cash equivalents and short-term investments	**(328,694)**	(256,542)
Net debt (A)	**923,248**	1,080,031
Total equity (B)	**1,024,231**	757,047
Net debt-to-equity ratio as at December 31, 2022 and December 31, 2021 (A/B)	0.90	1.43

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 are disclosed below:

	Firearms		Helmets(a)		Other		Total	
	12-31-2022	12-31-2021	**12-31-2022**	12-31-2021	**12-31-2022**	12-31-2021	**12-31-2022**	12-31-2021
Foreign revenue	**2,416,943**	2,607,877	**105,060**	114,262	**18,018**	18,325	**2,540,021**	2,740,464
Intercompany revenue	**835,996**	945,706	**-**	-	**9,434**	9,218	**845,430**	954,924
Cost of sales	**(1,291,321)**	(1,330,225)	**(73,277)**	(79,748)	**(14,999)**	(12,735)	**(1,379,597)**	(1,422,708)
Gross profit	**1,961,618**	2,223,358	**31,783**	34,514	**12,453**	14,808	**2,005,854**	2,272,680
Selling expenses	**(237,997)**	(222,113)	**(20,930)**	(21,029)	**(804)**	(302)	**(259,731)**	(243,444)
General and administrative expenses	**(167,850)**	(176,438)	**(7,196)**	(7,448)	**(3,161)**	(1,875)	**(178,207)**	(185,761)
Depreciation and amortization	**(17,466)**	(17,343)	**(276)**	(327)	**(1,761)**	(1,748)	**(19,503)**	(19,418)
Other operating income (expenses), net	**62,166**	104,473	**576**	1,189	**(1,515)**	(712)	**61,227**	104,950
Equity in earnings (losses)	**(544)**	-	**-**	-	**(2,816)**	(518)	**(3,360)**	(518)
	(361,691)	(311,421)	**(27,826)**	(27,615)	**(10,057)**	(5,155)	**(399,574)**	(344,191)
Operating profit	**1,599,927**	1,911,937	**3,957**	6,899	**2,396**	9,653	**1,606,280**	1,928,489
Finance income	**375,764**	222,285	**2,567**	1,453	**5,047**	1,237	**383,378**	224,975
Finance costs	**(380,373)**	(293,536)	**(2,052)**	(2,529)	**(5,685)**	(1,191)	**(388,110)**	(297,256)
Finance income (costs), net	**(4,609)**	(71,251)	**515**	(1,076)	**(638)**	46	**(4,732)**	(72,281)
Profit (loss) from the reportable segment before income tax and social contribution	**1,595,318**	1,840,686	**4,472**	5,823	**1,758**	9,699	**1,601,548**	1,856,208
Elimination of intercompany revenue	**(835,996)**	(945,706)	**-**	-	**(9,434)**	(9,218)	**(845,430)**	(954,924)
Profit before income tax and social contribution	**759,322**	894,980	**4,472**	5,823	**(7,676)**	481	**756,118**	901,284
Income tax and social contribution	**(232,324)**	(257,436)	**(646)**	(1,370)	**(371)**	(5,098)	**(233,341)**	(263,904)
Profit (loss) from discontinued operations	**-**	-	**(2,793)**	(2,320)	**-**	-	**(2,793)**	(2,320)
Profit for the year	**526,998**	637,544	**1,033**	2,133	**(8,047)**	(4,617)	**519,984**	635,060
Assets from reportable segments	**1,949,602**	1,819,638	**122,068**	111,502	**204,503**	162,480	**2,276,173**	2,093,620
Liabilities from reportable segments	**1,186,137**	1,279,369	**30,895**	24,482	**34,910**	32,722	**1,251,701**	1,336,573

(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	
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
Domestic market				
Southeast Region	**637,418**	510,663	**36,148**	39,983
South Region	**64,162**	52,718	**7,191**	8,228
Northeast Region	**19,106**	15,812	**27,705**	30,326
Midwest Region	**20,088**	11,521	**18,143**	18,761
North Region	**18,756**	13,054	**15,232**	16,179
	759,530	603,768	**104,419**	113,477
Foreign market				
United States	**1,513,468**	1,826,941	**372**	368
South Africa	**15,846**	11,578	**-**	-
Germany	**2,222**	1,622	**-**	-
Saudi Arabia	**2,120**	-	**-**	-
Argentina	**1,695**	4,321	**-**	-
Australia	**341**	-	**-**	-
Azerbaijan	**-**	1,388	**-**	-
Bosnia and Herzegovina	**-**	281	**-**	-
Burkina Faso	**1,270**	6,440	**-**	-
Chile	**1,777**	2,355	**-**	-
Singapore	**883**	636	**-**	-
Costa Rica	**-**	267	**-**	-
El Salvador	**1,764**	1,623	**-**	-
Spain	**999**	218	**-**	-
Philippines	**30,307**	55,970	**-**	-
France	**2,720**	7,181	**-**	-
Ghana	**3,053**	23,184	**-**	-
Guatemala	**18,244**	7,142	**-**	-
Guiana	**1,091**	1,258	**-**	-
Honduras	**-**	5,311	**-**	-
Indonesia	**252**	-	**-**	-
Israel	**1,241**	1,343	**-**	-
Italy	**1,066**	1,523	**-**	-
Lesotho	**-**	271	**-**	-
Lebanon	**2,447**	2,233	**-**	-
Macedonia	**232**	-	**-**	-
Madagascar	**234**	241	**-**	-
Mexico	**-**	765	**-**	-
Mozambique	**440**	1,271	**-**	-
Namibia	**315**	1,252	**-**	-
Nigeria	**1,665**	-	**-**	-
Norway	**-**	361	**-**	-
Panama	**700**	1,924	**-**	-
Pakistan	**12,420**	24,815	**-**	-
Peru	**6,222**	2,964	**-**	-
Poland	**4,273**	1,248	**-**	-
Dominican Republic	**5,127**	74	**-**	-
Czech Republic	**2,620**	1,259	**-**	-
Senegal	**1,158**	821	**-**	-
Serbia	**217**	-	**-**	-
Thailand	**2,840**	1,505	**-**	-
Taiwan	**-**	495	**-**	-
Turkey	**12,261**	104	**-**	-
Ukraine	**1,386**	-	**-**	-
Uruguay	**868**	718	**269**	417
Zambia	**907**	659	**-**	-
Other countries	**722**	547	**-**	-
	1,657,413	2,004,109	**641**	785
Total net revenue	**2,416,943**	2,607,877	**105,060**	114,262

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 24. Approximately 62.62% 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	
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
Cash	**122**	67	**85**	47
Unsettled exchange bills (*)	**90,605**	54,096	**90,472**	53,831
Demand deposits	**87,880**	117,088	**498**	128
Short-term investments	**22,612**	14,513	**16,100**	11,393
Cash and cash equivalents	**201,219**	185,764	**107,155**	65,399

(*) 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 5% and 35% 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 adjusted to fair value, 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	**12-31-2022**	**12-31-2021**	**12-31-2022**	**12-31-2021**
Bank certificates of deposit (CDBs)	97% to 103% of CDI	**127,475**	70,778	**113,941**	70,778
Total		**127,475**	**70,778**	**113,941**	**70,778**
Current		**105,544**	70,778	**92,010**	70,778
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 doubtful debts was recognized in an amount considered sufficient by Management to cover probable losses on the collection of receivables.

	Consolidated		Parent	
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
Domestic customers	**216,732**	316,763	**196,585**	299,136
Foreign customers	**152,175**	214,540	**33,359**	65,079
	368,907	531,303	**229,944**	364,215
Allowance for expected loss on doubtful debts – domestic receivables	**(9,504)**	(9,120)	**(1,693)**	(1,472)
Allowance for expected loss on doubtful debts – foreign receivables	**(6,966)**	(7,020)	**(4,101)**	(1,810)
	(16,470)	(16,140)	**(5,794)**	(3,282)
	352,437	515,163	**224,150**	360,933

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

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:

	Consolidated	Parent
Balance as at December 31, 2021	**(16,140)**	**(3,282)**
Additions	**(13,186)**	**(9,735)**
Reversal of allowance for expected credit losses	**12,629**	**7,096**
Exchange rate changes	**227**	**127**
Balance as at December 31, 2022	**(16,470)**	**(5,794)**

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	
	12-31-2022	12-31-2021	12-31-2022	12-31-2021
Finished products	**272,570**	171,935	**48,596**	40,090
Raw material	**336,748**	301,878	**263,394**	211,420
Work in process	**10,307**	5,750	**320**	418
Inventory advances	**26,135**	32,105	**25,715**	31,488
Allowance for inventory losses	**(15,370)**	(19,804)	**(6,215)**	(9,046)
	630,390	491,864	**331,810**	274,370

Variation in the allowance for inventory losses	Consolidated	Parent
Balance as at December 31, 2021	**(19,804)**	**(9,046)**
Addition	**(3,853)**	**(3,503)**
Reversal	**1,816**	**525**
Definitive write-offs	**5,830**	**5,809**
Exchange rate changes	**641**	**-**
Balance as at December 31, 2022	**(15,370)**	**(6,215)**

11. Recoverable taxes

	Consolidated		Parent	
	12-31-2022	12-31-2021	12-31-2022	12-31-2021
State VAT (ICMS)	**25,975**	20,857	**24,424**	19,405
Federal VAT (IPI)	**4,856**	7,350	**3,428**	5,402
Tax on revenue (PIS)	**813**	4,833	**515**	4,572
Tax on revenue (COFINS)	**2,849**	21,838	**1,637**	20,809
Income tax and social contribution	**17,402**	13,176	**7,318**	7,302
Other	**320**	2,834	**52**	867
Total	**52,215**	70,888	**37,374**	58,357
Current	**37,039**	65,261	**22,939**	53,471
Noncurrent	**15,176**	5,627	**14,435**	4,886

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

12. Other assets

	Consolidated		Parent	
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
Advances to suppliers	**1,854**	8,504	**1,258**	7,133
Advances to employees	**7,114**	2,797	**6,568**	2,230
Advances for foreign bids	**7,224**	7,224	**7,224**	7,224
Escrow deposits	**57,839**	14,708	**55,982**	13,161
Disposal of assets receivable – Sale and retro-lease	**8,289**	8,833	**-**	-
Intragroup loans	**910**	-	**12,682**	4,326
Credits receivable - Eletrobrás	**9,015**	-	**5,059**	-
Royalties	**-**	7,815	**-**	7,815
Other receivables	**6,501**	4,707	**3,353**	1,121
Total	**98,746**	54,588	**92,126**	43,010
Current	**31,003**	29,779	**35,519**	29,850
Noncurrent	**67,743**	24,809	**56,607**	13,160

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.

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

a) Breakdown of impacts on deferred tax assets and liabilities

		Consolidated		Parent
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
On income tax and social contribution losses				
Income tax loss	3,841	41,111	-	37,180
Social contribution loss	1,385	16,215	-	14,799
On temporary differences – assets				
Billed and undelivered sale	-	1,675	-	1,398
Other allowances, provisions and accruals	8,879	4,148	258	1,925
Realization of revaluation reserve	1,879	1,806	584	547
Allowance for inventory losses	5,326	6,733	2,113	3,075
Accrued profit sharing	9,521	11,524	6,546	6,705
Accrued commissions	1,605	960	1,417	817
Provision for civil, labor and tax risks	20,799	31,800	19,392	29,246
Provision for warranty	3,937	3,550	2,137	2,222
Provision for uncollectible receivables	2,845	2,911	1,970	1,116
Financial provisions	967	967	967	967
Tax provisions	2,497	2,973	1,954	1,954
Unrealized profit with related parties	13,696	9,429	-	-
Total deferred assets	**77,177**	**135,802**	**37,338**	**101,951**
On temporary differences - liabilities				
Goodwill on expected future earnings	(12,220)	(11,438)	-	-
Fair value of investment property	(20,840)	(19,453)	-	-
Total deferred liabilities	**(33,060)**	**(30,891)**	**-**	**-**
Deferred asset balances	**60,855**	121,380	**37,338**	101,951
Deferred liability balances	**(16,738)**	(16,469)	**-**	-
Deferred assets, net	**44,117**	**104,911**	**37,338**	**101,951**

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.

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.

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

b) Variation in deferred taxes

	Consolidated	Parent
Opening balance of deferred taxes, net	104,911	101,951
Allocated to profit or loss	(61,477)	(64,614)
Translation adjustments into the presentation currency	683	-
Closing balance of deferred taxes, net	**44,117**	**37,338**

The amount of income tax and social contribution losses on which no deferred taxes are recognized total R$315.6 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, 2022, 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 12/31/2022	15,369	15,369	3,841	1,385	5,226
In 2023	(2,273)	(2,273)	(568)	(205)	(773)
In 2024	(2,623)	(2,623)	(656)	(236)	(892)
In 2025	(2,603)	(2,603)	(651)	(234)	(885)
In 2026-2030	(7,870)	(7,870)	(1,966)	(710)	(2,676)

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

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

c) Reconciliation of the effective rate of income tax and social contribution

		Consolidated		Parent
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
Pretax profit (loss)	756,118	901,284	736,697	853,050
Income tax and social contribution at combined tax rates	(257,080)	(306,437)	(250,477)	(290,037)
Permanent additions				
Non-deductible expenses	(3,609)	(2,905)	(3,559)	(2,554)
PPR – Statutory and CLT officers	(1,232)	(7,049)	(1,232)	(7,049)
Insurance – Statutory and CLT officers	(11)	-	(11)	-
Share of loss of subsidiaries	(1,142)	518	(10,952)	(12,465)
Donations/sponsorship	(1,298)	(1,795)	(1,252)	(1,768)
Capital gain on property, plant and equipment	(119)	(330)	(119)	(330)
Thin Cap	-	(115)	-	(115)
Permanent deductions				
Reintegra	268	2,488	267	361
Deemed ICMS grant	8,565	2,926	8,506	2,926
Interest on tax unduly paid	5,529	8,352	4,184	8,352
Share of profit of subsidiaries	-	-	35,034	79,583
Unrecognized deferred tax on income tax and social contribution losses	-	(3,886)	-	-
Difference of tax rate of subsidiaries - deemed income	13,851	40,523	-	-
Other (additions)/deductions	2,937	3,806	2,898	5,106
Income tax and social contribution in profit or loss for the year	**(233,341)**	**(263,904)**	**(216,713)**	**(217,990)**
Current	(171,864)	(179,195)	(152,099)	(153,650)
Deferred	(61,477)	(84,709)	(64,614)	(64,340)
	(233,341)	(263,904)	**(216,713)**	(217,990)
Effective rate	31%	29%	29%	26%

(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
				12-31-2022				12-31-2021
	Basis	25%	9%	Total	Basis	25%	9%	Total
Temporary differences								
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	3,603	901	324	1,225	3,318	830	299	1,129
Provision for warranty	1,468	367	132	499	1,468	367	132	499
Loss on other receivables	5,114	1,279	460	1,739	5,370	1,343	483	1,826
On income tax and social contribution losses								
Income tax and social contribution losses	315,645	78,911	28,408	107,319	315,664	78,916	28,410	107,326
	403,259	**100,815**	**36,292**	**137,107**	**403,249**	**100,813**	**36,292**	**137,105**

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.

The Company has been receiving proposals for the realization of these assets, but due to market conditions business are progressing slowly.

Carrying amount reconciliation

		Consolidated
In thousands of reais	**12-31-2022**	**12-31-2021**
Buildings, land and improvements	51,390	51,390
Taurus Blindagens Nordeste – long-lived asset held for sale	16,644	15,006
Total held-for-sale noncurrent assets	**68,034**	**66,396**
Taurus Blindagens Nordeste – liability held for sale	9,711	5,830
Total held-for-sale liabilities	**9,711**	**5,830**

Buildings, land and improvements.

In 2016, Taurus Armas S.A. transferred the operation from the Industrial Plant located in the city of Porto Alegre, RS to the Industrial Plant located in the city of São Leopoldo, RS. As a result and taking into consideration the provisions of CPC 28 - Investment Property (IAS 40), the Company reclassified the items formerly classified as Property, plant and equipment to Investment Property.

In 2017, as approved by the Board of Directors, Taurus decided for the sale and availability for intermediation of these assets by market specialists. Accordingly, these properties were reclassified to ‘Assets held for sale’.

The fair value for impairment testing purposes was determined by outside independent real estate appraisers, with appropriate and recognized professional qualification, and recent experience in the location and category of the property that is being appraised.

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

Industrial complex, not occupied, with floor space of 18,600.00 m² in urban land and area of 29,900.00 m².

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. (note 1 – General Information).

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).

As at December 31, 2022, the group of assets and liabilities held for sale related to the helmet operation of Taurus Blindagens Nordeste Ltda was presented as shown in the table and comprised the following assets and liabilities:

Property, plant and equipment/Intangible assets	8,643
Trade and other receivables	8,001
Assets held for sale	**16,644**
Trade and other payables	9,711
Liabilities held for sale	**9,711**

The Company did not identify any impairment loss amounts to be recognized.

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

15. Investments

	Taurus Helmets Indústria de Capacetes Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Holdings, Inc.	T. Investments Co. Inc.	CBC Taurus Arabia Holding, LLC.	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	AMTT Taurus Comercio Varejista Ltda.	Taurus Máquinas-Ferramenta Ltda. (1)	12-31-2022	12-31-2021
Current assets	129,971	7,553	551,831	6	1,640	67,437	20,846	4,362	3,786		
Noncurrent assets	50,747	59,906	130,842	-	278	101,150	176,983	777	1,250		
Current liabilities	46,405	8,242	119,729	-	-	4,243	21,370	4,134	2,632		
Noncurrent liabilities	1,913	3,753	46,438	-	-	63,195	23,582	14	33,312		
Capital	73,855	9,400	1,695	57,395	2,991	53,292	211,452	1,300	293,639		
Equity	132,400	55,464	516,506	6	1,918	101,149	152,877	991	(30,908)		
Net revenue	105,060	-	1,513,468	-	-	8,299	18,374	260	-		
Profit (loss) for the year	4,643	2,920	84,527	-	(1,110)	290	(3,790)	(309)	(1,608)		
Number of shares	597	9,400	302,505	11,000,000	10,535	43,623,159	304,779,838	1,300,000	185,007,117		
Direct interest percentage (%)	0,00%	0,10%	100,00%	100,00%	49,00%	81,86%	100,00%	100,00%	63,00%		
Opening balances	1	53	441,792	7	-	82,560	159,409	-	-	**683,822**	**462,148**
Initial investment	**-**	**-**	**-**	**-**	**1,439**	**-**	**-**	**1,300**	**-**	**2,739**	**-**
Share of profit (loss) of subsidiaries	**-**	**3**	**84,528**	**-**	**(544)**	**237**	**(3,790)**	**(309)**	**(1,013)**	**79,112**	**213,138**
Exchange differences arising on translating investments	**-**	**-**	**(28,120)**	**-**	**3**	**-**	**-**	**-**	**-**	**(28,117)**	**25,015**
Unrealized profit on inventories	**-**	**-**	**(7,547)**	**-**	**-**	**-**	**-**	**(735)**	**-**	**(8,282)**	**(15,731)**
Valuation adjustments to equity	**-**	**-**	**-**	**-**	**-**	**-**	**(2,741)**	**-**	**-**	**(2,741)**	**(1,589)**
Reclassified to provision for negative equity (1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,013**	**1,013**	**841**
Closing balances	**1**	**56**	**490,653**	**7**	**898**	**82,797**	**152,878**	**256**	**-**	**727,546**	**683,822**

(1) The share of profit (loss) of subsidiary Taurus Máquinas-Ferramentas Ltda., amounting to (R$1,013), is presented on line item 'Provision for negative equity' in noncurrent liabilities.

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

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, 2022:

TAURUS JM INDÚSTRIA DE PEÇAS LTDA.
BALANCE SHEET AS AT DECEMBER 31, 2022
In thousands of reais

Assets		**Liabilities**	
Current assets		**Current liabilities**	
Cash and cash equivalents	341	Trade payables	1,810
Trade receivables	4,619	Payroll and related taxes	77
Inventories	2,614	Taxes, fees and contributions	6,266
Recoverable taxes	2,455	Financial loan	168
Related parties – Financial loan	1,282	Other payables	3,286
Other receivables	721		11,607
	12,032	**Noncurrent liabilities**	
		Taxes payable	27
Noncurrent assets			27
Deferred tax assets	1,494	**Total liabilities**	11,634
Related parties	1,808		
Other receivables	20	**Equity**	
	3,322	Capital	4,628
		Advance for future capital increase	6,437
		Accumulated losses	(4,561)
Property, plant and equipment	2,784	**Total equity**	6,504
Total assets	**18,138**	**Total liabilities and equity**	**18,138**

TAURUS JM INDÚSTRIA DE PEÇAS LTDA.
STATEMENT OF PROFIT OR LOSS AS AT DECEMBER 31, 2022
In thousands of reais

Revenue from sales and/or services	5,979
Cost of sales and/or services	(7,978)
General and administrative expenses	(3,727)
Other operating (expenses) income, net	6
	(5,720)
Loss before finance income (costs), net, share of profit (loss) of subsidiaries, and taxes	(5,720)
Finance income	204
Finance costs	(5)
Finance income (costs), net	199
Operating loss before taxes	(5,521)
Loss for the year	(5,521)

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, 2022
In thousands of reais

Assets		**Liabilities**	
Current assets		**Equity**	
Cash and cash equivalents	1,495	Capital	2,991
Prepaid expenses	145	Valuation adjustments to equity	31
	1,640	Accumulated losses	(1,104)
Property, plant and equipment	278	**Total equity**	1,918
Total assets	**1,918**	**Total liabilities and equity**	**1,918**

Companhia Brasileira de Cartuchos Taurus Arábia Holding, LLC.
STATEMENT OF PROFIT OR LOSS AS AT DECEMBER 31, 2022
In thousands of reais

General and administrative expenses	(1,110)
	(1,110)
Loss for the year	(1,110)

16. 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	27 years
Machinery and equipment	10 to 20 years
Dies and tools	5 years
Furniture	10 to 15 years
Other components	5 to 6 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	Total
Balance as at December 31, 2020	10,592	120,636	270,357	29,063	506	174	21,696	10,451	-	463,475
Additions	-	4,733	40,889	4,704	160	515	70,836	37,934	-	159,771
First-time adoption of IFRS 16	-	-	-	-	-	-	-	-	10,931	10,931
Write-offs	-	(1,306)	(37,542)	(1,428)	-	-	(1,027)	-	-	(41,303)
Transfers	-	3,830	14,037	678	-	9	(18,554)	-	-	-
Effect of changes in exchange rates	242	2,059	4,105	2,679	33	-	329	-	-	9,447
Held for sale returned to operations	-	558	20,992	1,977	304	-	2,785	312	-	26,928
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**
Depreciation										
Balance as at December 31, 2020	-	(33,538)	(181,462)	(14,752)	(361)	(7)	-	-	-	(230,120)
Depreciation in the year	-	(5,247)	(15,142)	(2,994)	(82)	(95)	-	-	-	(23,560)
Write-offs	-	284	26,149	1,290	-	-	-	-	-	27,723
First-time adoption of IFRS 16	-	-	-	-	-	-	-	-	(2,099)	(2,099)
Effect of changes in exchange rates	-	(271)	(1,859)	(3,182)	(25)	-	-	-	-	(5,337)
Held for sale returned to operations	-	(297)	(14,967)	(1,348)	(221)	-	-	-	-	(16,833)
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)**
Carrying amount										
December 2021	10,834	91,441	125,557	16,687	314	596	76,065	48,697	8,832	379,023
December 2022	**10,605**	**115,526**	**173,701**	**13,111**	**248**	**456**	**159,744**	**32,696**	**6,614**	**512,701**

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

									Parent
Cost or deemed cost	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Other**	**PP&E in progress**	**Advances to suppliers**	**Lease / right of use**	**Total**
Balance as at December 31, 2020	51,194	183,342	12,596	52	174	15,050	10,451	-	272,859
Additions	3,678	26,532	2,435	-	515	17,851	37,287	-	88,298
Write-offs	-	(5,345)	(335)	-	-	-	-	-	(5,680)
Transfers	3,882	7,055	625	-	9	(11,571)	-	-	-
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**
Depreciation									
Balance as at December 31, 2020	(16,436)	(120,749)	(5,603)	(52)	(7)	-	-	-	(142,847)
Depreciation in the year	(2,070)	(7,472)	(1,049)	-	(95)	-	-	-	(10,686)
Write-offs	2	1,786	295	-	-	-	-	-	2,083
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)**
Carrying amount									
December 2021	40,250	85,149	8,964	-	596	21,330	47,738	-	204,027
December 2022	**39,745**	**109,370**	**8,542**	**-**	**456**	**113,626**	**32,053**	**317**	**304,109**

<u>PP&E in progress</u>
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.

<u>Collateral</u>
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, 2022, the Company uses R$40.3 million in collaterals (R$34.3 million as at December 31, 2021).

17. Intangible assets

<u>Goodwill</u>
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.

<u>Other intangibles</u>
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, 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. For the presentation of these financial statements, the Company did not identify any situation that would require the performance of a new impairment test.

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

Consolidated

	Software	Trademarks and patents	Customer relationship	Goodwill	Product development	Intangible assets in progress	Other intangibles	Total
Cost								
Balance as at December 31, 2020	20,668	26,444	22,541	48,660	7,616	8,580	1,656	136,165
Acquisitions	1,337	-	-	-	13	9,237	-	10,587
Transfers	49	-	-	-	607	(656)	-	-
Write-offs	(85)	-	-	-	-	-	(1,778)	(1,863)
Effect of changes in exchange rates	648	1,212	1,624	1,183	421	-	122	5,210
Held for sale returned to operations	1,520	1,284	-	-	-	-	-	2,804
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**
Amortization								
Balance as at December 31, 2020	(13,818)	(7,388)	(19,567)	-	(2,079)	-	-	(42,852)
Amortization in the year	(2,448)	-	(2,225)	-	(572)	-	-	(5,245)
Write-offs	70	-	-	-	-	-	-	70
Effect of changes in exchange rates	(647)	-	(1,586)	-	(128)	-	-	(2,361)
Held for sale returned to operations	(144)	-	-	-	-	-	-	(144)
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)**
Carrying amount								
December 2021	7,150	21,552	787	49,843	5,878	17,161	-	102,371
December 2022	**6,237**	**20,406**	**-**	**48,724**	**4,971**	**45,444**	**-**	**125,782**

Parent

	Software	Trademarks and patents	Product development	Intangible assets in progress	Total
Cost					
Balance as at December 31, 2020	11,749	9,485	1,916	8,580	31,730
Acquisitions	419	-	13	9,237	9,669
Transfers	49	-	607	(656)	-
Balance as at December 31, 2021	**12,217**	**9,485**	**2,536**	**17,161**	**41,399**
Acquisitions	1,430	-	-	28,283	29,713
Write-offs	(48)	-	-	-	(48)
Balance as at December 31, 2022	**13,599**	**9,485**	**2,536**	**45,444**	**71,064**
Amortization					
Balance as at December 31, 2020	(5,522)	(6,840)	(702)	-	(13,064)
Amortization in the year	(1,880)	-	(242)	-	(2,122)
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)**
Carrying amount					
December 2021	4,815	2,645	1,592	17,161	26,213
December 2022	**4,694**	**2,645**	**1,298**	**45,444**	**54,081**

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

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	2022
Firearms	48,724

The impairment test for said CGU 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:

	WACC discount rate	Average growth rate between 2023 and 2027	WACC discount rate	Average growth rate
Cash-generating unit		**12-31-2022**		**12-31-2021**
Firearms	14.50%	1.50%	12.80%	4.24%

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, 2022 of 10.09% for the Firearms CGU at the market interest rate of 7%.

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, 2022, the Company used a nominal growth rate of 3.15%, 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)

18. Borrowings, financing and debentures

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

							Consolidated and Parent
				12-31-2022			12-31-2021
	Currency	Statutory interest rate	Maturity year	Contractual amount	Carrying amount	Contractual amount	Carrying amount
Working capital	R$	CDI+2.88% p.a.	2023	**18,193**	**3,658**	18,193	10,040
Debentures	R$	CDI+2.50% p.a.	2022	**-**	**-**	50,000	33,532
Foreign exchange advance	US$	5.95% to 7.0% p.a.	2024	**374,991**	**394,950**	217,350	217,350
Working capital	US$	Libor+3.50% or 9.20% fixed p.a.	2023	**464,162**	**89,617**	464,162	432,389
				Total	**488,225**		**693,311**
				Current liabilities	**392,967**		**618,904**
				Noncurrent liabilities	**95,258**		**74,407**

Flow of future debt payments disclosed in noncurrent liabilities:

	Consolidated	Consolidated
Maturity year	**12-31-2022**	**12-31-2021**
2023	**-**	74,407
2024	**95,258**	-
	95,258	74,407

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.

a) Debentures

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

The debentures issued by the Company in a single series are nonconvertible and distributed in the secondary market through the National Debenture System, with restricted placement efforts referring to the 3rd issue intended for banking institutions. The debentures were fully settled on November 28, 2022.

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.

These ratios are monitored by the Company's management as the underlying agreements require that such ratios be measured annually. As at December 31, 2022, the Company was compliant with all said covenants.

19. Other payables

		Consolidated		Parent
	12-31-2022	12-31-2021	12-31-2022	12-31-2021
Dividends payable	**164,119**	68,002	**164,119**	68,002
Sales commissions	**6,915**	6,634	**3,944**	2,179
Accrued interest	**1,166**	571	**-**	-
Unsettled court agreements	**10,000**	-	**10,000**	-
Insurance and freight	**10,124**	9,690	**8,264**	7,331
Trade payables	**12,641**	-	**12,641**	-
Leases	**8,526**	8,833	**267**	-
Advances from customers	**38,915**	41,181	**38,631**	40,897
Marketing	**10,325**	3,863	**-**	-
Due to related parties	**1,810**	1,651	**59,632**	57,381
Unrealized gain on government grant	**28,432**	29,631	**-**	-
Provision for negative equity	**-**	-	**19,474**	18,461
Other	**22,939**	4,858	**1,582**	726
	315,912	174,914	**318,554**	194,977
Current	**258,369**	134,328	**220,752**	122,520
Noncurrent	**57,543**	40,586	**97,802**	72,457

20. Payroll and related taxes

		Consolidated		Parent
	12-31-2022	12-31-2021	12-31-2022	12-31-2021
Payroll	**4,324**	3,794	**1,247**	349
Accrued bonus	**33,221**	33,893	**19,253**	19,721
Contributions payable	**6,924**	10,068	**6,358**	9,479
Accruals (vacation pay and 13th salary)	**22,479**	19,105	**19,804**	16,901
	66,948	66,860	**46,662**	46,450

21. Taxes, fees and contributions

		Consolidated		Parent
	12-31-2022	12-31-2021	12-31-2022	12-31-2021
State VAT (ICMS)	**6,226**	5,694	**5,160**	4,678
Federal VAT (IPI)	**13,230**	378	**12,888**	3
Tax on revenue (PIS)	**32**	6	**-**	-
Tax on revenue (COFINS)	**147**	25	**-**	-
Special tax – FAET (USA)	**29,520**	47,618	**-**	-
Withholding income tax (IRRF)	**2,142**	4,928	**1,754**	4,734
Income tax and social contribution	**16,325**	21,105	**14,679**	15,301
Other installment payments (*)	**32,954**	31,789	**22,626**	31,111

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

Other	**8,864**	8,672	**6,140**	5,982
	109,440	120,215	**63,247**	61,809
Current	86,843	96,632	49,025	39,102
Noncurrent	22,597	23,583	14,222	22,707

(*) 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, 2022, the adjusted balance of the IPI instalment payment plan is R$22.6 million and to date 28 installments have been paid, totaling R$19.8 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 a self-regularization notice for the principal calculated in the amount of R$7.4 million, fine in the amount of R$1.4 million and interest in the amount of R$1.7 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, 2022, the adjustment installment payment balance is R$9.8 million, already considering five installments paid in the total amount of R$894 thousand.

22. 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
			12-31-2022	**12-31-2021**
	Provision	**Escrow deposit (1)**	**Net**	**Net**
Labor	44,222	(13,452)	30,770	32,823
Civil	21,797	(1,060)	20,737	19,339
Tax	50,709	(43,327)	7,382	30,052
	116,728	**(57,839)**	**58,889**	82,214
Classified in current liabilities	60,599			
Classified in noncurrent liabilities	56,129			

(1) Recognized in other noncurrent assets.

				Parent
			12-31-2022	**12-31-2021**
	Provision	**Escrow deposit (1)**	**Net**	**Net**
Labor	41,423	(11,886)	29,537	30,385
Civil	15,390	(1,060)	14,330	14,841
Tax	47,948	(43,036)	4,912	27,632
	104,761	**(55,982)**	**48,779**	72,858
Classified in current liabilities	54,103			
Classified in noncurrent liabilities	50,658			

(1) Recognized in other noncurrent assets.

Variations in the provision:

			Consolidated
	Civil and labor	**Tax**	**Total**

Balance as at December 31, 2021	66,592	30,330	96,922
Provisions recognized in the year	18,140	48,070	66,210
Provisions used in the year	(3,506)	-	(3,506)
Derecognition of provision	(15,207)	(27,691)	(42,898)
Balance as at December 31, 2022	**66,019**	**50,709**	**116,728**

			Parent
	Civil and labor	**Tax**	**Total**
Balance as at December 31, 2021	58,109	27,910	86,019
Provisions recognized in the year	11,600	47,727	59,327
Provisions used in the year	(2,170)	-	(2,170)
Derecognition of provision	(10,726)	(27,689)	(38,415)
Balance as at December 31, 2022	**56,813**	**47,948**	**104,761**

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:

				Consolidated				**Parent**
	12-31-2022		12-31-2021		**12-31-2022**		12-31-2021	
	Possible	**Remote**	Possible	Remote	**Possible**	**Remote**	Possible	Remote
Civil	**158,893**	**37,525**	231,202	21,543	**140,727**	**37,105**	212,624	21,499
Labor	**25,285**	**54,327**	43,029	45,858	**22,242**	**35,490**	22,948	32,778
Tax	**70,911**	**-**	62,798	-	**63,738**	**-**	55,920	-
	255,089	**91,852**	337,029	67,401	**226,707**	**72,595**	291,492	54,277

a) Labor lawsuits

The Company is 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$41.6 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.
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.
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.
Currently, it is waiting for the final and unappealable decisions to continue with the fact finding phase.
In the opinion of our legal counsel, this lawsuit was classified with a possible likelihood of loss and its adjusted amount is R$63.4 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$25.1 million, 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 our legal counsel, this lawsuit was classified with a possible likelihood of loss, estimated at R$28.8 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$51.4 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, and the disputed amount is R$19.5 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 financial statements at this date.

e) Ongoing lawsuits

The Company also holds an amount equivalent to R$145.1 million in ongoing lawsuits, which are classified as contingent assets and are not recognized in accounting.

Of this total, R$17.6 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 Helmets 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 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, under which the overall amount of R$3.7 million is being collected by Taurus Helmets. 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, it is waiting for the final and unappealable decision. The likelihood of a favorable outcome in this lawsuit is classified as probable and, currently, the amount under dispute is R$3.8 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 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.

23. 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

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

The fair values of borrowings and financing, debentures and foreign currency advances, together with the carrying amounts reported in the balance sheet, are as follows:

				Consolidated and Parent
		12-31-2022		12-31-2021
	Amortized cost	Fair value	Amortized cost	Fair value
Liabilities measured at amortized cost				
Borrowings and financing	**93,275**	**92,657**	442,429	442,429
Debentures	**-**	**-**	33,532	33,532
Foreign currency advances	**394,950**	**390,380**	217,350	215,168
	488,225	**483,038**	693,311	691,129

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)

24. 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, 2021								
Taurus Helmets Indústria de Capacetes Ltda.	572	-	572	14	5,101 (iv)	5,115	-	330
Taurus Blindagens Nordeste Ltda.	-	-	-	623	47,244 (iv)	47,867	-	2,012
Taurus Holdings, Inc.	16,882	-	16,882	16,279	-	16,279	945,679	4,357
Taurus Investimentos Imobiliários Ltda.	641	10,523	11,164	384	-	384	94	4,610
Taurus Máquinas-Ferramenta Ltda.	-	25,999	25,999	-	-	-	1,095	-
Polimetal Metalurgia e Plásticos Ltda.	6,585	4,159	10,744	1,903	-	1,903	2,404	-
	24,680	40,681	65,361	19,203	52,345	71,548	949,272	11,309
December 31, 2022								
Taurus Helmets Indústria de Capacetes Ltda.	**634**	**-**	**634**	**19**	**5,587** (iv)	**5,606**	**-**	**627**
Taurus Blindagens Nordeste Ltda.	**-**	**-**	**-**	**664**	**50,151** (iv)	**50,815**	**-**	**5,713**
Taurus Holdings, Inc.	**32**	**-**	**32**	**1,310**	**-**	**1,310**	**834,137**	**4,267**
Taurus Investimentos Imobiliários Ltda.	**1,962**	**47,668**	**49,630**	**471**	**-**	**471**	**3,594**	**5,476**
Taurus Máquinas-Ferramenta Ltda.	**-**	**30,786**	**30,786**	**-**	**-**	**-**	**3,345**	**-**
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**

(i) Refers to amounts recorded in line items trade payables - R$1,308, other payables - R$2,086
(ii) Refers to amounts recorded in line items trade receivables - R$7,053 and other receivables - R$12,651
(iii) Refers to amounts recognized in line items intragroup loans - R$86,471 from parent company Taurus Armas S.A. which are adjusted at 100% of CDI (Interbank Deposit Certificate) rate.
(iv) Represent loan agreements - R$55,738 with subsidiaries Taurus Helmets Indústria de Capacetes Ltda. and Taurus Blindagens Nordeste Ltda. 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 and also intragroup loans between these parties.

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 land held for sale in Porto Alegre. 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 2022, as shown in the table below.

The Brazilian Association of Defense and Security Material Industries (ABIMDE) is a non-profit civil entity which represents the military use material sector companies for the purpose of sponsoring, promoting and representing their common interests and goals, aiming at the social and economic growth of Brazil and works in the relationship between the industries and governmental agencies, seeking to expedite and promote the sale, development and quality of the Brazilian products. It also works in the relationship between the industries and governmental agencies, seeking to expedite and promote the sale, development and quality of the Brazilian products. The vice president of the Board of Directors is Mr. Fábio Luiz Munhoz Mazzaro, who is also the CEO of CBC, a related party of Taurus Armas S/A.

Taurus Armas S/A is an associate of this entity and makes monthly contributions based on the amount recorded in 2022, 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 2022, 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, 2022, 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	Current liabilities	Noncurrent liabilities	Revenue	Expense
December 31, 2021					
Companhia Brasileira de Cartuchos	9,697	10,821	-	21,404	49,756

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

CBC Brasil Comércio e Distribuição	264,772	2	-	690,370	-
GN Importações	-	-	-	375	9
Taurus JM Indústria de Peças	2,640	-	1,651	16	1,107
Joalmi Indústria e Comércio	247	-	-	-	124
ANIAM - Assoc. Nac. da Ind. de Armas e Munições	-	-	-	-	1,005
	277,356	10,823	1,651	712,165	52,001
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**

<ins>Marketplace Platform</ins>
The Company has a partnership with its related party Companhia Brasileira de Cartuchos (CBC) a Marketplace platform.

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, who is 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.

<ins>Officers' and Directors' transactions</ins>
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

	12-31-2022	12-31-2021	**12-31-2022**	12-31-2021
Statutory officer's compensation and benefits	**9,253**	23,837	**9,253**	23,837
Stock option plan	**8,666**	5,423	**8,666**	5,423
Directors' compensation and benefits	**1,044**	924	**1,044**	924
Supervisory Board members' compensation and benefits	**419**	318	**419**	318
	19,382	30,502	**19,382**	30,502

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 (*phantom share*) and long-term compensation (stock options). Generally, the goals set by the Company to evaluate Officers consist of economic goals and their permanence at the Company.

The gain in the Stock Option Plan 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.

Sureties between related parties
Borrowings and financing in the form of debentures, 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$162.4 million (R$580.8 million as at December 31, 2021) 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.

25. Discontinued operations

A discontinued operation is a component of the Group's business that comprises transactions and cash flows that can be clearly separated from the rest of the Group and that:

- Represents a separate major business line or geography of operations;
- Is part of a single coordinated plan to sell a separate major business line or geography of operations; or
- Is a subsidiary acquired exclusively for the purpose of resale.

The classification as a discontinued operation is made at the earlier of its disposal or when the operation meets the criteria to be classified as held for sale prescribed by IFRS 5/CPC 31 - Non-current Assets Held for Sale and Discontinued Operations.

When an operation is classified as a discontinued operation, the comparative statements of profit and loss and of value added are restated as if the operation had been discontinued since the beginning of the comparative period.

While intragroup transactions were fully eliminated from consolidated profit or loss, the Company's Management elected to attribute the elimination of transactions between continuing and discontinued operations prior to disposal in order to reflect the continuity of these operations after disposal, since Management believes that the information is useful to the users of the financial information. To achieve this presentation, the Company's Management, based on the profit (loss) from discontinued operations, eliminated intersegment sales (and costs resulting from these sales, less unrealized profit) made prior to their disposal.

(a) Loss from discontinued operations, net

	12-31-2022	**12-31-2021**
Finance costs, net	(913)	(1,603)
Foreign expenses	(913)	(1,603)
Loss from operating activities	(913)	(1,603)

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

Taxes on income	(1,880)	(717)
Loss before income tax and social contribution, net	**(2,793)**	**(2,320)**
Basic earnings (loss) per common share (in R$)	**(0.022050)**	**(0.019640)**
Basic earnings (loss) per preferred share (in R$)	**(0.023660)**	**(0.023690)**

Loss from discontinued operations as at December 31, 2022 is R$-2,793 thousand (R$-thousand as at December 31, 2021) and is fully attributed to owners of the Company.

(b) Cash flows generated by discontinued operations

	12-31-2022	12-31-2021
Net cash generated by operating activities	**2,933**	1,547
Net cash generated by investing activities	**(2,908)**	(1,621)
Net cash used in financing activities	**-**	81
Net cash generated by discontinued operations	**25**	7

26. Equity

a) Capital

As at December 31, 2022, the Company's issued capital is R$367.9 million (R$308.2 million at December 31, 2021), 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. The table below shows the maturities of all shares and the updated position as at December 31, 2022:

	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
Exercisable	-	-	-	-

In the year ended December 31, 2021, the warrants exercised were automatically converted into capital, in an amount equivalent to R$118.9 million, which was ratified by the Company's Board of Directors.

On November 04, 2021, the Company's Board of Directors approved the capital decrease to partially absorb the balance of accumulated losses recorded in the financial statements as at December 31, 2020. The amount of capital was reduced by R$371 million.

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.

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):

	12-31-2022	12-31-2021
Common shares	103,703	51,851
Preferred shares	207,405	103,702
	311,108	155,553

Issued, fully paid-in shares:

	Common shares		Preferred shares	
	Number in thousands	**Amount in R$ thousands**	**Number in thousands**	**Amount in R$ thousands**
As at December 31, 2021				
Common: R$24.51; Preferred: R$24.66*	46,445	1,138,367	71,654	1,766,988
As at December 31, 2022				
Common: R$13.25; Preferred: R$13.35*	**46,445**	615,396	**80,189**	1,070,523

*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, 2022, legal reserve in the amount of R$26 million (R$15.1 million as at December 31, 2021) 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. As at December 31, 2022 , the balance is R$118.5 million (R$92.6 million as at December 31, 2021). Up to 2020 the amount was allocated as a reduction of accumulated losses. Due to the reversal of accumulated losses in retained earnings occurred in 2021, the balance was reclassified to earnings reserves.

Retained earnings
Refers to the retention of earnings calculated after the allocations to the legal reserve tax incentive reserve and mandatory minimum dividends. Management will propose their allocation to the payment of additional dividends and share buyback, subject to the approval at the Annual General Meeting, to be held in April 2023.

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.

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	**519,984**
Allocations:	
Recognition of legal reserve	(25,999)
Recognition of tax incentive reserve	(25,903)
Valuation adjustments to equity	690
Dividend distribution base	**468,772**
Mandatory dividends (35%)	164,070
Mandatory dividends per share	1.295620
Total dividends per share	**(1.295620)**
Total dividends for distribution	**164,070**
Earnings reserve	**304,702**
Retained earnings	304,702

The proposed compensation to shareholders to be sent by Management to the approval of the Annual General Meeting of 2023, in the amount of R$164.1 million (R$1.295620 per share), contemplates the mandatory dividend arising from the remaining portion of profit for the year and the legal reserve, considering that the payment is compatible with the cash generation in the year and the Company's financial sustainability is preserved.

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	**12-31-2022**	12-31-2021
Profit (loss) from continuing operations		
Common shares	191,737	250,664
Preferred shares	331,040	386,716
	522,777	637,380
Profit (loss) from discontinued operations		
Common shares	(1,024)	(912)
Preferred shares	(1,769)	(1,408)
	(2,793)	(2,320)
Profit (loss) for the year		
Common shares	190,713	249,752
Preferred shares	329,271	385,308
	519,984	635,060
Basic denominator – Weighted average number of outstanding shares (no. of shares)		
Common shares	46,445,314	46,445,314
Preferred shares	74,770,473	59,446,591
	121,215,787	105,891,905
Basic earnings (loss) per share from continuing operations (R$ per share)		
Common shares	4.12823	5.39697
Preferred shares	4.42742	6.50527
Basic earnings (loss) per share from discontinued operations (R$ per share)		
Common shares	(0.02205)	(0.01964)
Preferred shares	(0.02366)	(0.02369)
Basic earnings (loss) per share (R$ per share)		
Common shares	4.10618	5.37733
Preferred shares	4.40376	6.48158

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

	Parent and Consolidated	
Diluted numerator	**12-31-2022**	12-31-2021
Profit (loss) from continuing operations		
Common shares	191,737	250,664
Preferred shares	331,040	386,716
	522,777	637,380
Profit (loss) from discontinued operations		
Common shares	(1,024)	(912)
Preferred shares	(1,769)	(1,408)
	(2,793)	(2,320)
Profit (loss) for the year		
Common shares	190,713	249,752
Preferred shares	329,271	385,308
	519,984	635,060
Diluted denominator – Weighted average number of outstanding shares (no. of shares)		
Common shares	46,445,314	46,445,314
Preferred shares	74,770,473	59,446,591
	121,215,787	105,891,905
Potential increase in the number of shares from the exercise of warrants		
Common shares	-	-
Preferred shares	-	5,939,288
	-	5,939,288
Diluted earnings (loss) per share from continuing operations (R$ per share)		
Common shares	4.12823	5.39697
Preferred shares	4.42742	5.91437
Diluted earnings (loss) per share from discontinued operations (R$ per share)		
Common shares	(0.02205)	(0.01964)
Preferred shares	(0.02366)	(0.02153)
Diluted earnings (loss) per share (R$ per share)		
Common shares	4.10618	5.37733
Preferred shares	4.40376	5.89284

(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

Description of the share-based compensation arrangements
As at December 31, 2022, the Company has 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 is responsible for the Plan's management.

On October 18, 2021, the Board of Directors approved the Company's Second Stock Option Program ("2nd Program") including the eligibility rules of this 2nd Program's beneficiaries. 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 May 18, 2022, the Company approved at the meeting of the Board of Directors the Company's Third Stock Option Program ("3rd Program") including the eligibility rules of this 3rd Program's beneficiaries. All terms and conditions of the Plan, approved by the Company's Annual and Extraordinary Shareholders' Meeting held on April 26, 2021, were observed.

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 Company recognized in profit or loss for the period ended December 31, 2022 a total of R$8.7 million in stock option plan expenses.

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**

(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%

b) Share-based payment settled in cash – Phantom Shares

In April 2021, the Company granted 780,000 phantom shares, equivalent to the same number of preferred shares issued by the Company, to the program beneficiaries. Upon fulfillment of all *vesting* conditions, namely: upon keeping the relationship as the Company's officer until the end of the *vesting* period, expected for December 2021, the beneficiary was entitled to receive the premium on December 30, 2021. The compensation amount in local currency was defined after the end of the auction at B3 – Brasil, Bolsa, Balcão on December 17, 2021.

The calculation method corresponds to the straight-line average of the average price of the preferred share from December 13 to 15, 2021 multiplied by the number of phantom shares, with ceiling of R$25.00 per share.

The plan was completed and paid on December 31, 2021. In total, amounts representing 710,000 phantom shares at the average amount of R$24.19 per share were paid, totaling R$17.2 million. As at December 31, 2021, total amount recognized in expenses, including payroll taxes corresponds to R$20.3 million. There is no projection of share-based payment plan settled in cash relating to 2022.

(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	
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
Sale of goods	**3,213,571**	3,448,315	**2,236,246**	2,224,113
Provision of services	**374**	329	**374**	308
Total gross revenue	**3,213,945**	3,448,644	**2,236,620**	2,224,421
Sales taxes	**(666,904)**	(701,906)	**(491,655)**	(493,162)
Returns and discounts	**(7,020)**	(6,274)	**(4,975)**	(2,415)
Total net operating revenue	**2,540,021**	**2,740,464**	**1,739,990**	**1,728,844**

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	
	12-31-2022	12-31-2021	**12-31-2022**	12-31-2021
Other operating income				
Tax recovery	**27,029**	73,996	**26,755**	71,034
Government grant - COVID	**-**	16,598	**-**	-
Royalties	**4,313**	7,815	**4,313**	7,815
Sale of property, plant and equipment	**194**	4,615	**151**	3,601
Recovery of expenses on trade payables	**6,692**	4,456	**6,679**	4,421
Recovery of past-due receivables – allowance for doubtful debts	**549**	4,082	**543**	4,082
Other income	**13,763**	6,369	**7,508**	6,558
	52,540	117,931	**45,949**	97,511

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

30. Expenses by nature

	Consolidated		Parent	
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
Expenses by function				
Cost of sales	(1,379,597)	(1,422,708)	(903,474)	(867,550)
Selling expenses	(252,716)	(241,989)	(99,071)	(90,569)
Allowance for impairment of financial instruments	(2,804)	(1,509)	(2,639)	(1,696)
General and administrative expenses	(201,921)	(205,125)	(120,122)	(129,999)
Other operating expenses	8,687	(12,981)	5,213	(13,205)
	(1,828,351)	**(1,884,312)**	**(1,120,093)**	**(1,103,019)**
Expenses by nature	**12-31-2022**	**12-31-2021**	**12-31-2022**	**12-31-2021**
Depreciation and amortization	(31,313)	(28,807)	(15,163)	(12,809)
Personnel expenses	(370,508)	(379,876)	(274,657)	(274,287)
Tax expenses	(13,545)	(13,594)	(9,108)	(9,924)
Raw materials and supplies and consumables	(910,184)	(957,067)	(541,390)	(539,792)
Auxiliary materials and upkeep and maintenance supplies	(103,481)	(92,188)	(100,143)	(89,492)
Freight and insurance	(134,876)	(135,194)	(72,026)	(68,924)
Outside services	(68,753)	(58,031)	(51,878)	(44,392)
Advertising and publicity	(45,885)	(35,242)	(8,064)	(7,185)
Expenses on product warranty	(2,741)	(2,412)	(2,904)	(822)
Water and power	(38,893)	(46,157)	(15,497)	(14,396)
Travel and lodging	(10,485)	(4,696)	(7,432)	(2,892)
Expenses on commissions	(43,250)	(48,071)	(7,891)	(6,769)
Cost of property, plant and equipment written off	(1,310)	(6,540)	(729)	(3,597)
Civil, labor and tax risks	9,144	(7,744)	10,397	(4,840)
Rentals	(6,813)	(5,918)	(10,796)	(8,748)
Other expenses	(55,458)	(62,775)	(12,812)	(14,150)
	(1,828,351)	**(1,884,312)**	**(1,120,093)**	**(1,103,019)**

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	
	12-31-2022	12-31-2021	**12-31-2022**	12-31-2021
Finance income				
Interest	**20,323**	26,528	**23,695**	27,594
Foreign exchange gains	**345,567**	196,542	**342,935**	194,254
Other income	**17,488**	1,905	**16,742**	1,673
	383,378	224,975	**383,372**	223,521
Finance costs				
Interest and fines	**(42,573)**	(38,524)	**(42,218)**	(36,003)
Foreign exchange losses	**(332,713)**	(245,439)	**(329,492)**	(243,341)
Other expenses	**(12,824)**	(13,293)	**(11,641)**	(11,870)
	(388,110)	(297,256)	**(383,351)**	(291,214)
Finance income (costs), net	**(4,732)**	(72,281)	**21**	(67,693)

(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, 2022 and 2021, the balances are as follows.

	Consolidated		Parent	
	12-31-2022	**12-31-2021**	**12-31-2022**	**12-31-2021**
Domestic market	**7,752**	8,003	**6,286**	6,535
Foreign market	**8,258**	10,443	**-**	-
Total	**16,010**	**18,446**	**6,286**	**6,535**
Current liabilities	**10,999**	11,910	**6,286**	6,535
Noncurrent liabilities	**5,011**	6,536	**-**	-

33. Events after the reporting period

Political and regulatory scenario in the sector

As expected, in one of the first measures of the current Brazilian administration, on the first day after his inauguration, the President has signed a decree to change the rules for the purchase and registration of firearms (Decree 11.366/23). This Decree suspended the authorization for opening of new shooting ranges, purchase of restricted firearms and ammunitions. The government has created a work group which will design a new regulation of the Disarmament Statute. During the first quarter of 2023, the domestic market is slow, waiting for the regulation of Decree 11.366 to be published in April 2023.

The Company expects to observe the market normalization as from the second quarter of 2023, including with more activities in the domestic market as a result of the repressed demand during the first and part of the second quarter.

Up to the date of approval of these individual and consolidated financial statements, the Company's Management did not identify any impact arising from this situation on the provisions, estimates, asset impairment tests and continuity of activities, considered by Management in preparing the individual and consolidated financial statements for the year ended December 31, 2022.

Approval of financing by FINEP

On March 14, 2023, the Company disclosed a Material Event Notice to inform about the approval of FINEP's (Study and Project Financing Entity, as public company linked to the Ministry of Planning) credit line for partial financing of the project Strategic Innovation Plan for Competitiveness (PEI), presented by Taurus.

The approval of the credit line by FINEP is an important milestone for the Company as, more important than the funds released, it represents the confirmation of the strength, reliability and credibility obtained by Taurus and corroborates the innovative nature of the projects developed by the Company. The investments in innovations in the past years have substantially changed Taurus's position in the domestic and foreign market.

The approved financing amount, to be released in six semiannual installments, was R$175.7 million, which accounts for 90% of the total amount of the Project. Payment will be made in 108 monthly installments, after a 36-month grace period, subject to TJLP – 0.385% p.a., in addition to the payment of 0.91% on each installment relating to the TIV (inspection and surveillance fee).

The Strategic Innovation Plan for Competitiveness (PEI) of Taurus presented to Finep is targeted at the innovation of products and processes. It must be mentioned the project for the development of modern own facilities for the Brazil/USA Integrated Center of Technology and Engineering (CITE), which will centralize the operations of more than 250 engineers. A new R&D complex will be built with an area of 8,480m², equipped with modern metallurgy and metrology laboratories, people training and development rooms, a big room designed as an open space to promote the creativity of the engineering teams, try outs area for the production and integration of production systems, experimental laboratory and prototyping, product test and application laboratory and production tooling development.

STATEMENT OF THE EXECUTIVE COMMITTEE OF TAURUS ARMAS S.A. ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, and Leonardo Brum Sesti, 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, 2022 to December 31, 2022.

São Leopoldo, March 20, 2023.

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

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

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, and Leonardo Brum Sesti, 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 Review Report on the Financial Statements for the period from January 1, 2022 to December 31, 2022, issued on March 20, 2023.

São Leopoldo, March 20, 2023.

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

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, 2022, approved by the Board of Directors at a meeting held on March 20, 2023.

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 20, 2023, 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 20, 2023

Haroldo Zago
Chairman

Mauro César Medeiros de Mello
Board Member

Edson Pereira Ribeiro
Board Member

TAURUS ARMAS S.A. AUDIT AND RISK BOARD'S OPINION

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 2023. Their duties are determined in the Company's bylaws by the Board of Directors.

In FY2022, 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, HR management and accounting areas; the development of accounting controls, 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 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 FY2022.

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 2022 ("2022 Annual Financial Statements") and, considering the information provided by the Company's Management and Deloitte Touche Tohmatsu Auditores Independentes, are of the unanimous opinion that these financial statements present fairly, in all material respects, the financial positions of the Company and its subsidiaries, and recommend 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 20, 2023.

Sérgio Laurimar Fioravanti

Magno Neves Fonseca

Luciano Luiz Barsi

Deloitte Touche Tohmatsu
Rua Nunes Machado, 68,
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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, 2022, 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 a summary of significant 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, 2022, 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 - IFRS, 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 financial statements of 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, therefore, we do not provide a separate opinion on these matters.

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Group audit

Why it is a KAM	How the matter was addressed in our audit
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 is 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 KAM 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 rely 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 our coordination, oversight, sending of instructions to these teams and continuing involvement and steering 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.	Our audit procedures to address such KAM included, without limitation: (a) Obtaining an understanding of the processes performed and the consolidation system used by the Company. (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 supervising and steering 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 oversight and coordination 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 24 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.

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 KAM 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; and (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: (i) obtaining an understanding of the flow of sales transactions considering the nature of the Company's different transactions; (ii) assessing the design and implementation of significant internal control activities related to the occurrence, integrity, accuracy and recognition of revenue on the proper accrual period; (iii) involving our information technology specialists in assessing the automated systems that support the sales transactions; (iv) 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 with transfer of control were considered by the Company in its individual and consolidated financial statements; (v) 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 (vi) 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 change 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. Also as a result of our procedures described above, we identified adjustments affecting 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.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2022, 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 the other information. Such 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 IFRS, issued by the 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.

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, when 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 year 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 20, 2023

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Otavio Ramos Pereira
Engagement Partner

2023CB021023