Contents

Company information / Capital composition

Quantity of shares (Units)	Current quarter 03/31/2017
Paid-in capital	
Common (ON)	46,445,314
Preferred	18,242,898
Total	64,688,212
Treasury	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet - Assets

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
1	Assets Total	815,044	809,940
1.01	Current assets	224,314	212,008
1.01.01	Cash and cash equivalents	538	1,313
1.01.01.01	Cash and banks	390	611
1.01.01.02	Interbank funds applied	148	702
1.01.02	Interest earning bank deposits	2,204	2,552
1.01.03	Accounts receivable	43,091	45,701
1.01.03.01	Trade accounts receivable	43,091	45,701
1.01.04	Inventories	134,951	125,925
1.01.06	Recoverable taxes	12,058	7,269
1.01.06.01	Current taxes recoverable	12,058	7,269
1.01.07	Prepaid expenses	1,655	1,951
1.01.08	Other Current assets	29,817	27,297
1.01.08.03	Other	29,817	27,297
1.01.08.03.03	Related parties - Financial loan	8,828	8,150
1.01.08.03.04	Other accounts receivable	20,989	19,147
1.02	Non-current assets	590,730	597,932
1.02.01	Long term assets	34,545	31,860
1.02.01.01	Interest earning bank deposits measured at fair value	1,055	430
1.02.01.01.01	Trading securities	1,055	430
1.02.01.06	Deferred taxes	8,404	8,404
1.02.01.06.01	Deferred income and social contribution taxes	8,404	8,404
1.02.01.08	Related party credits	18,266	16,941
1.02.01.08.04	Other related party credits	18,266	16,941
1.02.01.09	Other non-current assets	6,820	6,085
1.02.01.09.03	Recoverable taxes	195	195
1.02.01.09.04	Other	6,625	5,890
1.02.02	Investments	512,400	521,752
1.02.02.01	Ownership interest	512,400	521,752
1.02.02.01.02	Interest in subsidiaries	512,210	521,562
1.02.02.01.04	Other ownership interest	190	190
1.02.03	Property, plant and equipment	38,006	38,398
1.02.03.01	Fixed assets in operation	30,738	29,670
1.02.03.03	Construction in progress	7,268	8,728
1.02.04	Intangible assets	5,779	5,922
1.02.04.01	Intangible assets	5,779	5,922

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

Code of account	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
2	Total liabilities	815,044	809,940
2.01	Current liabilities	363,126	354,038
2.01.01	Social and labor obligations	14,570	14,849
2.01.01.01	Social charges	4,028	4,451
2.01.01.02	Labor obligations	10,542	10,398
2.01.02	Suppliers	138,139	125,076
2.01.02.01	Domestic suppliers	131,700	117,529
2.01.02.02	Foreign suppliers	6,439	7,547
2.01.03	Tax liabilities	16,712	16,241
2.01.03.01	Federal tax liabilities	15,882	13,669
2.01.03.01.02	Other Taxes	15,882	13,669
2.01.03.02	State tax liabilities	802	2,531
2.01.03.03	Municipal tax liabilities	28	41
2.01.04	Loans and financing	32,284	20,799
2.01.04.01	Loans and financing	28,711	20,366
2.01.04.01.01	In domestic currency	2,361	3,638
2.01.04.01.02	In foreign currency	26,350	16,728
2.01.04.02	Debentures	3,573	433
2.01.05	Other liabilities	145,457	155,035
2.01.05.02	Other	145,457	155,035
2.01.05.02.01	Dividends and interest on own capital	3	3
2.01.05.02.04	Financial loan	30,127	28,835
2.01.05.02.05	Foreign exchange withdrawals	23,335	28,065
2.01.05.02.07	Advance from receivables	1,694	6,136
2.01.05.02.08	Advance from clients	69,515	65,769
2.01.05.02.09	Other liabilities	20,783	26,227
2.01.06	Provisions	15,964	22,038
2.01.06.01	Tax, social security, labor and civil provisions	8,880	16,916
2.01.06.01.02	Social security and labor provisions	8,880	15,776
2.01.06.01.03	Provisions to employee benefits	0	1,140
2.01.06.02	Other provisions	7,084	5,122
2.01.06.02.01	Provision for guarantees	7,084	5,122
2.02	Non-current liabilities	626,867	627,803
2.02.01	Loans and financing	527,450	546,076
2.02.01.01	Loans and financing	459,285	478,065
2.02.01.01.01	In domestic currency	5,851	6,428
2.02.01.01.02	In foreign currency	453,434	471,637
2.02.01.02	Debentures	68,165	68,011
2.02.02	Other liabilities	86,715	79,887
2.02.02.01	Liabilities from Related parties	45,844	39,158
2.02.02.01.02	Debits with subsidiaries	5,103	5,250
2.02.02.01.04	Debts with other related parties	40,741	33,908
2.02.02.02	Other	40,871	40,729
2.02.02.02.03	Taxes payable	780	944
2.02.02.02.04	Provision for unsecured liability	37,101	36,709
2.02.02.02.05	Other liabilities	2,990	3,076

Individual financial statements/ Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
2.02.04	Provisions	12,702	1,840
2.02.04.01	Tax, social security, labor and civil provisions	12,702	1,840
2.02.04.01.02	Social security and labor provisions	11,499	1,840
2.02.04.01.04	Civil provisions	1,203	0
2.03	Shareholders' equity	-174,949	-171,901
2.03.01	Realized capital	404,489	393,977
2.03.02	Capital reserves	-40,996	-40,832
2.03.02.06	Advance for future capital increase	0	164
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-674,161	-668,102
2.03.06	Equity valuation adjustments	49,343	49,736
2.03.07	Accumulated translation adjustments	86,376	93,320

Individual financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2017–03/31/2017	Accumulated of the prior year 01/01/2016–03/31/2016
3.01	Income from sales of goods and/or services	129,524	77,289
3.02	Cost of goods and/or services sold	-100,929	-47,380
3.03	Gross income	28,595	29,909
3.04	Operating expenses/income	-28,980	-52,270
3.04.01	Sales expenses	-9,428	-4,558
3.04.02	General and administrative expenses	-16,594	-20,792
3.04.04	Other operating income	1,439	1,457
3.04.05	Other operating expenses	-1,598	-1,481
3.04.06	Equity income (loss)	-2,799	-26,896
3.05	Income (loss) before financial income and taxes	-385	-22,361
3.06	Financial income (loss)	-6,068	19,094
3.06.01	Financial income	18,262	41,837
3.06.02	Financial expenses	-24,330	-22,743
3.07	Income (loss) before income tax	-6,453	-3,267
3.09	Net income from continued operations	-6,453	-3,267
3.11	Income/loss for the period	-6,453	-3,267
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	ON	-0.09976	-0.06866
3.99.01.02	PN	-0.09976	-0.06866
3.99.02	Diluted earnings per share		
3.99.02.01	ON	-0.09976	-0.06858
3.99.02.02	PN	-0.09976	-0.06858

Individual financial statements / Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2017–03/31/2017	Accumulated of the prior year 01/01/2016–03/31/2016
4.01	Net income for the period	-6,453	-3,267
4.02	Other comprehensive income	-6,943	-23,127
4.02.01	Translation adjustments in the period	-6,943	-23,127
4.03	Comprehensive income for the period	-13,396	-26,394

Individual financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2017–03/31/2017	Accumulated of the prior year 01/01/2016–03/31/2016
6.01	Net cash from operating activities	6,268	10,765
6.01.01	Cash generated in operations	6,254	29,239
6.01.01.01	Net income (loss) before income and social contribution taxes	-6,453	-3,267
6.01.01.02	Depreciation and amortization	1,846	1,670
6.01.01.03	Cost of permanent asset written-off	56	1,460
6.01.01.05	Equity in net income of subsidiaries	2,799	26,896
6.01.01.07	Provision for Derivative financial instruments	0	3,989
6.01.01.08	Provision for interest on loans and financing	18,329	18,043
6.01.01.11	Provision for guarantees	1,962	0
6.01.01.12	Provision for contingencies	2,826	3,412
6.01.01.13	Foreign exchange variation on loans and other	-15,111	-22,964
6.01.02	Changes in assets and liabilities	14	-18,474
6.01.02.01	Decrease in trade accounts receivable	2,549	10,900
6.01.02.02	(Increase) in inventories	-9,026	-31,879
6.01.02.03	(Increase) decrease in other accounts receivable	-7,719	1,856
6.01.02.04	(Decrease) increase in suppliers	14,295	-39,903
6.01.02.05	(Decrease) Increase in accounts payable	-85	40,552
6.02	Net cash used in investment activities	-2,969	-8,537
6.02.01	Receivables with related companies	-1,325	-12,305
6.02.02	Other long-term credits	0	68
6.02.04	In property, plant and equipment	-1,367	-3,832
6.02.05	In intangible assets	0	-1,838
6.02.06	Interest earning bank deposits	-277	9,370
6.03	Net cash from financing activities	-4,074	-15,874
6.03.02	Loans obtained	0	137,216
6.03.03	Payments of loans	-17,062	-146,638
6.03.05	Capital increase	10,348	0
6.03.07	Payment of Interest on loans	-4,192	-5,263
6.03.10	Debts with related companies	6,832	-1,189
6.05	Increase (decrease) in cash and cash equivalents	-775	-13,646
6.05.01	Opening balance of cash and cash equivalents	1,313	15,822
6.05.02	Closing balance of cash and cash equivalents	538	2,176

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2017–03/31/2017

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	394,141	-40,996	0	-668,102	143,056	-171,901
5.03	Adjusted opening balances	394,141	-40,996	0	-668,102	143,056	-171,901
5.04	Capital transactions with partners	10,348	0	0	0	0	10,348
5.04.01	Capital increases	10,348	0	0	0	0	10,348
5.05	Total comprehensive income	0	0	0	-6,059	-7,337	-13,396
5.05.01	Net income for the period	0	0	0	-6,453	0	-6,453
5.05.02	Other comprehensive income	0	0	0	394	-7,337	-6,943
5.05.02.04	Translation adjustments in the period	0	0	0	0	-6,943	-6,943
5.05.02.06	Realization of equity valuation adjustments	0	0	0	394	-394	0
5.07	Closing balances	404,489	-40,996	0	-674,161	135,719	-174,949

Individual financial statements / Statement of changes in shareholders' equity / DMPL – From 01/01/2016 to 03/31/2016

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	364,735	-29,295	0	-566,155	170,599	-60,116
5.03	Adjusted opening balances	364,735	-29,295	0	-566,155	170,599	-60,116
5.04	Capital transactions with partners	11,701	-11,701	0	0	0	0
5.04.08	Payment of advance for future capital increase	11,701	-11,701	0	0	0	0
5.05	Total comprehensive income	0	0	0	-3,146	-23,248	-26,394
5.05.01	Net income for the period	0	0	0	-3,267	0	-3,267
5.05.02	Other comprehensive income	0	0	0	121	-23,248	-23,127
5.05.02.04	Translation adjustments in the period	0	0	0	0	-23,127	-23,338
5.05.02.06	Realization of equity valuation adjustments	0	0	0	121	-121	211
5.07	Closing balances	376,436	-40,996	0	-569,301	147,351	-86,510

Individual financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2017–03/31/2017	Accumulated of the prior year 01/01/2016–03/31/2016
7.01	Income	131,790	82,809
7.01.01	Sale of merchandise, products and services	129,546	81,352
7.01.02	Other income	853	1,457
7.01.04	Formation/reversal of allowance for doubtful accounts	1,391	0
7.02	Inputs acquired from third parties	-107,280	-60,057
7.02.01	Cost of products, merchandise and services sold	-103,971	-36,655
7.02.02	Materials, Energy, Third-party services and other	-3,309	-23,402
7.03	Gross added value	24,510	22,752
7.04	Retentions	-1,846	-1,669
7.04.01	Depreciation, amortization and depletion	-1,846	-1,669
7.05	Net added value produced	22,664	21,083
7.06	Added value received as transfer	15,451	14,941
7.06.01	Equity income (loss)	-2,799	-26,896
7.06.02	Financial income	18,250	41,837
7.07	Total added value payable	38,115	36,024
7.08	Distribution of added value	38,115	36,024
7.08.01	Personnel	15,760	14,976
7.08.01.01	Direct remuneration	12,209	12,795
7.08.01.02	Benefits	2,680	1,346
7.08.01.03	Severance Pay Fund (FGTS)	871	835
7.08.02	Taxes, rates and contributions	7,492	930
7.08.02.01	Federal	7,369	599
7.08.02.02	State	104	331
7.08.02.03	Municipal	19	0
7.08.03	Third-party capital remuneration	21,316	23,385
7.08.03.01	Interest	21,228	22,743
7.08.03.02	Rentals	88	642
7.08.04	Remuneration of own capital	-6,453	-3,267
7.08.04.03	Retained earnings / Loss for the period	-6,453	-3,267

Consolidated financial statements or Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
1	Assets Total	896,823	893,057
1.01	Current assets	480,414	472,452
1.01.01	Cash and cash equivalents	22,861	26,708
1.01.01.01	Cash and banks	22,670	25,890
1.01.01.02	Marketable securities	191	818
1.01.02	Interest earning bank deposits	2,204	2,552
1.01.03	Accounts receivable	157,447	150,197
1.01.03.01	Trade accounts receivable	157,447	150,197
1.01.04	Inventories	236,724	244,197
1.01.06	Recoverable taxes	26,598	20,497
1.01.06.01	Current taxes recoverable	26,598	20,497
1.01.07	Prepaid expenses	8,201	5,957
1.01.08	Other Current assets	26,379	22,344
1.01.08.03	Other	26,379	22,344
1.01.08.03.02	Other accounts receivable	26,379	22,344
1.02	Non-current assets	416,409	420,605
1.02.01	Long term assets	59,440	57,284
1.02.01.01	Interest earning bank deposits measured at fair value	1,272	634
1.02.01.01.01	Trading securities	1,272	634
1.02.01.06	Deferred taxes	44,812	44,536
1.02.01.06.01	Deferred income and social contribution taxes	44,812	44,536
1.02.01.09	Other non-current assets	13,356	12,114
1.02.01.09.03	Recoverable taxes	549	707
1.02.01.09.04	Other	12,807	11,407
1.02.02	Investments	50,457	50,457
1.02.02.01	Ownership interest	349	349
1.02.02.01.04	Other ownership interest	349	349
1.02.02.02	Investment property	50,108	50,108
1.02.03	Property, plant and equipment	234,741	238,650
1.02.03.01	Fixed assets in operation	217,866	220,428
1.02.03.03	Construction in progress	16,875	18,222
1.02.04	Intangible assets	71,771	74,214
1.02.04.01	Intangible assets	71,771	74,214

Consolidated financial statements or Balance sheet – Liabilities
(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
2	Total liabilities	896,823	893,057
2.01	Current liabilities	372,736	385,897
2.01.01	Social and labor obligations	34,919	34,645
2.01.01.01	Social charges	9,891	10,806
2.01.01.02	Labor obligations	25,028	23,839
2.01.02	Suppliers	132,623	128,712
2.01.02.01	Domestic suppliers	116,770	111,341
2.01.02.02	Foreign suppliers	15,853	17,371
2.01.03	Tax liabilities	41,653	39,170
2.01.03.01	Federal tax liabilities	39,705	35,097
2.01.03.01.01	Income and social contribution tax payable	3,687	3,416
2.01.03.01.02	Other Taxes	36,018	31,681
2.01.03.02	State tax liabilities	1,917	4,029
2.01.03.03	Municipal tax liabilities	31	44
2.01.04	Loans and financing	38,204	26,989
2.01.04.01	Loans and financing	34,631	26,556
2.01.04.01.01	In domestic currency	7,218	8,746
2.01.04.01.02	In foreign currency	27,413	17,810
2.01.04.02	Debentures	3,573	433
2.01.05	Other liabilities	101,172	105,199
2.01.05.02	Other	101,172	105,199
2.01.05.02.01	Dividends and interest on own capital	3	3
2.01.05.02.04	Derivative financial instruments	448	543
2.01.05.02.05	Foreign exchange withdrawals	23,335	28,065
2.01.05.02.08	Advance from receivables	9,024	6,136
2.01.05.02.09	Advance from clients	30,910	26,282
2.01.05.02.10	Other liabilities	37,452	44,170
2.01.06	Provisions	24,165	51,182
2.01.06.01	Tax, social security, labor and civil provisions	11,238	40,090
2.01.06.01.01	Tax provisions	318	318
2.01.06.01.02	Social security and labor provisions	10,920	33,235
2.01.06.01.04	Civil provisions	0	6,537
2.01.06.02	Other provisions	12,927	11,092
2.01.06.02.01	Provision for guarantees	12,927	11,092
2.02	Non-current liabilities	699,036	679,061
2.02.01	Loans and financing	628,986	641,123
2.02.01.01	Loans and financing	560,821	573,112
2.02.01.01.01	In domestic currency	13,233	15,045
2.02.01.01.02	In foreign currency	547,588	558,067
2.02.01.02	Debentures	68,165	68,011
2.02.02	Other liabilities	5,276	5,572
2.02.02.02	Other	5,276	5,572
2.02.02.02.04	Taxes payable	2,286	2,496
2.02.02.02.05	Other liabilities	2,990	3,076
2.02.03	Deferred taxes	14,907	15,190
2.02.03.01	Deferred income and social contribution taxes	14,907	15,190

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2017	Prior year 12/31/2016
2.02.04	Provisions	49,867	17,176
2.02.04.01	Tax, social security, labor and civil provisions	44,583	11,741
2.02.04.01.01	Tax provisions	6,868	6,732
2.02.04.01.02	Social security and labor provisions	28,547	2,114
2.02.04.01.04	Civil provisions	9,168	2,895
2.02.04.02	Other provisions	5,284	5,435
2.02.04.02.01	Provision for guarantees	5,284	5,435
2.03	Consolidated shareholders' equity	-174,949	-171,901
2.03.01	Realized capital	404,489	393,977
2.03.02	Capital reserves	-40,996	-40,832
2.03.02.06	Advance for future capital increase	0	164
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-674,161	-668,102
2.03.06	Equity valuation adjustments	49,343	49,736
2.03.07	Accumulated translation adjustments	86,376	93,320

Consolidated financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current accumulated Year 01/01/2017–03/31/2017	Accumulated of the prior year 01/01/2016–03/31/2016
3.01	Income from sales of goods and/or services	212,394	185,538
3.02	Cost of goods and/or services sold	-154,155	-139,235
3.03	Gross income	58,239	46,303
3.04	Operating expenses/income	-60,590	-70,829
3.04.01	Sales expenses	-28,541	-24,445
3.04.02	General and administrative expenses	-32,428	-40,941
3.04.04	Other operating income	4,672	1,690
3.04.05	Other operating expenses	-4,293	-6,267
3.04.06	Equity income (loss)	0	-866
3.05	Income (loss) before financial income and taxes	-2,351	-24,526
3.06	Financial income (loss)	-6,043	19,835
3.06.01	Financial income	19,385	45,137
3.06.02	Financial expenses	-25,428	-25,302
3.07	Income (loss) before income tax	-8,394	-4,691
3.08	Income and social contribution taxes	1,941	1,424
3.08.01	Current	1,531	1,387
3.08.02	Deferred assets	410	37
3.09	Net income from continued operations	-6,453	-3,267
3.11	Consolidated income/loss for the period	-6,453	-3,267
3.11.01	Attributed to the Parent company's partners	-6,453	-3,267
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	ON	-0.09976	-0.06866
3.99.01.02	PN	-0.09976	-0.06866
3.99.02	Diluted earnings per share		
3.99.02.01	ON	-0.09976	-0.06858
3.99.02.02	PN	-0.09976	-0.06858

Consolidated financial statements or Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current accumulated Year 01/01/2017–03/31/2017	Accumulated of the prior year 01/01/2016–03/31/2016
4.01	Consolidated net income for the period	-6,453	-3,267
4.02	Other comprehensive income	-6,943	-23,127
4.02.01	Translation adjustments in the period	-6,943	-23,127
4.03	Consolidated comprehensive income for the period	-13,396	-26,394
4.03.01	Attributed to the Parent company's partners	-13,396	-26,394

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Current accumulated Year 01/01/2017–03/31/2017	Accumulated of the prior year 01/01/2016–03/31/2016
6.01	Net cash from operating activities	1,204	54,593
6.01.01	Cash generated in operations	9,688	15,038
6.01.01.01	Net income (loss) before income and social contribution taxes	-8,394	-4,691
6.01.01.02	Depreciation and amortization	8,471	11,963
6.01.01.03	Cost of permanent assets written-off	5,406	9,075
6.01.01.05	Equity in net income of subsidiaries	0	866
6.01.01.06	Provision for Derivative financial instruments	-95	4,159
6.01.01.07	Allowance for doubtful accounts	3,286	0
6.01.01.10	Provision for interest on loans and other	18,484	20,376
6.01.01.18	Exchange variance on loans and financing	-23,429	-28,782
6.01.01.19	Provision for contingencies	4,123	2,923
6.01.01.20	Provision for guarantees	1,836	-851
6.01.02	Changes in assets and liabilities	-8,484	39,885
6.01.02.01	(Increase) decrease in trade accounts receivable	-10,469	56,827
6.01.02.02	(Increase) decrease in inventories	7,473	-11,517
6.01.02.03	(Increases) in other accounts receivable	-13,494	-11,818
6.01.02.04	Increase in suppliers	3,805	3,651
6.01.02.05	Increase in accounts payable	4,201	2,742
6.01.03	Other	0	-330
6.01.03.04	Payment of IRPJ (Corporate Income Tax) and CSLL (Social contribution tax)	0	-330
6.02	Net cash used in investment activities	-9,978	453
6.02.01	Receivables with related companies	0	1
6.02.02	Other receivables	0	68
6.02.04	In property, plant and equipment	-9,622	-17,968
6.02.05	In intangible assets	-66	-6,533
6.02.06	Interest earning bank deposits	-290	24,885
6.03	Net cash from financing activities	4,927	-82,477
6.03.02	Loans obtained	17,463	165,671
6.03.03	Payment of loans	-18,507	-240,562
6.03.05	Capital increase	10,348	0
6.03.10	Payment of Interest on loans	-4,377	-7,586
6.05	Increase (decrease) in cash and cash equivalents	-3,847	-27,431
6.05.01	Opening balance of cash and cash equivalents	26,708	60,312
6.05.02	Closing balance of cash and cash equivalents	22,861	32,881

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2017–03/31/2017

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	394,141	-40,996	0	-668,102	143,056	-171,901	0	-171,901
5.03	Adjusted opening balances	394,141	-40,996	0	-668,102	143,056	-171,901	0	-171,901
5.04	Capital transactions with partners	10,348	0	0	0	0	10,348	0	10,348
5.04.01	Capital increases	10,348	0	0	0	0	10,348	0	10,348
5.05	Total comprehensive income	0	0	0	-6,059	-7,337	-13,396	0	-13,396
5.05.01	Net income for the period	0	0	0	-6,453	0	-6,453	0	-6,453
5.05.02	Other comprehensive income	0	0	0	394	-7,337	-6,943	0	-6,943
5.05.02.04	Translation adjustments in the period	0	0	0	0	-6,943	-6,943	0	-6,943
5.05.02.06	Realization of equity valuation adjustments	0	0	0	394	-394	0	0	0
5.07	Closing balances	404,489	-40,996	0	-674,161	135,719	-174,949	0	-174,949

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL – From 01/01/2016 to 03/31/2016

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	364,735	-29,295	0	-566,155	170,599	-60,116	0	-60,116
5.03	Adjusted opening balances	364,735	-29,295	0	-566,155	170,599	-60,116	0	-60,116
5.04	Capital transactions with partners	11,701	-11,701	0	0	0	0	0	0
5.04.08	Payment of advance for future capital increase	11,701	-11,701	0	0	0	0	0	0
5.05	Total comprehensive income	0	0	0	-3,146	-23,248	-26,394	0	-26,394
5.05.01	Net income for the period	0	0	0	-3,267	0	-3,267	0	-3,267
5.05.02	Other comprehensive income	0	0	0	121	-23,248	-23,127	0	-23,127
5.05.02.04	Translation adjustments in the period	0	0	0	0	-23,127	-23,127	0	-23,127
5.05.02.06	Realization of equity valuation adjustments	0	0	0	121	-121	0	0	0
5.07	Closing balances	376,436	-40,996	0	-569,301	147,351	-86,510	0	-86,510

Consolidated financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2017–03/31/2017	Accumulated of the prior year 01/01/2016–03/31/2016
7.01	Income	196,482	211,357
7.01.01	Sale of merchandise, products and services	194,214	209,667
7.01.02	Other income	931	1,690
7.01.04	Formation/reversal of allowance for doubtful accounts	1,337	0
7.02	Inputs acquired from third parties	-138,769	-138,746
7.02.01	Cost of products, merchandise and services sold	-137,921	-88,098
7.02.02	Materials, Energy, Third-party services and other	-848	-50,648
7.03	Gross added value	57,713	72,611
7.04	Retentions	-8,471	-11,963
7.04.01	Depreciation, amortization and depletion	-8,471	-11,963
7.05	Net added value produced	49,242	60,648
7.06	Added value received as transfer	17,229	46,003
7.06.01	Equity income (loss)	55	866
7.06.02	Financial income	17,174	45,137
7.07	Total added value payable	66,471	106,651
7.08	Distribution of added value	66,471	106,651
7.08.01	Personnel	34,624	73,215
7.08.01.01	Direct remuneration	27,204	66,805
7.08.01.02	Benefits	5,379	4,247
7.08.01.03	Severance Pay Fund (FGTS)	2,041	2,163
7.08.02	Taxes, rates and contributions	15,053	9,265
7.08.02.01	Federal	14,917	6,481
7.08.02.02	State	107	2,784
7.08.02.03	Municipal	29	0
7.08.03	Third-party capital remuneration	23,247	27,438
7.08.03.01	Interest	23,019	25,302
7.08.03.02	Rentals	228	2,136
7.08.04	Remuneration of own capital	-6,453	-3,267
7.08.04.03	Retained earnings / Loss for the period	-6,453	-3,267

Performance comment





TAURUS™

1Q17

PRESS RELEASE

Performance comment

São Leopoldo, May 12th, 2017 - Forjas Taurus S.A., listed in Level 2 for BM&FBOVESPA Corporate Governance (Symbols: **FJTA3, FJTA4),** one of the world's largest manufacturers of light firearms and domestic leader in motorcycle helmets, as well as acting in areas involving Containers, Plastics and M.I.M. (Metal Injection Molding), discloses its income figures for the **1st quarter of 2017 (1Q17).**

1. Highlights of the 1Q17 (1Q17)

Conference Call on Income Figures*

Tuesday, May 16, 2017

Time: 10 am (Brazil / 9 am (US-EST)

Accesses in Portuguese:
http://cast.comunique-se.com.br/taurus/1T17

Accesses in English:
http://cast.comunique-se.com.br/taurus/1Q17

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

Contacts:

Thiago Piovesan - CFO and DRI
Thiago.piovesan@taurus.com.br

Julian Batista - IR Analyst
Julian.batista@taurus.com.br
+55 51 30213079

✓ **Consolidated net revenue totaled R$ 212.4 million in 1Q17,** a 14.5% increase as compared to 1Q16, mainly due to the higher production of firearms in the period. In the comparison with 4Q16, the consolidated net revenue of the Company declined 5.0%, due to the seasonality in the domestic market, and to the devaluation in the average dollar for the period.

✓ **Consolidated gross margin totaled 27.4% in 1Q17**, 2.4 p.p. higher than in 1Q16, and 12.0 p.p. higher than 4Q16, reflecting the better product mix and operating and scale efficiency gains in the period.

✓ **EBITDA of R$ 6.1 million in 1Q17**, substantially in March/17, reversing the negative EBITDA positions recorded in 1Q16 (R$ 12.5 million) and in 4Q16 (R$ 19.0 million).

✓ **March/17 is the production highlight,** recording a new record in the Company, as a result of the maturity of the process and the stabilization of the production model.

Performance comment

2. Economic and financial performance - consolidated

The table that follows reflects the Company's consolidated economic and financial performance for 1Q17 as compared to performance recorded for 4Q16 and 1Q16.

Consolidated Financial and Economic Summary

In millions of R$

Indicators	1Q17	4Q16	1Q16	Variation	
				1Q17/4Q16	1Q17/1Q16
Net revenue	**212.4**	**223.5**	**185.5**	**-5.0%**	**14.5%**
Domestic market	45.8	54.9	46.0	-16.6%	-0.4%
Foreign market	166.6	168.6	139.5	-1.2%	19.4%
COGS	154.2	189.1	139.2	-18.5%	10.8%
Gross income	58.2	34.4	46.3	69.2%	25.7%
Gross margin - %	**27.4%**	**15.4%**	**25.0%**	**12.0 p.p.**	**2.4 p.p.**
Operating expenses - SG&A	-60.5	-62.2	-70.8	-2.7%	-14.5%
Operating income (EBIT)	-2.3	-27.8	-24.5	-91.7%	-90.6%
EBIT Margin %	**-1.1%**	**-12.4%**	**-13.2%**	**11.4 p.p.**	**12.1 p.p.**
Net financial income (loss)	-6.0	-28.0	19.8	-78.6%	-
Depreciation and amortization	8.5	8.9	12.0	-4.5%	-29.2%
Consolidated income / loss	-6.5	-58.9	-3.3	-89.0%	97.5%
Consolidated Net Margin - %	**-3.0%**	**-26.3%**	**-1.8%**	**23.3 p.p.**	**-1.3 p.p.**
EBITDA	6.1	-19.0	-12.5	-	-
EBITDA Margin – %	**2.9%**	**-8.5%**	**-6.7%**	-	-
Total assets	896.8	893.7	924.2	-0.3%	-3.0%
Provision for unsecured liability	-174.9	-171.9	-86.5	1.7%	102.2%

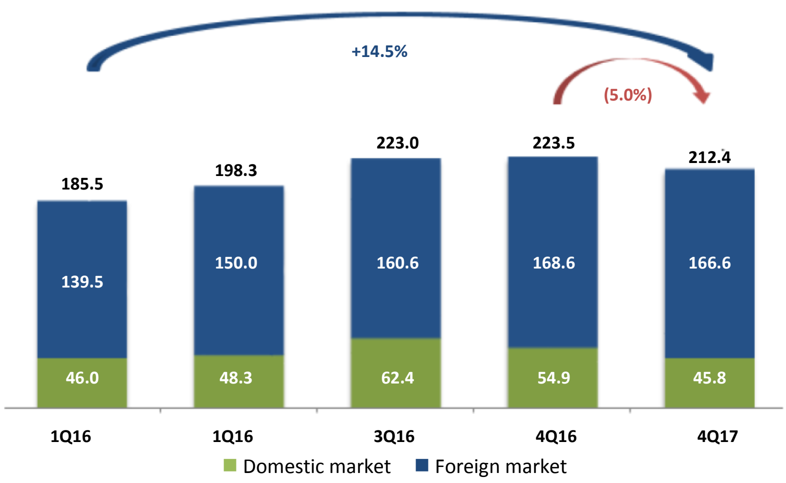
Net revenue

Consolidated net revenue of the Company totaled R$ 212.4 million in 1Q17, a 14.5% increase as compared to 1Q16, mainly due to the higher production of firearms in the period. In the comparison with 4Q16, there was a 5.0% decrease in the consolidated net revenue, and such decline is related to the national market seasonality in the beginning of the year for the firearm segment, and to the devaluation of 4.6% in the average dollar for the period. It is worth highlighting the lower production volumes in January/2017 and February/2017, when the Company made final adjustments to the plant's planning and supply process. There are also losses in the supply scheduling of some suppliers due to the stops at the year-end. The improvements implemented in the process over January/2017 allowed the operation to reach its maturity and stability at the end of February/2017, which resulted in a new production record in March/2017.

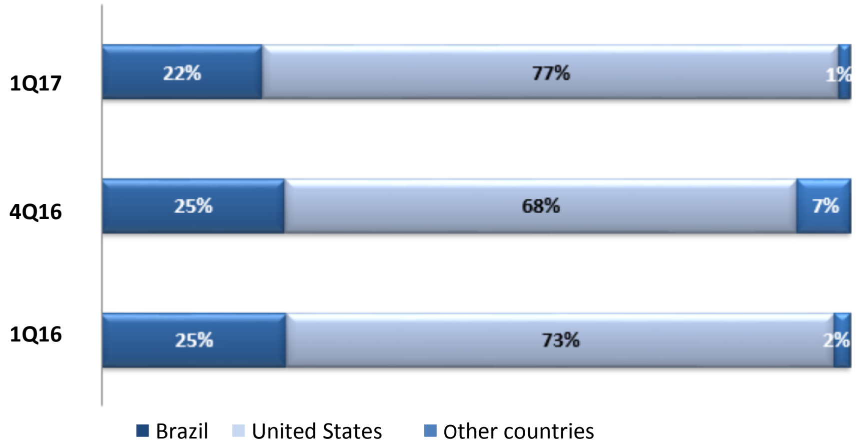
Performance comment

Net revenue - by segment

Amounts in R$ million



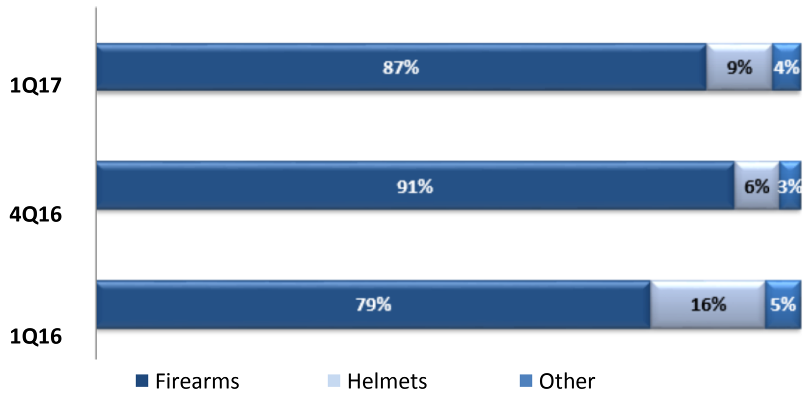
Net revenue by Areas



Exports in the quarter increased 19.4% in relation to 1Q16, reaching R$ 166.6 million, influenced by the higher production of firearms in the period. Compared to the previous quarter, exports were close to stability. Sales of firearms to the US totaled R$ 163.1 million in 1Q17, an increase of 21.3% over 1Q16 and of 7.4% over 4Q16. Sales in the Brazilian market for the period were close to stability compared to 1Q16, totaling R$ 45.8 million. In relation to 4Q16, seasonally weaker than in the fourth quarter, sales in the domestic market decreased 16.6%.

Performance comment

Net revenue by segment



In the chart above the breakdown by business segment of the Company's consolidated net revenue is shown. The seasonality in the domestic market and the devaluation in the average dollar caused the firearms segment to lose its share in consolidated net revenue from 91% in 4Q16 to 87% in 1Q17. On the other hand, the helmets segment, with the increased sales, recorded a higher share, reaching 9% in 1Q17, against 6% in the previous quarter. The "Others" segment recorded a slight growth in its share, of 3% in 4Q16 to 4% in the period.

Information per business segment

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

Quarterly comparison - Year x Year

	Net revenue					Gross margin		
	1Q17	Int.%	1Q16	Int.%	Var.	1Q17	1Q16	Var.
Firearms	185.7	87%	147.4	79%	25.0%	27.6%	19.9%	7.7 p.p.
Helmets	20.1	9%	30.3	16%	-33.7%	30.3%	41.3%	-10.9 p.p.
Other	6.6	4%	7.8	5%	-15.4%	12.1%	57.7%	-45.6 p.p.
Total	**212.4**	**100%**	**185.5**	**100%**	14.5%	**27.4%**	**25.0%**	**2.4 p.p.**

Quarterly Comparison - Current vs. Previous Quarter

	Net revenue					Gross margin		
	1Q17	Int.%	4Q16	Int.%	Var.	1Q17	4Q16	Var.
Firearms	185.7	87%	204.1	79%	-9.0%	27.6%	14.9%	12.7 p.p.
Helmets	20.1	9%	14.5	16%	35,6%	30.3%	5.5%	24.8 p.p.
Other	6.6	4%	4.9	5%	34.7%	12.1%	65.3%	-53.2 p.p.
Total	**212.4**	**100%**	**223.5**	**100%**	-5.0%	**27.4%**	**15.4%**	**12.0 p.p.**

Performance comment

I. Firearms

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

NET REVENUE In millions of R$	1Q17	4Q16	1Q16	Variation	
				1Q17/4Q16	1Q17/1Q16
Firearms	**185.7**	**204.1**	**147.4**	**-9.0%**	**26.0%**
Brazil	**19.5**	**36.2**	**8.9**	**-46.1%**	**119.1%**
Exports	**166.2**	**167.9**	**138.5**	**-1.0%**	**20.0%**
United States	163.1	151.3	134.5	7.4%	21.3%
Other countries	3.1	16.1	4.0	-30.7%	-22.5%

Net sales of firearms amounted to R$ 185.7 million in 1Q17, 26.6% higher than in 1Q16. In the domestic market, sales of firearms grew 119.1% in the same period. This increase is a result of the higher production of firearms in the quarter. It is worth highlighting that in 1Q16 the Company operated with reduced production volumes due to the transfer of its operations from Porto Alegre to São Leopoldo. When compared to 4Q16, net revenue from firearms decreased 9.0%, due to the seasonality of the beginning of the year in the domestic market, and to the 4.6% devaluation of the average dollar in the period.

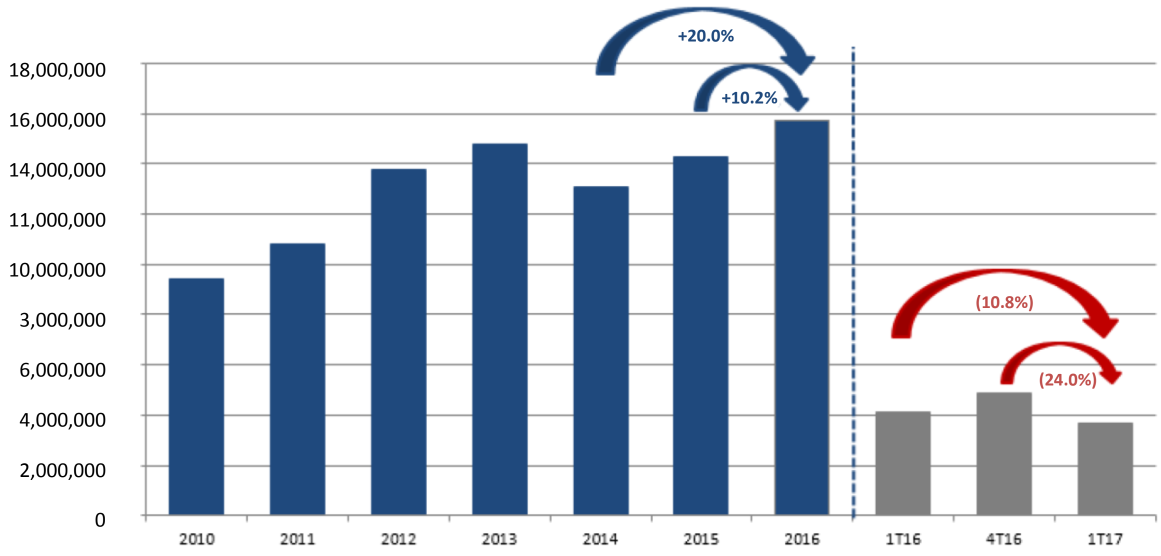
In the US, there was a market adjustment in the 1Q17, both on the demand and supply sides. In terms of demand, players turned the year with high inventories since US polls showed Hilary Clinton likely to be the country's new president, which has generated unusually strong demand in the United States. With the victory of Donald Trump, there was a normalization of the demand that, although below the levels practiced in 2016, is still at good levels.

In this scenario of high inventories in the distributors and demand normalization, players started realizing their inventories, causing the North American market to become quite promotional throughout 1Q17, affecting the short term margins of that operation in the country. Considering the National Instant Background Check System (NICS) index, which allows to determine the purchase intentions for firearms in the USA, there was a decrease of 10.8% in the US firearm market in 1Q17 compared to 1Q16, and of 24.0% compared to 4Q16, while the Company's sales increase in 1Q17, both in comparison to 1Q16 (growth of 21.3%), and in comparison to 4Q16 (growth of 7.4%).

Performance comment

NICS - *National tnstant Background CheckSystem*

Number of inquiries



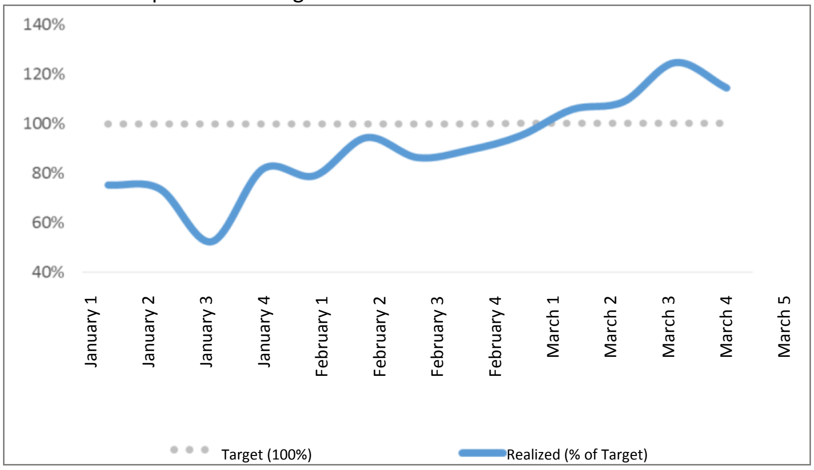
Sales to other countries were more modest this quarter, recording R$ 3.1 million in 1Q17, 22.5% lower than in 1Q16. Compared to 4Q16, sales in this segment decreased 80.7%, also affected by the market seasonality.

It is worth highlighting that the Company operated with lower production volumes in January/2017 and February/2017, when the Company made final adjustments to the plant's planning and supply process. There are also losses in the supply scheduling of some suppliers due to the stops at the year-end. The improvements implemented in the process over January/2017 allowed the operation to reach its maturity and stability at the end of February/2017, which resulted in a new production record in March/2017. Find below a chart of the Company's weekly production level in 1Q17, as a percentage of the production target, indicating the production recovery in March, even surpassing the target.

Performance comment

Weekly Production in 1Q17

As a % of the production target



Firearms gross margin was 27.6% in the quarter, 7.7 p.p. higher than in 1Q16 and 12.7% p.p. higher than in 4Q16. It is worth highlighting that the gross margin was affected by the complementation of the provision for impairment of inventories in 4Q16, in the amount of R$ 20.0 million, related to the completion of the inventory process carried out in December 2016. It is important to point out that, even disregarding the effect of such provision, the gross margin in 1Q17 would still have increased by 3.1 p.p. in relation to 4Q16, reflecting the efficiency and scale gains of the new plant for the period.

II. Helmets

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

				Variation	
NET REVENUE In millions of R$	**1Q17**	**4Q16**	**1Q16**	1Q17/4Q16	1Q17/1Q16
Helmets.	**20.1**	**14.5**	**30.3**	**38.6%**	**-33.7%**
Brazil	**20.1**	**14.5**	**30.3**	**38.6%**	**-33.7%**

Performance comment

Sales of helmets totaled R$ 20.1 million in 1Q17, a decrease of 33.7% in relation to 1Q16. However, the segment improved compared to 4Q16. Despite the modest signs of a recovery in the domestic economy in 1Q17, the helmets segment was able to combine price adjustments with growth in physical sales volume, which led to a 38.6% increase in net sales for the quarter compared to 4Q16.

In the following chart, comparing the evolution of physical sales of the Company's helmets with physical sales of motorcycles in Brazil, there was an increase of 8.2% in the Company's sales of helmets in 1Q17 compared to 4Q16. On the other hand, sales of motorcycles in Brazil fell 4.9% in the same period, thus showing a Taurus market share rebound in the quarter.

The evolution of Physical Sales of Taurus Helmets
(Amount in thousands)

Source: Company's information

Growth of Physical Sales of Motorcycles in Brazil
[Amount in thousands]

Source: Fenabrove

The gross margin in this segment was 30.3% in 1Q17, 10.9 p.p. below 1Q16. Compared to 4Q16, gross margin for the quarter increased 24.8 p.p., due to the recovery in sales that diluted fixed production costs.

III. Other

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

Performance comment

NET REVENUE In millions of R$	1Q17	4Q16	1Q16	Variation 1Q17/4Q16	Variation 1Q17/1Q16
Other	**6.6**	**4.9**	**7.8**	**34.7%**	**-15.4%**
Brazil	6.2	4.2	6.8	47,6%	-3.3%
Exports	0.4	0.7	1.0	-42.9%	-60.0%

This segment presented R$ 6.6 million in net sales in 1Q17, a 15.4% decline in relation to 1Q16. Although the current domestic economic scenario is still challenging, compared to 4Q16 the segment recorded an increase in its revenue of 34.7%, both due to the improvement in sales of plastic products and M.I.M. Despite the growth, the “Others” segment continues to have little participation in the consolidated revenue of the Company.

Operating expenses

In 1Q17, operating expenses totaled R$ 60.5 million, 14.5% lower compared to 1Q16, and 2.7% lower compared to 4Q16. Regarding net revenue, operating expenses in 1Q17 represented 28.5%, 9.7 p.p. lower than in 1Q16, and 0.7 p.p. higher than the 27.8% recorded in 4Q16.

OPERATING EXPENSES (SG&A)

In millions of R$

	1Q17	4Q16	1Q16	1Q17x4Q16	1Q17x1Q16
Operating expenses	60.5	62.2	70.8	-2.7%	-14.5%
Net revenue	212.4	223.5	185.5	-5.0%	14.5%
% Operating expenses	*28.5%*	*27.8%*	38.2%	0.7 p.p.	-9.7 p.p.

EBITDA

In 1Q17, the Company's cash flow measured by EBITDA became positive again, recording R$ 6.1 million in the quarter, against the negative amounts of R$ 12.5 million in 1Q16 and R$ 19.0 million in 4Q16. It is important to remember that the lower production in the months of January/2017 and February/2017 hindered the Company's cash generation in the quarter, making EBITDA formation for the quarter basically occurring in March/2017.

Performance comment

CONSOLIDATED EBITDA

In millions of R$

	1Q17	4Q16	1Q16	1Q17x4Q16	1Q17x1Q16
= Income / loss for the period	(6.5)	(58.9)	(3.3)	-89.0%	97.0%
(+) IR/CSLL	(1.9)	3.0	(1.4)	-	35.7%
(+) Net financial income.	6.0	28.0	(19.8)	-78.6%	-
(+) Depreciation/amortization	8.5	8.9	12.0	-4.5%	-29.2%
= EBITDA CVM Inst. 527/12	**6.1**	**(19.0)**	**(12.5)**	**-**	**-**

Financial income (loss)

In 1Q17, the financial income (loss) was negative R$ 6.0 million, against a financial income of R$ 19.8 million in 1Q16, and a loss of R$ 28.0 million in 4Q16. We highlight the caption Exchange Variation, which is very sensitive to exchange rate volatility. In 1Q17, such caption recorded a positive balance of R$ 16.4 million, against an amount close to stability in 4Q16. This positive variation refers to the closing rate of the US Dollar in March/2017, which recorded a depreciation of 2.8% in relation to December/2016. It is worth highlighting that after debt rescheduling, completed at the end of 2016, the Company's exposure to the US dollar financial debt increased to around 86%. Thus, the exchange variation caption gained more sensitivity to the fluctuations of the North-American currency.

FINANCIAL INCOME (LOSS)

In millions of R$

	1Q17	4Q16	1Q16	1Q17x4Q16	1Q17x1Q16
Interest	(21.1)	(21.4)	(17.6)	-1.4%	19.9%
Exchange variation	16.4	(0.6)	43.0	-	-61.9%
Swap on financial operations	-	0.5	(4.6)	-	-
Other income/expenses	(1.3)	(6.5)	(1.0)	-80.0%	30.0%
Net financial income (loss)	**(6.0)**	**(28.0)**	**19.8**	**-78.6%**	**-**

Consolidated income (loss)

In 1Q17, the Company recorded a loss of R$ 6.5 million, against a negative balance of R$ 3.3 million in 1Q16 and of R$ 58.9 million in 4Q16.

Performance comment

3. Financial position

On Mar/17, the Company's gross indebtedness was R$ 699.9 million, of which R$ 70.9 million maturing in the short term, and R$ 629.0 million maturing in the long term. In relation to Dec/16, the gross indebtedness in Mar/17 recorded a slight fall of 0.4%.

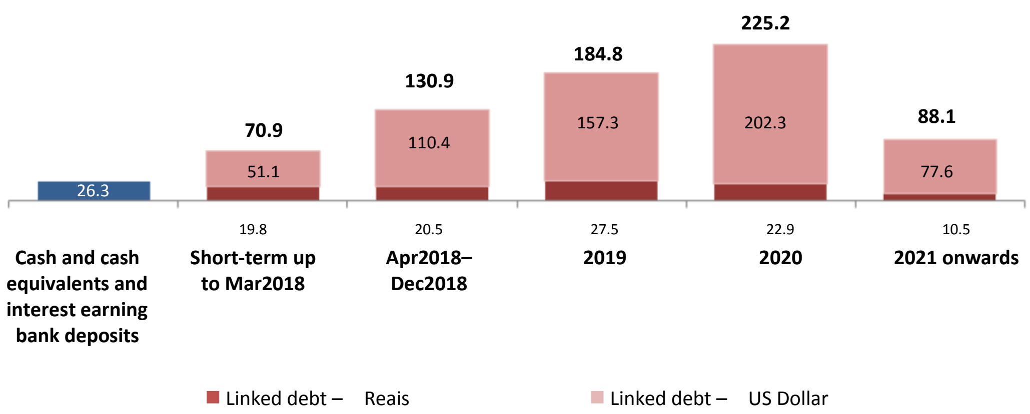
Cash and cash equivalents and interest earning bank deposits amounted to R$ 26.3 million in Mar/07, 12.0% lower than R$ 29.9 million of Dec/16. Accordingly, the Company’s net indebtedness increased 0.1% in Mar/07 compared to Dec/16, recording R$ 673.6 million.

The breakdown and schedule of Taurus debt repayment in March 2017 is as follows.

INDEBTEDNESS
In millions of R$

	INDEBTEDNESS	Mar 2017	Dec 2016	Mar 2016	Mar 2017 X Dec 2016	Mar 2017 X Mar 2016
Short term	Loans and financing	34.6	26.6	223.7	30.1%	-84.5%
	Debentures	3.6	0.4	95.8	300.0%	-96.2%
	Advance from receivables	9.0	6.1	20.1	47.5%	-55.2%
	Foreign exchange withdrawals	23.3	28.1	198.4	-17.1%	-88.3%
	Financial instruments	0.4	0.5	4.9	-20.0%	-91.8%
	TOTAL SHORT-TERM	**70.9**	**61.7**	**542.9**	**14.9%**	**86.9%**
Long term	Loans and financing	550.8	573.1	124.3	-2.1%	351.2%
	Debentures	63.2	68.0	33.1	0.3%	106.0%
	TOTAL LONG-TERM	**629.0**	**641.1**	**157.4**	**-1.9%**	**299.6%**
TOTAL DEBT		**699.9**	**702.8**	**700.3**	**-0.4%**	**-0.1%**
Cash and cash equivalents and interest earning bank deposits		26p3	29.9	42.6	-12.0%	-33.3%
Net indebtedness		**673.6**	**672.9**	**657.7**	**0.1%**	**2.4%**

DEBT PAYMENT SCHEDULE AS OF MARCH 31, 2017
Amounts in millions of Reais



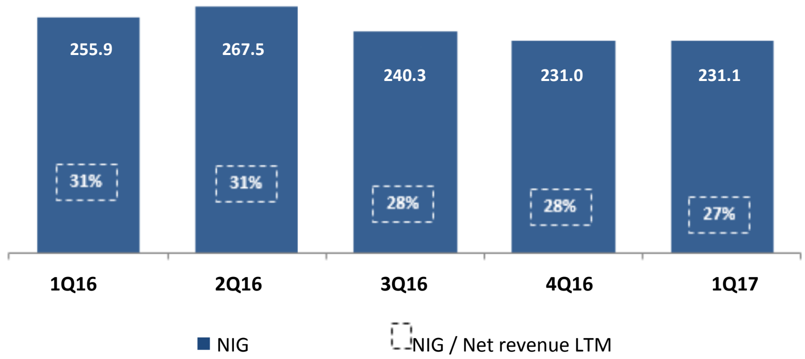
Performance comment

4. Working Capital

In the 1Q17, the need for working capital investment remained practically stable in relation to the previous quarter. When related to annualized net revenue, the need for working capital investment reached 27% in 1Q17, a slight decrease in relation to 28% in 4Q16.

Need for working capital investment

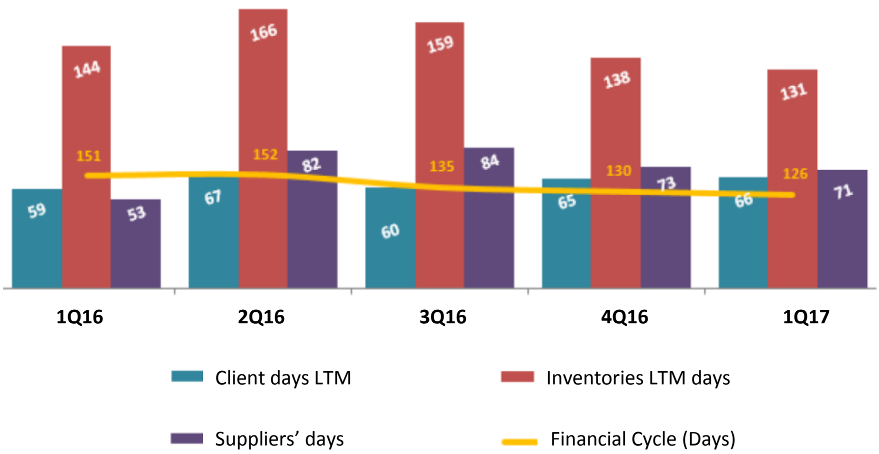
In millions of R$



NIG = Inventories + Accounts Receivable - Suppliers - Social and Labor Liabilities

The Company's financial cycle was down 4 days in relation to 4Q16, recording 126 cycle days. This result is mainly due to the smaller inventory days that offset the higher number of days of suppliers that go through the process of regularization of their payments.

Trade accounts receivable, Inventories and Suppliers' days



Performance comment

5. Cash flow

In 1Q17, the Company had an operating cash flow of R$ 1.2 million. On the other hand, investment activities consumed R$ 10.0 million in the period. On the other hand, financing activities generated R$ 4.9 million in the quarter.

As a result, the Company recorded a cash consumption of R$ 3.9 million in 1Q17, compared to R$ 3.4 million in 4Q16. Thus, cash closing balance decreased 14.5% in 1Q17 compared to 4Q16, totaling R$ 23.0 million.

The table that follows reflects a breakdown of the Company's cash flow for 1Q17.

CASH FLOW – CONSOLIDATED In millions of R$	1Q17	4Q16	1Q16	1Q17 X 4Q16	1Q17 X 1Q16
Cash at the beginning of the period	**26.9**	**23.5**	**60.4**	**14.5%**	**-55.5%**
Cash generated by operating activities	**1.2**	**(9.0)**	**54.6**	**-**	**-97.8%**
Loss before income and social contribution taxes	(8.4)	(55.9)	(4.7)	-35.0%	73.7%
Depreciation and amortization	8.5	8.9	12.0	-4.5%	-29.2%
Cost of Permanent Assets Written off	5.4	9.6	9.1	-43.3%	-40.7%
Equity in net income of subsidiaries	-	-	0.9	-	-
Provisions for financial charges	13.4	22.2	24.5	-17.1%	-24.9%
Provisions for contingencies	6.0	39.7	2.9	-84.9%	106.9%
Allowance for doubtful accounts	3.3	0.6	-	450.0%	-
Provision for inventory loss	-	(32.7)	-	-	-
Provisions for guarantees	1.3	(0.1)	(0.9)	-	-
Foreign exchange on loans and other	(23.4)	(13.0)	(28.8)	80.0%	-18.8%
Changes in assets and liabilities	(10.4)	7.4	39.9	-	-
Payment of IRPJ (Corporate Income Tax) and CSLL (Social contribution tax)	-	-	(0.3)	-	-
Provision for impairment of assets held for sale	-	4.3	-	-	-
Investment activities	**(10.0)**	**(13.0)**	**0.5**	**-23.1%**	-
In property, plant and equipment	(9.6)	(13.4)	(13.0)	-47.3%	-46.7%
In intangible assets	(0.1)	1.4	(6.5)	-	-93.5%
Interest earning bank deposits	(0.3)	4.0	24.9	-	-
Other receivables	-	-	0.1	-	-
Financing activities	4.9	25.4	(32.5)	-30.7%	-
Loans taken	17.5	442.7	165.7	-96.0%	-39.4%
Payments of loans	(18.5)	(377.5)	(240.6)	-95.1%	-92.3%
Payment of interest on loans	(4.4)	(40.0)	(7.6)	-39.0%	-42.1%
Capital increase	10.5	-	-	-	-
Other	(0.2)	0.2	-	-	-
Cash generation	**(3.9)**	**3.4**	**-**	**-**	**-85.8%**
Cash at the End of the Period	**23.0**	**26.9**	**33.0**	**-14.5%**	**-30.3%**

Performance comment

6. Capital market and corporate governance

Forjas Taurus S.A. is a publicly-held Brazilian company, and has listed on the BM&FBOVESPA for more than 30 years, and since July/2011 has been ranked Level 2 in Corporate Governance. As of January 31, 2017, the Company's Board of Directors approved the capital increase in the amount of R$ 10,511,814.52 (ten million, five hundred and eleven thousand, eight hundred fourteen reais and fifty-two centavos), upon issuance of 6,409,643 (six million, four hundred and nine thousand, six hundred and forty-three) new shares, of which 1,802,855 (one million, eight hundred and two thousand, eight hundred and fifty-five) common shares and 4,606,788 (four million, six hundred and six thousand, seven hundred and eighty-eight) preferred shares, all at issue price of R$1.64 (one real and sixty-four centavos) per share, as result of the exercise of 1,802,855 (one million, eight hundred and two thousand, eight hundred and fifty-five) subscription bonus class 1 and 4,606,788 (four million, six hundred and six thousand, seven hundred and eighty-eight) subscription bonus class 2, all issued in the context of the capital increase of the Company homologated on September 29, 2015.

The new common and preferred shares entitled to full dividends that may be declared and all other rights and benefits conferred to the other holders of common and preferred shares issued by the Company, on equal conditions.

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

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

Below shows the evolution of share value and the market value of Taurus. During 1Q17 the Company's preferred shares appreciated by 0.6% as compared to 4Q16. As for common shares, they appreciated by 4.3% over the same period. As a result, the Company's market value, combined with the aforementioned capital increase, recorded an increase of 15.2% in 1Q17 compared to 4Q16, reaching R$ 111.0 million.

Performance comment

PERFORMANCE OF SHARES AND MARKET VALUE

Share quotation Closure	1Q17		4Q16		1Q16		Variation 1Q17x4Q16	1Q17 x1Q16
ON - FJTA3	R$	1.68	R$	1.61	R$	1.78	4.3%	-5.6%
Preferred shares - FJTA4	R$	1.81	R$	1.80	R$	1.77	0.6%	2.3%
IBOVESPA	R$	64,984	R$	60,227	R$	50,055	7.9%	29.8%

Market value In millions of R$	1Q17		4Q16		1Q16		1Q17x4Q16	1Q17 x1Q16
ON - FJTA3	R$	78.0	R$	71.9	R$	61.6	8.6%	26.8%
Preferred shares - FJTA4	R$	33.0	R$	24.5	R$	23.0	34.5%	43.5%
TOTAL	R$	111.0	R$	96.4	R$	84.6	15.2%	31.3%

Notes to the financial statements

Notes to the quarterly information - ITR

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

1 Operations

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

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

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

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

Going concern

In the first quarter of 2017, the Company continued to seek improving its operations and refining the integration with its suppliers, aiming to provide improvements in cash generation and recovery of operating margins.

This period was also used to improve the ERP system, to enable a better integration between the Company and its suppliers, which resulted in a more robust operation in March 2017, with higher volumes produced and better operating margins.

Sales to the United States of America, Taurus' main market, continued expanding, leading to revenue growth in the quarter in comparison to the same period of previous year.

The Company continues to take administrative and operational actions aimed at increasing its production and operational efficiency, and controlling its economic/financial position, to meet the growing demand for its products, improve its margins, recover profitability and balance its cash flows.

2 Presentation of quarterly information

2.1 Preparation basis

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

Notes to the financial statements

Forjas Taurus S.A.
quarterly information
on March 31, 2017

a. *Statement of conformity*

The Company's individual and consolidated quarterly financial information was prepared in accordance with CPC 21 (R1) issued by Comitê de Pronunciamentos Contábeis ("CPC") and IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board -IASB, as well as with respect to standards disclosed by Comissão de Valores Mobiliários, applicable to the preparation of Quarterly Information (Informações Trimestrais - ITR).

b. *Statement of the Board*

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

The issue of individual and consolidated quarterly information was authorized by the Board of Directors on May 11, 2017.

2.2 Basis of consolidation

		Ownership interest	
	Country	**03/31/2017**	**12/31/2016**
Taurus Blindagens Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Blindagens Nordeste Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Holdings, Inc.	United States	**100.00%**	**100.00%**
Taurus Máquinas-Ferramenta Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Investimentos Imobiliários Ltda.	Brazil	**100.00%**	**100.00%**
Polimetal Metalurgia e Plásticos Ltda. *	Brazil	**100.00%**	**100.00%**
T. Investments Co. Inc.**	Panama	**100.00%**	**100.00%**
Taurus Plásticos Ltda.	Brazil	**100.00%**	**100.00%**

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

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

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

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

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

Notes to the financial statements

2.3 Functional and presentation currency

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

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

3 Significant accounting judgments and sources of uncertainties about estimates

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

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

(i) Measurement of fair value

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

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

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

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

Notes to the financial statements

4 Significant accounting policies

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

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

a. Financial instruments

(i) Non-derivative financial assets

The Company has the following non-derivative financial assets: cash, cash equivalents, investments, trade accounts receivable and other accounts receivable.

These assets are classified as loans and receivables.

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

(ii) Non-derivative financial liabilities

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

(iii) Derivative financial instruments

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

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

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

Notes to the financial statements

(iv) Impairment

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

b. Statements of added value

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

c. New standards, interpretations and non-standard reviews

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

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

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

(v) Sale of products

For product sales, income is currently recognized when the goods are delivered to the client’s location, considered as the time when the client accepts the goods and the risks and benefits related to ownership are transferred. Income is recognized at this time, provided that the income and costs can be measured reliably, receipt of consideration is probable, and there is no continuous involvement of Management with the products.

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

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

Notes to the financial statements

(vi) Transition

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

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

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

IFRS 9 Financial Instruments

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

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

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

(vii) Classification - Financial assets

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

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

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

Notes to the financial statements

Forjas Taurus S.A.
quarterly information
on March 31, 2017

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

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

According to IFRS 9, the provisions for expected losses will be measured on one of the following bases:
Expected credit losses for 12 months, i.e., credit losses that result from potential delinquency events within 12 months after the reporting date; and Lifetime expected credit losses, i.e., credit losses that result from all possible delinquency events over the expected life of a financial instrument.

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

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

(ix) Classification - Financial assets

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

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

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

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

Notes to the financial statements

(x) Hedge accounting

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

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

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

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

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

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

(xi) Disclosures

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

(xii) Transition

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

Notes to the financial statements

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

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

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

Determination of the business model within which a financial asset is held.

The designation and revoke of previous designations of certain financial assets and liabilities measured at fair value through profit or loss.

The designation of certain investments in equity instruments not held for sale such as VJORA.

IFRS 16 Leases

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

IFRS 16 replaces the current lease standards, including CPC 06 (IAS 17) Commercial Lease Transactions and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Supplementary aspects of lease transactions.

The standard in force for annual periods starting on or after January 1, 2019. Early adoption is permitted only for financial statements in accordance with IFRSs and entities that apply IFRS 15 Income from Contracts with Clients on or before the date of first adoption of IFRS 16.

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

(xiii) Determine whether an agreement contains a lease

The Company has real estate lease agreements, where it operates.

In the transition to IFRS 16, the Company may opt to:

- Adopt the definition of lease agreement under IFRS 16 to all its agreements; or
- Adopt a practical procedure and not reassess whether an agreement is, or contains, a lease.

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- The Company is assessing if it will adopt the practical procedure and the potential impact on its financial statements, and if it will affect the number of agreements identified as lease in the transition.

(xiv) Transition

As lessee, the Company may adopt the standard using a:

Retrospective approach; or

Modified retrospective approach with optional practical procedures.

The lessee will adopt this choice on a consistent basis to all its leases. The Group shall early adopt IFRS 16 as of January 1, 2019. The Company has not yet determined which transition approach it will adopt.

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

Other changes

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

Amendments to CPC 10 (IFRS 2) Share-based payment concerning the classification and measurement of certain transactions with share-based payment.

Amendments to CPC 36 Consolidated Statements (IFRS 10) and CPC 18 Investment in Associated Company (IAS 28) concerning sales or contributions of assets between an investor and its associated company or its joint venture.

The Accounting Pronouncement Committee has not yet issued any accounting pronouncement or amendments in current pronouncements corresponding to all new IFRSs. Therefore, the early adoption of these IFRS is not permitted for entities that disclose their financial statements according to accounting practices adopted in Brazil.

The CPC has not yet issued the respective pronouncements and amendments related to new and revised IFRS previously presented. Due to the commitment of the CPC and the Brazilian Securities Commission (CVM) to keep the set of standards issued updated based on the updates made by the IASB, it is expected that these pronouncements and amendments be edited by CPC and approved by CVM up to the date they become effective.

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

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5 Financial risk management

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

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

5.1 Credit risk

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

Trade accounts receivable and other receivables

The Company and its subsidiaries adopt as a practice the analysis of the financial situation of their counterparties, as well as the definition of credit limits and permanent monitoring of open positions.

For the Company's income, sales are not concentrated to a single client, therefore there is no credit risk of concentration.

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

In the first quarter of 2017, excluding these transactions for consolidation purposes, the Company has a single customer that individually represents more than 8% of sales, which is the Parent Company of Forjas Taurus, CBC - Companhia Brasileira de Cartuchos. No other customer represents more than 5% of the Company's revenue.

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

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Credit risk exposure

The maximum credit risk exposure on balance sheet date was:

	Consolidated		Parent company	
	Book value		Book value	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Financial assets held to maturity				
Trade accounts receivable	**185,086**	150,197	**54,520**	45,701
Cash and cash equivalents	**22,861**	26,708	**538**	1,313
Interest earning bank deposits	**3,476**	3,186	**3,259**	2,982
Total	**211,423**	180,091	**58,317**	49,996

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

	Consolidated		Parent company	
	Book value		Book value	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Domestic - trade accounts receivable	**60,884**	56,631	**39,287**	36,093
United States clients - trade accounts receivable	**97,601**	101,178		
Other	**26,601**	24,258	**15,233**	22,577
Total	**185,086**	182,067	**54,520**	58,670

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

	Consolidated		Parent company	
	Book value		Book value	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Clients - public agencies	**17,999**	19,511	**15,776**	17,228
Clients - distributors	**159,227**	149,996	**30,884**	32,032
End clients	**7,860**	12,560	**7,860**	9,410
Total	**185,086**	182,067	**54,520**	58,670

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Impairment losses

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

	Consolidated			
	Gross	**Gross**	***Impairment***	***Impairment***
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Not overdue	**108,733**	100,739		-
Overdue:				
0–30 days	**25,261**	32,981		-
31–360 days[(1)]	**30,058**	25,322	**(7,598)**	(8,846)
>1 year	**21,034**	23,025	**(20,898)**	(23,024)
Total	**185,086**	182,067	**(28,496)**	(31,870)

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

	Parent company			
	Gross	**Gross**	***Impairment***	***Impairment***
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Not overdue	**17,913**	19,195		-
Overdue:				
0–30 days	**7,471**	8,680		**-**
31–360 days[(1)]	**23,915**	24,324	**(6,345)**	(6,498)
>1 year	**5,221**	6,471	**(5,084)**	(6,471)
Total	**54,520**	58,670	**(11,429)**	(12,969)

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

5.2 Liquidity risk

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

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

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

	Consolidated					
	03/31/2017					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	132,623	132,623	132,623	-	-	-
Loans and financing	595,452	745,781	37,322	135,634	572,825	-
Debentures	71,738	135,401	4,159	22,409	108,833	-
Foreign exchange advances	23,335	25,351	-	25,351	-	-
Advance from receivables	9,024	9,024	9,024	-	-	-
Derivative financial instruments						
Derivative instruments (liabilities)	448	448	448	-	-	-
	832,620	1,048,628	183,576	183,394	681,658	-

	Consolidated					
	12/31/2016					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	128,712	128,712	128,712			
Loans and financing	599,668	791,409	29,742	151,355	592,477	17,835
Debentures	68,444	144,443	537	24,099	119,807	-
Foreign exchange advances	28,065	31,507	-	31,507	-	-
Advance from receivables	6,136	6,136	6,136	-	-	-
Derivative financial instruments						
Derivative instruments (liabilities)	543	543	543			
	831,568	1,102,750	165,670	206,961	712,284	17,835

	Parent company					
	03/31/2017					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	138,139	138,139	138,139	-	-	-
- Loans and financing	487,996	644,138	31,158	131,866	481,114	-
Debentures	71,738	135,401	4,159	22,409	108,833	-
Foreign exchange advances	23,335	25,351	-	25,351	-	-
Advance from receivables	1,694	1,694	1,694	-	-	-
	722,902	944,723	175,150	179,626	589,947	-

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	Parent company					
	12/31/2016					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	125,076	125,076	125,076	-	-	
- Loans and financing	498,431	679,369	23,210	146,797	509,362	-
Debentures	68,444	144,443	537	24,099	119,807	-
Foreign exchange advances	28,065	31,507	-	31,507	-	-
Advance from receivables	6,136	6,136	6,136	-	-	-
	726,152	986,531	154,959	202,403	629,169	-

5.3 Market risk

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

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

(i) Currency risk (foreign exchange)

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

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

The probable base scenario for 2017 was defined through assumptions available in the market (source: Brazilian Central Bank Focus), and sensitivity calculation considered the variation between rates of the scenario foreseen for 2017 and those prevailing on March 31, 2017.

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The sensitivity analysis also considered variations of 25% and 50% on foreign exchange variations considered in the probable scenario.

Currencies and ratios		Rate 03/31/2017	Probable scenario	Possible scenario A 25%	Remote scenario A 50%
US dollar	Write-off	**3.17**	3.25	2.44	1.63
US dollar	Rise	**3.17**	3.25	4.06	4.88

Awareness of the variation of foreign currency:

		Consolidated			
		Balance at 03/31/2017	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Assets - Depreciation of Dollar					
Accounts receivable	Dollar - USD	**36,009**	927	(7,294)	(17,568)
Liabilities - USD rise					
Loans and financing	Dollar - USD	**(185,268)**	(4,674)	(51,212)	(97,751)
Suppliers	Dollar - USD	**(5,003)**	(140)	(1,536)	(2,932)
Foreign exchange advances	Dollar - USD	**(8,570)**	(190)	(2,078)	(3,967)
Advance from clients	Dollar - USD	**(11,480)**	(296)	(3,240)	(6,183)
Other	Dollar - USD	**(27,207)**	(701)	(7,678)	(14,655)

			Parent company		
		Balance at 03/31/2017	Probabl e scenario	Possible scenario (25%)	Remote scenario (50%)
Assets - Depreciation of Dollar					
Accounts receivable	Dollar - USD	**4,808**	124	(1,109)	(2,342)
Liabilities - USD rise					
Loans and financing	Dollar - USD	**(151,428)**	(5,021)	(42,732)	(81,564)
Suppliers	Dollar - USD	**(2,032)**	(141)	(698)	(1,333)
Foreign exchange advances	Dollar - USD	**(7,365)**	(3,842)	(2,155)	(4,112)
Advance from clients	Dollar - USD	**(50,665)**	(532)	(14,297)	(27,290)
Other	Dollar - USD	**(27,881)**	(159)	(7,868)	(15,018)

(ii) Interest rate risk

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

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

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As of March 31, 2017, the management considered the likely scenario for 2017 is a CDI rate of 10.25% and TJLP of 7.50%. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively. The scenarios below were estimated for the period of 1 year:

Currency	**03/31/2017**	**Probable scenario**	**Scenario △ 25%**	**Scenario △ 50%**
CDI - write-off	12.13%	12.13%	9.10%	6.07%
CDI rise	12.13%	12.13%	15.16%	18.20%
TJLP rise	7.50%	7.00%	8.75%	10.50%
SELIC rise	12.15%	8.75%	10.94%	13.13%
Libor 30 days - rise	0.98%	0.98%	1.23%	1.47%
Libor 3 months - rise	1.15%	1.15%	1.43%	1.72%
Libor 6 months - rise	1.42%	1.42%	1.77%	2.13%

		Consolidated			
		Gain (loss)			
	Index	**Balance 03/31/2017**	**Probable scenario**	**Scenario 25%**	**Scenario 50%**
Interest earning bank deposits	CDI - write-off	3,667	-	(111)	(222)
Loans	CDI rise	(132,178)	-	(4,008)	(8,017)
Loans	TJLP	(7,545)	38	(94)	(226)
Libor 30 days	Libor 30 days	(80,205)	-	(197)	(394)
LIBOR 3 months	LIBOR 3 months	(419,344)	-	(1,202)	(2,404)
Taxes in installments	Selic	(905)	31	11	(9)

		Parent company			
		Gain (loss)			
	Index	**Balance at 03/31/2017**	**Probable scenario**	**Scenario 25%**	**Scenario 50%**
Interest earning bank deposits	CDI - write-off	3,407	-	(103)	(207)
Financial loans	CDI - write-off	(22,520)	-	(683)	(1,366)
Loans	CDI rise	(132,178)	-	(4,008)	(8,017)
Loans	TJLP	(7,173)	36	(90)	(215)
LIBOR 3 months	LIBOR 3 months	(419,344)	-	(1,202)	(2,404)
Taxes in installments	Selic	(702)	24	9	(7)

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5.4 Capital management

The management's policy is to maintain a solid base of capital for the future development of the business, adding value for shareholders, creditors and the market in general, by monitoring the returns on capital. However, the results of recent years have meant some deterioration in this policy, as shown below.

	Consolidated	
	03/31/2017	**12/31/2016**
Total liabilities	**1,067,262**	1,064,958
Less: Cash and cash equivalents and interest earning bank deposits	**(26,337)**	(29,894)
Net debt (A)	**1,040,925**	1,035,064
Total shareholders' equity (B)	**(174,949)**	(171,901)
Net debt to shareholders’ equity ratio as of March 31, 2017 and December 31, 2016 (A/B)	**(5.95)**	(6.02)

6 Operating segments

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

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

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

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

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

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

	Firearms		Helmets		Other		Total	
	03/31/2017	**03/31/2016**	**03/31/2017**	**03/31/2016**	**03/31/2017**	**03/31/2016**	**03/31/2017**	**03/31/2016**
External income	**185,714**	147,430	**20,112**	30,301	6,568	7,807	**212,394**	185,538
Inter-segment income	**152,613**	16,107	**3,471**	240	1,118	1,839	**157,202**	18,186
Cost of sales	**(134,469)**	(118,418)	**(14,101)**	(17,847)	(5,616)	(3,223)	**(154,186)**	(139,488)
Gross income (loss)	**203,858**	45,119	**9,482**	12,694	2,070	6,423	**215,410**	64,236
Sales expenses	**(23,677)**	(19,720)	**(4,391)**	(4,432)	(470)	(285)	**(28,538)**	(24,437)
General and administrative expenses	**(26,665)**	(31,331)	**(1,708)**	(3,843)	(1,653)	(3,383)	**(30,025)**	(38,557)
Depreciation and amortization	**(2,064)**	(2,365)	**(307)**	(23)	(4)	(4)	**(2,375)**	(2,392)
Other operating income (expenses), net	**309**	(3,895)	**(463)**	(410)	534	(272)	**379**	(4,577)
Equity income (loss)	-	-	**428**	847	(428)	(1,713)	-	(866)
	(52,097)	(57,311)	**(6,441)**	(7,861)	(2,021)	(5,657)	**(60,559)**	(70,829)
Operating income (loss)	**151,761**	(12,192)	**3,041**	4,833	49	766	**154,851**	(6,593)
Financial income	**18,128**	39,681	**2,350**	1,871	(1,093)	3,570	**19,385**	45,122
Financial expenses	**(24,223)**	(22,657)	**(965)**	(1,479)	(240)	(1,151)	**(25,428)**	(25,287)
Net financial income (loss)	**(6,095)**	17,023	**1,385**	392	(1,333)	2,420	**(6,043)**	19,835
Income (loss) per segment subject to be disclosed before income and social contribution taxes	**145,666**	4,831	**4,426**	5,225	(1,284)	3,186	**148,808**	13,242
Elimination of inter-segment income	**(152,613)**	(16,107)	**(3,471)**	(240)	(1,118)	(1,839)	**(157,202)**	(18,186)
Income before income and social contribution taxes	**(6,947)**	(11,276)	**955**	4,985	(2,402)	1,347	**(8,394)**	(4,944)
Income and social contribution taxes	**2,111**	1,908	**(103)**	(287)	(67)	(197)	**1,941**	1,424
Net income for the year	**(4,836)**	(9,367)	**852**	4,698	(2,469)	1,149	**(6,453)**	(3,520)
Assets of reportable segments	**548,900**	538,275	**167,753**	169,649	173,222	216,320	**889,875**	924,245
Liabilities of reportable segments	**947,895**	891,008	**41,619**	43,633	75,329	76,113	**1,064,843**	1,010,754

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Geographical information

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

	Firearms		Helmets	
	03/31/2017	**03/31/2016**	**03/31/2017**	**03/31/2016**
Domestic market				
Southeastern region	**11,357**	**4,736**	**5,664**	**8,122**
South region	**3,945**	**1,333**	**1,137**	**1,658**
Northeastern region	**2,177**	**347**	**7,163**	**10,768**
Mid-west region	**1,694**	**2,459**	**3,053**	**4,245**
North region	**311**	**40**	**3,095**	**5,508**
	19,484	**8,915**	**20,112**	**30,301**
Foreign market				
United States	**163,088**	134,534	-	-
Peru	**621**	445	-	-
Argentina	**816**	433	-	-
France	**284**	832	-	-
Chile	**498**	-	-	-
South Africa	**-**	1,482	-	-
Thailand	**-**	66	-	-
Nicaragua	-	425	-	-
United Kingdom	**118**	-	-	-
El Salvador	**109**	70	-	-
Italy	**-**	94	-	-
Czech Republic	**-**	94	-	-
Guatemala	**263**		-	-
Israel	**106**		-	-
Other countries	**327**	40	-	-
	166,230	138,515	**-**	-
	185,714	147,430	**20,112**	30,301

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

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

7 Cash and cash equivalents

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

	Consolidated		Parent company	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Cash balance	**33**	13	**20**	7
Demand deposits	**22,637**	25,877	**370**	604
Interest earning bank deposits	**191**	818	**148**	702
Cash and cash equivalents	**22,861**	26,708	**538**	1,313

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The investments classified as cash and cash equivalents are remunerated at variable average rates from 86% to 100% of the CDI at 03/31/2017 (82.52% to 101.00% of CDI at 12/31/2016) with counterparty financial institutions considered by management as the first line.

8 Financial investments and linked accounts

	Consolidated		Parent company	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Money market investments in CDB	**3,476**	3,186	**3,259**	2,982
Total	**3,476**	3,186	**3,259**	2,982
Current	**2,204**	2,552	**2,204**	2,552
Non-current	**1,272**	634	**1,055**	430

Financial investments are paid by the average variable rate of 98.60% of CDI at 03/31/2017, being held as guarantees for short-term financing, and their redemption scheduled takes place in conjunction with amortization, presented in current and non-current assets based on their redemption provisions.

9 Trade accounts receivable

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

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

	Consolidated		Parent company	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Domestic clients	**65,988**	71,035	**33,619**	36,093
Clients – related parties in the country	**5,865**	-	**5,668**	
Foreign clients	**114,090**	111,032	**15,233**	22,577
	185,943	182,067	**54,520**	58,670
Allowance for doubtful accounts - domestic	**(20,271)**	(21,245)	**(6,210)**	(7,601)
Allowance for doubtful accounts - abroad	**(8,225)**	(10,625)	**(5,219)**	(5,368)
	(28,496)	(31,870)	**(11,429)**	(12,969)
Total	**157,447**	150,197	**43,091**	45,701

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

	Consolidated	Parent company
Balance at December 31, 2016	(31,870)	(12,969)
Additions		
Reversal of allowance for doubtful accounts	**3,286**	**1,390**
Foreign exchange variation	**88**	**150**
Balance at March 31, 2017	**(28,496)**	**(11,429)**

10 Inventories

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

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

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Finished goods	**95,352**	96,500	**28,164**	16,351
Raw material	**141,372**	147,697	**106,787**	109,574
	236,724	244,197	**134,951**	125,925

11 Recoverable taxes

	Consolidated		Parent company	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
ICMS	**10,755**	8,740	**2,568**	920
IPI	**804**	842	**5**	5
PIS	**1,727**	932	**1,573**	617
COFINS	**7,650**	4,084	**6,867**	2,655
Income and social contribution taxes	**6,171**	6,566	**1,240**	3,267
INSS	**40**	40	**-**	-
Total	**27,147**	21,204	**12,253**	7,464
Current	**26,598**	20,497	**12,058**	7,269
Non-current	**549**	707	**195**	195
Total	**27,147**	21,204	**12,253**	7,464

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12 Other accounts receivable

	Consolidated		Parent company	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Advances to suppliers	**20,465**	17,478	**17,373**	15,508
Advances to employees	**2,095**	1,726	**764**	794
Judicial deposits (Note 23)	**12,807**	11,407	**6,625**	5,890
Receivables from insurance	**2,339**	2,339	**2,257**	-
Other receivables	**1,480**	801	**595**	2,845
	39,186	33,751	**27,614**	25,037
Current assets	**26,379**	22,344	**20,989**	19,147
Non-current assets	**12,807**	11,407	**6,625**	5,890

13 Income and social contribution taxes

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

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

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

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

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

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a. Breakdown of assets and deferred tax liabilities

	Consolidated		Parent company	
	03/31/2017	12/1/2016	03/31/2017	12/31/2016
On temporary differences of assets, tax loss and negative basis				
Provision for sales commissions	**1,616**	1,616	**993**	993
Provision of labor proceedings	**3,946**	3,946	**1,826**	1,826
Allowance for doubtful accounts	**5,494**	5,494	**2,474**	2,474
Provision for product warranty	**7,297**	7,297	**2,190**	2,190
Provision for legal risks	**2,961**	2,961	**-**	-
Provision for inventory loss	**2,131**	2,131	**-**	-
Derivative financial instruments	**189**	189	**-**	-
Tax loss and negative basis of social contribution on net income (i)	**32,559**	34,912	**4,647**	7,000
Inventories - unrealized profits	**3,134**	2,858	**-**	-
Other items	**1,715**	1,432	**-**	-
	61,042	62,836	**12,130**	14,483
On temporary liability differences				
Equity valuation adjustments	**(12,183)**	(12,183)	**(2,356)**	(2,356)
Difference for depreciation base	**(7,484)**	(7,484)	**-**	-
Goodwill allocation	**(9,899)**	(9,899)	**-**	-
Average interest rate	**(1,499)**	(1,499)	**(1,370)**	(1,370)
Derivative financial instruments	-	(2,353)	-	(2,353)
Other items	**(72)**	(72)	-	-
	(31,137)	(33,490)	**(3,726)**	(6,079)
Total assets and liabilities, net	**29,905**	29,346	**8,404**	8,404
Classified as noncurrent assets	**44,812**	44,536	**8,404**	8,404
Classified in the non-current liabilities	**(14,907)**	(15,190)	**-**	-

Changes in deferred taxes:	Consolidated	Parent company
Opening balance of deferred taxes, net	29,346	8,404
Allocated in income (loss)	**410**	**-**
Allocated to shareholders' equity	**-**	**-**
Effect of exchange variation	**149**	**-**
Closing balance of deferred taxes, net	**29,905**	**8,404**

(i) The Company's management has considered the existence of the accumulated balances of tax losses and the negative basis of social contribution on net income for the parent company and the subsidiaries Polimetal Metalurgia e Plásticos Ltda., Taurus Blindagens Ltda. and Taurus Holdings, Inc. with the evaluation of the existence of future taxable income, which supports the recording of deferred tax assets, based on the operating activities of the Company's segments.

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

	Consolidated		**Parent company**	
Year	**Total**	**Interest %**	**Total**	**Interest %**
2017	2,180	7.43%	-	0.00%
2018	2,527	8.61%	-	0.00%
2019	3,098	10.56%	94	1.12%
2020	4,859	16.56%	1,433	17.05%
2021	10,330	35.20%	5,856	69.68%
2022	6,352	21.64%	1,021	12.15%
Total	29,346	100.00%	8,404	100.00%

The amount of tax losses and negative basis of social contribution on which deferred taxes are not recorded totaled R$ 669,003 (R$ 651,215 as of December 31, 2016) in the consolidated, and R$ 239,458 (R$ 222,905 as of December 31, 2016) in the parent company.

The main balances of tax loss carryforwards and negative basis are recorded in the parent company Forjas Taurus S.A. Tax credits arising from tax losses and negative social contribution basis not recognized by this subsidiary totaled R$ 239,458 (R$ 222,905 as of December 31, 2016).

Reconciliation of effective rate for income and social contribution taxes

	Consolidated		**Parent company**	
	03/31/2017	**03/31/2016**	**03/31/2017**	**03/31/2016**
Loss before income and social contribution taxes	**(8,394)**	(4,691)	**(6,452)**	(3,267)
Combined statutory rate	**34%**	34%	**34%**	34%
Income and social contribution taxes at the combined tax rate	**2,854**	1,595	**2,194**	1,111
Permanent additions:				
Non-deductible expenses	**(198)**	(139)	**(57)**	(41)
Equity income (loss)	**-**	(294)	**(952)**	(9,014)
Permanent exclusions:				
Reintegra	**752**	-	**752**	-
Tax incentives of subsidiaries	**396**	-	-	-
Deferred taxes not formed on tax loss and negative basis of CSLL	**(6,048)**	(15,664)	**(5,628)**	(6,903)
Deferred taxes not recorded on unrealized exchange variation	**5,431**	13,389	**5,192**	13,315
Effects of differentiated rate of deemed profit subsidiaries	**84**	862	**-**	-
Deferred taxes not recorded on provisions for contingencies	**(1,075)**	-	**(955)**	-
Deferred taxes not recorded on provision for employee profit sharing	**(547)**	-	**(370)**	-
Deferred taxes not recorded on the effect of invoiced and unshipped items	**408**	-	**187**	-
Deferred taxes not recorded on provision for tax expenses	**(455)**	-	**(199)**	-
Deferred taxes not recorded on allowance for doubtful accounts	**611**	-	**473**	-
Deferred taxes not recorded on provision for guarantees	**(223)**	-	**(223)**	-
Deferred taxes not recorded on other items	**(49)**	1,675	**(414)**	1,532
Income tax and social contribution in income for the year	**1,941**	1,424	**-**	-
Current	**1,531**	1,387	-	-
Deferred taxes	**410**	37	**-**	-
	1,941	1,424	**-**	-
Effective rate	**23.1%**	30.4%	**-**	-

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

The table below shows the breakdown of the total calculation bases and the respective deferred tax assets that could be recorded in the Consolidated

								Consolidated
				03/31/2017				**12/31/2016**
	Base	**25%**	**9%**	**Total**	**Base**	**25%**	**9%**	**Total**
Provision for sales commissions	(4,236)	(1,059)	(381)	**(1,440)**	(8,919)	(2,230)	(803)	**(3,033)**
Provision of labor proceedings	(39,467)	(9,867)	(3,552)	**(13,419)**	(35,349)	(8,837)	(3,181)	**(12,018)**
Allowance for doubtful accounts	(26,285)	(6,571)	(2,366)	**(8,937)**	(27,259)	(6,815)	(2,453)	**(9,268)**
Provision for product warranty	(8,552)	(2,138)	(770)	**(2,908)**	(6,589)	(1,647)	(593)	**(2,240)**
Provision for legal risks	(27,985)	(6,996)	(2,519)	**(9,515)**	(28,022)	(7,006)	(2,522)	**(9,528)**
Provision for inventory loss	(1,381)	(345)	(124)	**(469)**	(1,381)	(345)	(124)	**(469)**
Tax loss and negative basis of social contribution on net income	(667,527)	(166,882)	(60,077)	**(226,959)**	(649,739)	(162,435)	(58,477)	**(220,912)**
Fair value of investment property AAP	28,904	7,226	2,601	**9,827**	28,904	7,226	2,601	**9,827**
Restated cost of property, plant and equipment	1,464	366	132	**498**	1,538	385	138	**523**
Allocation of Heritage goodwill	16,833	4,208	1,515	**5,723**	17,197	4,299	1,548	**5,847**
Unshipped notes	(4,990)	(1,248)	(449)	**(1,697)**	-	-	-	-
Difference for depreciation base	(2,701)	(675)	(243)	**(918)**	(2,425)	(606)	(218)	**(824)**
Provision for tax expenses	(6,651)	(1,663)	(599)	**(2,262)**	-	-	-	-
Recognition base difference Exchange Variation	(15,631)	(3,908)	(1,407)	**(5,315)**	(10,276)	(2,569)	(925)	**(3,494)**
Provision for profit sharing	(2,957)	(739)	(266)	**(1,005)**	(1,349)	(337)	(121)	**(458)**
	(761,162)	**(190,291)**	**(68,505)**	**(258,796)**	**(723,669)**	**(180,917)**	**(65,130)**	**(246,047)**

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The table below shows the breakdown of the total calculation bases and the respective deferred tax assets that could be recorded in the Parent Company:

								Parent company
				03/31/2017				**12/31/2016**
	Base	**25%**	**9%**	**Total**	**Base**	**25%**	**9%**	**Total**
Provision for sales commissions	(3,345)	(836)	(301)	**(1,137)**	(7,799)	(1,950)	(702)	**(2,652)**
Provision of labor proceedings	(20,379)	(5,095)	(1,834)	**(6,929)**	(17,616)	(4,404)	(1,585)	**(5,989)**
Allowance for doubtful accounts	(10,943)	(2,736)	(985)	**(3,721)**	(12,334)	(3,084)	(1,110)	**(4,194)**
Provision for product warranty	(7,084)	(1,771)	(638)	**(2,409)**	(5,122)	(1,281)	(461)	**(1,742)**
Provision for legal risks	(1,203)	(301)	(108)	**(409)**	(1,903)	(476)	(171)	**(647)**
Provision for inventory loss	(1,380)	(345)	(124)	**(469)**	(1,381)	(345)	(124)	**(469)**
Tax loss and negative basis of social contribution on net income	(140,392)	(35,098)	(12,635)	**(47,733)**	(123,839)	(30,960)	(11,146)	**(42,106)**
Restated cost of property, plant and equipment	1,464	366	132	**498**	1,538	385	138	**523**
Unshipped notes	(552)	(138)	(50)	**(188)**	-	-	-	-
Difference for depreciation base	(340)	(85)	(31)	**(116)**	(224)	(56)	(20)	**(76)**
Provision for tax expenses	3,700	925	333	**1,258**	-	-	-	-
Recognition base difference Exchange Variation	(15,272)	(3,818)	(1,374)	**(5,192)**	(10,342)	(2,586)	(931)	**(3,517)**
Provision for profit sharing	(1,941)	(485)	(175)	**(660)**	(853)	(213)	(77)	**(290)**
	(197,667)	**(49,417)**	**(17,790)**	**(67,207)**	**(179,875)**	**(44,970)**	**(16,189)**	**(61,159)**

Notes to the financial statements

14 Investment property

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

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

a. Reconciliation of book value

	Consolidated
	2016
Historical cost	21,204
Fair value	28,904
Balance at March 31, 2017	**50,108**

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

b. Measurement of fair value

(i) Fair value hierarchy

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

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

(ii) Characterization of evaluated assets

Location: Avenida do Forte, n° 511 - Porto Alegre (RS)

Industrial complex, not occupied, with 18,600.00 m^2 of built area in urban land of 29.900.00 m^2 of area.

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(iii) Methodologies adopted

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

Buildings and improvements

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

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

Urban land

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

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

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

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

(iv) Values and data presented

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

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

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

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

(d) Useful life represents the estimated remaining time of use of the evaluated asset, in years. This value is obtained through the difference between the apparent age and useful life of the project, pursuant to ABNT NBR 15575- 1 2013.

(v) Survey of values

Buildings and improvements

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

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

Urban land

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

(vi) Level of precision

Market value

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

NBR-14653-1 (Appraisal of assets - General procedures); NBR-14653-2 (Evaluation of assets - Urban Real Estate).

The variables used in the model to determine the values of the evaluated area were:

(a) Total Area: quantitative variable representing the total area of the land in m^2;

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

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

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

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

	Consolidated
	2-16
Buildings	11,775
Land	37,870
Improvements	463
Total	**50,108**

Notes to the financial statements

15 Investments

									Parent company	
	Taurus Blindagens Ltda.	**Taurus Blindagens Nordeste Ltda.**	**Taurus Plásticos Ltda.**	**Taurus Holdings , Inc.**	**T. Investments Co. Inc.**	**Taurus Investimento s Imobiliários Ltda.**	**Polimetal Metalurgia e Plásticos Ltda.**	**Taurus Máquinas-Ferramenta Ltda.(l)**	**03/31/2017**	**12/31/2016**
Current assets	34,420	30,095	4,880	247,409	32,542	6,927	61,162	325		
Non-current assets	113,256	332	1,600	111,318	-	64.04	265,337	2,426		
Current liabilities	12,450	29,057	1,261	50,469	-	952	63,213	43,237		
Non-current liabilities	9,139	2,504	27	104,491	-	10,027	50,624	18,400		
Capital	73,855	9,400	6,355	966	34,852	53,292	304,780	293,639		
Shareholders' equity	126,087	47,188	5,192	203,766	32,542	60,552	212,662	(58,886)		
Net revenue	6,005	17,578	2,616	163,088	-	995	48,474	-		
Net income (loss) for the year	851	1,005	(474)	(3,533)	-	386	1,700	(622)		
Number of shares/quotas	14	9,400	636	302,505	11,000,000	43,623,159	304,779,837	185,007,117		
Direct ownership interest (%)	0.01%	0.10%	0.01%	100%	100%	81.86%	100%	63.00%		
Opening balances	1	47	1	210,604	33,473	68,068	209,368	-	**521,562**	518,067
Spin-off	-	-	-	-	-	-	-	-	-	1
Paid-up capital (3)	-	-	-	-	-	-	-	-	-	74,190
Equity income (loss) (2)	-	-	-	**(4,153)**	-	**575**	**1,171**	**(392)**	**(2,799)**	(32,275)
Capital investment loss	-	-	-	-	-	-	-	-	-	-
Foreign exchange variation over investments	-	-	-	**(6,014)**	**(931)**	-	-	-	**(6,945)**	(45,534)
Dividends received	-	-	-	-	-	-	-	-	-	-
Capital transactions	-	-	-	-	-	-	-	-	-	-
Equity evaluation adjustment	-	-	-	-	-	-	-	-	-	19,077
Write-off Goodwill Famastil	-	-	-	-	-	-	-	-	-	(2,215)
Reclassified for provision for unsecured liability (1)	-	-	-	-	-	-	-	**392**	**392**	(9,749)
Closing balances (2)	**1**	**47**	**1**	**200,437**	**32,542**	**68,643**	**210,539**	**-_**	**512,210**	521,562

(1) The unsecured liability of the subsidiary Taurus Máquinas-Ferramenta Ltda., in the amount of R$ 37,101, is recorded in “Related parties” in non-current liabilities.

(2) In order to determine the investment amounts, the value of shareholders' equity and of income (loss) of each investee is adjusted for unrealized profits in intercompany transactions.

(3) The capital contribution in the subsidiary Taurus Máquinas-Ferramenta Ltda., in the amount of R$ 20,000, and in Polimetal Metalurgia e Plásticos Ltda., in the amount of R$ 54,190, were made with loan capitalization.

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Foreign operation

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

	Taurus Holdings, Inc.	
		Consolidated
	03/31/2017	**12/31/2016**
Assets	**358,727**	360,271
Liabilities	**154,960**	146,961
Net revenue	**163,088**	575,098
Loss for the year	**(3,533)**	(4,259)

16 Property, plant and equipment

Property, plant and equipment items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses. As described in note 17, in 2016 the Company prepared a study of impairment for its intangible assets and also for the recoverability of its fixed assets. As of March 31, 2017, the tests performed did not indicate the need of forming a provision for impairment losses on Company's property, plant and equipment.

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

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

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

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

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

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

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	Land	Buildings	Machinery and facilities	Furniture and computers	Vehicles	Other	Construction in progress	Advances to suppliers	Total
Cost or deemed cost									
Balance at December 31, 2015	38,244	110,201	266,821	29,785	2,589	191	-	227	469,366
Additions	2,549	10,671	4,178	1,323			28,150	145	47,016
Disposals	(21,208)	(6)	(25,670)	(5,647)	(117)	(119)	(11,443)	-	(64,210)
Transfers	(67)	15,344	5,449	(667)	(190)		(19,793)	(76)	-
Effect of exchange variation	(1,301)	(8,653)	(8,824)	(1,551)	(1,262)	(32)	-		(21,623)
Balance at December 31, 2016	18,217	127,557	241,954	23,243	1,020	40	18,222	296	430,549
Additions		67	6,014	162			3,257	122	9,622
Disposals	(2,478)	-	(3,062)	-	(67)	(28)	(52)	(1)	(5,688)
Transfers	(370)	(20,947)	23,212	2,354	11	1,530	(4,565)	7	1,232
Effect of exchange variation	(254)	(1,215)	(1,342)	(231)	(6)	-	13	-	(3,035)
Balance at March 31, 2017	15,115	105,462	266,776	25,528	958	1,542	16,875	424	432,680
Depreciation									
Balance at December 31, 2015	(184)	(25,350)	(149,990)	(18,335)	(2,318)	-	-	-	(196,177)
Depreciation for the year	(44)	(4,498)	(26,950)	(1,977)	(65)	-	-	-	(33,534)
Disposals	34	811	20,430	4,698	1,500	-	-	-	27,473
Effect of exchange variation	-	2,125	6,961	1,215	38	-	-	-	10,339
Balance at December 31, 2016	(194)	(26,912)	(149,549)	(14,399)	(845)	-	-	-	(191,899)
Depreciation for the year	(11)	(1,594)	(5,643)	(453)	(14)	-	-	-	(7,715)
Disposals		-	1,485		67	-	-	-	1,552
Transfers	205	(212)	4,004	(3,980)	-	(1,252)	-	-	(1,235)
Effect of exchange variation	-	330	826	196	6	-	-	-	1,358
Balance at March 31 2017		(28,388)	(148,877)	(18,636)	(786)	(1,252)	-	-	(197,939)
Book value									
December 31, 2016	18,023	100,645	92,405	8,844	175	40	18,222	296	238,650
March 31, 2017	1 5,115	77,074	117,899	6,892	172	290	16,875	424	234,741

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									Parent company
Cost or deemed cost	**Land**	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Other**	**Construction in progress**	**Advances to suppliers**	**Total**
Balance at December 31, 2015		3,177	64,003	8,903	1,464	-	7,585	-	85,132
Additions	_	3,194	221	631	-	-	8,728	-	12,774
Disposals	-	-	(7,084)	(3,548)	(104)	-	(482)	-	(11,218)
Transfers	-	3,739	3,374	(8)	(2)	-	(7,103)	-	-
Effect of exchange variation	-	-	-	-	(1,224)	-	-	-	(1,224)
Balance at December 31, 2016		10,110	60,514	5,978	134		8,728		85,464
Additions		61		3			1,303		1,367
Disposals	-	-	(396)	-	(2)	-	-	-	(398)
Transfers	-	(6,563)	8,822	504	(V)	1,232	(2,763)	7	1,232
Effect of exchange variation	-	-	-	-	-	-	-	-	-
Balance at March 31, 2017		3,608	68,940	6,485	125	1,232	7,268	7	87,665
Depreciation									
Balance at December 31, 2015	-	(1,357)	(42,168)	(5,946)	(1,323)	-	-	-	(50,794)
Depreciation for the year	-	(439)	(5,335)	(576)	(40)	-	-	-	(6,390)
Disposals	-	-	6,082	2,743	1,293	-	-	-	10,118
Effect of exchange variation	-	-	-	-	-	-	-	-	-
Balance at December 31, 2016		(1,796)	(41,421)	(3,779)	(70)				(47,066)
Depreciation for the year	-	(252)	(1,299)	(147)	(5)	-	-	-	(1,703)
Disposals	-		340		2	-	-	-	342
Transfers	-	298	(299)	-	1	(1,232)	-	-	(1,232)
Effect of exchange variation	-	-	-	-	-	-	-	-	-
Balance at March 31, 2017		(1,750)	(42,679)	(3,926)	(72)	(1,232)			(49,659)
Book value									
December 31, 2016	-	8,314	19,093	2,199	64	-	8,728	-	38,398
March 31, 2017	-	1,858	26,261	2,559	53	-	7,268	7	38,006

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Construction in progress

The balance of constructions in progress in the amount of R$ 7,268 in the parent company, and of R$ 16,875 in the consolidated in March 2017 (R$ 8,728 and R$ 18,222 in 2016, respectively) refers to machinery and equipment still in the implementation phase and constructions in progress. These assets should come into operation during 2017.

Guarantee

The Company uses its assets as guarantees for the funds obtained from financial institutions. Although much of the fixed assets is guaranteeing loans and financing, the Company has been historically settling its obligations in the contractual terms, and the guarantees with assets have never been used. In 2017, the Company used the amount of R$ 68,037 in guarantees (R$ 94,773 in 2016).

Reclassification for investment property

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

17 Intangible assets

Goodwill

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

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

Other intangible assets

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

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

Notes to the financial statements

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

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

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	Software	Trademarks and patents	Goodwill	Product development	Other intangible assets	Total
						Consolidated
Cost						
Balance at December 31, 2015	2,602	27,195	44,674	10,545	6,288	91,304
Acquisitions	-	-	-	1,650	27	1,677
Transfer of other groups	**3,519**	**(1)**	-	**(370)**	**(3,148)**	-
Write-offs	**(25)**	**(1,380)**	-	**(1,298)**	**(216)**	**(2,919)**
Effect of exchange variation	-	**(3,770)**	**(1,992)**	-	**(781)**	**(6,543)**
Balance at December 31, 2016	**6,096**	**22,044**	**42,682**	**10,527**	**2,170**	**83,519**
Acquisitions		11	55			66
Transfers	**(4,982)**	**(9,793)**	**208**	**970**	**13,179**	**(418)**
Write-offs	-	-	-	**(1,269)**	-	**(1,269)**
Effect of exchange variation	-	**(200)**	**(544)**	**165**	-	**(579)**
Balance at March 31, 2017	**1,114**	**12,062**	**42,401**	**10,393**	**15,349**	**81,319**
Amortization						
Balance at December 31, 2015	(1,435)	(367)	-	(7,769)	(287)	(9,858)
Amortization for the year	**(27)**	**(90)**	-	**(530)**	**(60)**	**(707)**
Transfer of other groups	**(194)**	-	-	**88**	**106**	-
Write-offs	**23**	-	-	**1,237**	-	**1,260**
Balance at December 31, 2016	**(1,633)**	**(457)**	-	**(6,974)**	**(241)**	**(9,305)**
Amortization for the year	**(59)**	-	-	**(697)**	-	**(756)**
Transfers	**1,600**	**(23)**	-	**736**	**(1,895)**	**418**
Write-offs	-	-	-	**95**	-	**95**
Balance at March 31, 2017	**(92)**	**(480)**	-	**(6,840)**	**(2,136)**	**(9,548)**
Book value						
December 31, 2016	**4,463**	**21,587**	**42,682**	**3,553**	**1,929**	**74,214**
March 31, 2017	**1,022**	**11,582**	**42,401**	**3,553**	**13,213**	**71,771**

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Impairment test for cash generating units containing goodwill

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

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

The recoverability test for CGUs mentioned above is performed annually based on the fair value net of sales expenses, which is estimated based on discounted cash flows. On December 31, 2016, the tests performed did not indicate the need of forming a provision for impairment losses on goodwill and intangible assets with indefinite useful lives. There was no significant change related to goodwill for the quarter.

Main assumptions used for forecasting the discounted cash flows

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

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

Discount rate

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

Growth rate and perpetuity

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

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

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18 Loans and financing

The terms and conditions of outstanding loans were as follows:

	Consolidated						
				03/31/2017		12/31/2016	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	**2,500**	**-**	2,500	1,253
FINAME	R$	2.50–8.70% p.a.	2021	**8,515**	**1,889**	8,515	2,284
FINEP	R$	4–5.25% p.a.	2020	**14,095**	**7,652**	14,095	8,348
BNDES	R$	3.50% p.a.	2020	**9,995**	**7,174**	9,995	7,675
FNE	R$	9.50% p.a.	2019	**9,806**	**3,738**	9,806	4,232
Advance from receivables	R$	24.60% p.a.	2017	**6,136**	**9,024**	6,136	6,136
Foreign exchange advance	USD	9.80% p.a.	2017	**28,065**	**23,335**	28,358	28,065
Working capital	USD	Libor+ 1.55–5.6% p.a	2021	**499,162**	**495,943**	499,162	490,990
Working capital	USD	85–100% of CDI p.a.	2019	**65,072**	**60,439**	65,072	65,466
Investments	USD	5.33% p.a.	2021-Beyond	**6,035**	**15,012**	6,035	15,652
Investments	USD	Libor + 2.25% p.a.	2021-Beyond	**1,731**	**3,605**	1,731	3,768
Total					**627,811**		633,869
Current liabilities					**66,990**		60,757
Non-current liabilities					**560,821**		573,112

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Parent company

	Currency	Nominal interest rate	Year of maturity	03/31/2017 Contracted value	03/31/2017 Book value	12/31/2016 Contracted value	12/31/2016 Book value
Loans and financing							
Working capital	R$	CDI + 2.42–3.00%	2018	**2,500**	**-**	2,500	1,253
FINAME	R$	2.50–5.50%	2021	**2,304**	**1,039**	2,304	1,139
BNDES	R$	3.50%	2020	**9,995**	**7,174**	9,995	7,675
Advance from receivables	R$	24.60%	2017	**6,136**	**1,694**	6,136	6,136
Foreign exchange advances	USD	9.80%	2017	**28,065**	**23,335**	28,358	28,065
Working capital	USD	Libor + 3.41–5.60%	2021	**424,162**	**419,344**	424,162	422,898
Working capital	USD	85–100% of CDI	2019	**65,072**	**60,439**	65,072	65,466
Total					**513,025**		**532,632**
Current liabilities					**53,740**		**54,567**
Non-current liabilities					**459,285**		**478,065**

Schedule of maturities of non-current liabilities:

	Consolidated		Parent company	
Year of maturity	**03/31/2017**	**12/31/2016**	**03/31/2017**	**12/31/2016**
2018	**115,252**	124,786	**111,035**	119,314
2019	**163,833**	167,547	**158,348**	162,119
2020	**204,225**	201,081	**126,388**	131,652
2021 onwards	**77,511**	79,698	**63,514**	64,980
	560,821	573,112	**459,285**	478,065

Notes to the financial statements

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

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

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

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

					2017
					Parent company
MATURITIES	**2018**	**2019**	**2020**	**2021**	**TOTAL**
PPE	95,144	126,859	124,528	63,497	**410,028**
DEBENTURES	15,726	20,968	20,968	10,504	**68,166**
TOTAL	**110,870**	**147,827**	**145,496**	**74,001**	**478,194**

Covenants

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

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19 Debentures

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

Debentures	**Principal (R$)**	**Issuing Date**	**Securities in the market**	**Average interest rate**	**2017**	**2016**
3rd issuance (a)	100,000	06/13/2014	10,000	DI rate + 10.30% (2016)	**71,738**	68,444
				Grand total	**71,738**	68,444
				Current liabilities	**3,573**	433
				Non-current liabilities	**68,165**	68,011
				Incurred cost transactions	**3,584**	3,584
				Appropriate cost transactions	**3,117**	2,962
				Unearned transaction costs	**467**	1,027

Covenants

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

Such ratios are duly monitored by management. The 3rd issue agreement requires that the indexes should be met on annual basis. Considering the renegotiation of the agreement, these indexes were not determined in the quarter ended March 31, 2017.

20 Other accounts payable

	Consolidated		**Parent company**	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Performance bonus	1,066	191		-
Accrued interest	13,267	8,703	-	-
Royalties	3,841	3,846	3,841	3,846
Insurance and freight	13,466	15,749	13,034	11,777
Other	4,566	9,840	2,979	5,864
	36,206	**38,329**	**19,854**	**21,487**
Current	33,216	35,253	16,781	18,411
Non-current	2,990	3,076	3,073	3,076

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21 Salaries and social security charges

	Consolidated		Parent company	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Salaries	**4,698**	3,296	**2,682**	2,108
Social security charges	**9,891**	10,806	**4,028**	4,451
Provisions for vacations	**20,330**	20,543	**7,860**	8,290
	34,919	**34,645**	**14,570**	**14,849**

22 Taxes, rates and contributions

	Consolidated		Parent company	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
ICMS	3,049	5,732	630	2,709
IPI	10,774	8,761	10,700	8,447
PIS	1,511	1,039	765	560
COFINS	6,356	4,820	3,060	2,578
SPECIAL TAX - FAET (USA)	14,834	13,872	-	-
IRRF	2,542	3,054	1,357	1,943
Income and social contribution taxes	3,687	3,416	-	-
OTHER	1,186	972	980	948
	43,939	**41,666**	**17,492**	**17,185**
Current	**41,653**	**39,170**	**16,712**	**16,241**
Non-current	**2,286**	**2,496**	**780**	**944**

23 Provisions for civil, labor and tax risks

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

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

	Consolidated			
			03/31/2017	**12/31/2016**
	Provision	**Judicial deposit (i)**	**Net**	**Net**
Labor	**39,467**	**11,749**	**27,718**	24,999
Civil	**9,168**	**-**	**9,168**	9,432
Tax	**7,186**	**1,058**	**6,128**	5,992
	55,821	**12,807**	**43,014**	40,424
Classified in current liabilities	**11,238**			
Classified in the non-current liabilities	**44,583**			

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

Changes in provisions are as follows:

	Consolidated		
	Civil and labor	**Tax**	**Total**
Balance at December 31, 2016	44,781	7,050	51,831
Provisions formed during the year	**5,582**	**286**	**5,868**
Provisions used during the year	**(1,728)**	**(150)**	**(1,878)**
Balance at March 31, 2017	**48,635**	**7,186**	**55,821**

	Parent company		
	Civil and labor	**Tax**	**Total**
Balance at December 31, 2016	18,756	-	18,756
Provisions formed during the year	**3,516**	**-**	**3,516**
Provisions used during the year	**(690)**	**-**	**(690)**
Balance at March 31, 2017	**21,582**	**-**	**21,582**

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

	Consolidated				**Parent company**			
	03/31/2017		**12/31/2016**		**03/31/2017**		**12/31/2016**	
	Possible	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**
Tax	**25,893**	**418**	25,893	418	**736**	-	736	-
Civil	**17,833**	**357**	18,123	357	**10,974**	**206**	11,264	206
Labor	**54,234**	**3,706**	59,823	3,403	**35,004**	**1,595**	38,270	1,703
Other	**8,006**	**712**	10,979	722	**7,728**	**330**	7,728	340
	105,966	**5,193**	111,845	4,900	**54,442**	**2,131**	57,998	2,249

Hunter Douglas

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

By means of a signing of a Definitive Purchase and Sale and Credit Assignment Agreement, entered into on June 26, 2015, in which T. Investments Co. Inc., a company belonging to Taurus Group, a corporation headquartered in the city of Panama, acquired the credit of Hunter Douglas N.V. against Wotan Máquinas Ltda. and other rights in the amount of US$ 10,250,000. The fulfillment of this commitment resulted in the acquisition of the following by the Company: i) credit of Hunter Douglas N.V. before Wotan Máquinas Ltda.;

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ii) all rights linked or ancillary to the credit, especially mortgages, and iii) all rights arising from the proceeding, directly linked to credit or not.

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

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

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

Carter Case

The proceeding which Taurus is party, is related to the signing of a agreement to end the lawsuit filed in US Court for the Southern District of Florida against Taurus and its subsidiaries in the United States, Taurus Holdings, Inc. and Taurus International Manufacturing, Inc. (together, the “Companies”). Said agreement resulted from individual lawsuit, Chris Carter vs. Forjas Taurus, S.A. et. al., on alleged defects presented in certain models of the Companies’ pistols, classified as a possible risk of loss by its legal advisors.

However, the possible consequences of this lawsuit led to the decision, in April 2015, to enter into said agreement, which aimed to minimize potential future risks to the Company, related to a possible change in the level of the lawsuit and considering the specific features of the North-American legal environment, even with a historically low number of defects reported by the Company's customers.

On July 18, 2016, the Judge of the U.S. District Court for the Southern District of Florida granted final approval. This decision also recognized the value of USD 9,000 thousand as lawyers’ fees payable in 3 (three) annual installments on: i) January 15, 2017; ii) January 15, 2018 and; iii) January 15, 2019.

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

An escrow deposit was made for this value by Taurus through a secured account.

The release of this value is contingent upon the occurrence of the following facts: (i) homologation of the request of change mentioned above; (ii) final and unappealable decision which homologated the principal agreement, after the judgment of appeals in progress, except if in the judgment of these appeals, the agreement was entirely annulled, on definitive basis.

On October 18, 2016, the Judge of the U.S. District Court for the Southern District of Florida homologated the request of change mentioned in item (i) above and it will be definitive in case no appeal is filed by any of the interested parties or third parties in the legal term.

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

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

Sanctioning Administrative Processes - PMESP

The Company was summoned to present defense in two (02) administrative processes filed by the Military Police of the State of São Paulo (Sanctioning Process No. CSMAM-002/30/16 and Sanctioning Process No. 003/30/2016 in addendum to Process No. CSMAM 01/30/14) which challenges the possibility or not of partial or total noncompliance with the agreements for acquisition and supply of 98,465 (ninety-eight thousand, four hundred and sixty-five) firearms, type pistol, models 24/7 and 640, between years 2007 and 2011, in the first process and also agreements for acquisition and supply of 5,931 (five thousand, nine hundred and thirty-one) firearms, type submachine gun, model SMT 40 in year 2011 in the second process and its addendum, in the total amount of R$ 22,681,184.00 (twenty-two million, six hundred and eighty-one thousand, one hundred and eighty-four reais).

In relation to Sanctioning Process No. CSMAM-002/30/16, the Company considers possible some monetary loss, but since it is an administrative process and is at initial phase, we are presently unable to estimate the values, and the sanctions to which the Company is subject are provided for in article 87 of Federal Law No. 8.666/93, combined with article 81 of State Law (SP) No. 6.544/89.

In relation to Sanctioning Process No. CSMAM 01/30/14, administrative decision was given suspending the Company's right to contract with the public administration of the State of São Paulo, without the application of any monetary penalty.

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

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

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Djibouti

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

24 Financial instruments

a. Derivatives

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

We summarize below our positions with derivative financial instruments:

	Consolidated		**Parent company**	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Derivative financial instruments liabilities	**(448)**	(543)	-	-
	(448)	(543)	-	-

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

					Consolidated
			03/31/2017		**12/31/2016**
Instrument	**Contracting currency referring to the notional amount**	**Notional in thousands**	**Fair value**	**Notional in thousands**	**Fair value**
	Dollars				
Swap Fixed x Libor (i)	US Dollars - USD	**5,711**	**(448)**	**5,711**	**(543)**
		5,711	**(448)**	**5,711**	**(543)**

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

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

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b. Fair value vs. book value

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

	Consolidated			
	03/31/2017		12/31/2016	
	Book value	Fair value	Book value	Fair value
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**22,861**	**22,861**	26,708	26,708
Interest earning bank deposits (ii)	**3,476**	**3,476**	3,186	3,186
Accounts receivable (iii)	**157,447**	**157,310**	150,197	150,197
	183,784	**183,647**	180,091	180,091
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap used to hedge transactions (i)	**448**	**448**	**543**	**543**
Liabilities measured by the amortized cost				
Loans and financing (iv)	**595,451**	**484,369**	599,668	474,255
Debentures (iv)	**71,738**	**90,397**	68,444	74,276
Foreign exchange advances (iv)	**23,335**	**27,299**	28,065	24,698
Suppliers and advance from receivables (ii)	**137,137**	**137,000**	134,848	134,848
	827,661	**739,065**	831,025	708,077

	Parent company			
	03/31/2017		12/31/2016	
	Book value	Fair value	Book value	Fair value
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**538**	**538**	1,313	1,313
Interest earning bank deposits (ii)	**3,259**	**3,259**	-	-
Accounts receivable and other receivables (iii)	**43,091**	**43,091**	45,701	45,701
	46,888	**46,888**	47,014	47,014
Liabilities measured by the amortized cost				
Loans and financing (iv)	**487,996**	**480,356**	498,431	414,774
Debentures (iv)	**71,738**	**90,397**	68,444	74,276
Foreign exchange advances (iv)	**23,335**	**27,299**	28,065	24,698
Suppliers and advance from receivables (ii)	**136,096**	**136,096**	131,212	131,212
	719,165	**734,148**	726,152	644,960

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

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

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

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

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

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25 Related parties

Balances of subsidiaries outstanding with the parent company					**Effect on the result of transactions of subsidiaries with parent company**				
	Current assets (ii)	**Non-current assets (credits with related parties) (iii)**	**Total assets**	**Current liabilities (i)**	**Non-current liabilities**		**Total liabilities**	**Income**	**Expense**
December 31, 2015									
Taurus Blindagens Ltda.	10	-	10	777	24,056		24,833	281	3,118
Taurus Blindagens Nordeste Ltda.	26	-	26	182	9,853		10,035	24	1,560
Taurus Holdings, Inc.	13	-	13	69,258	5,250		74,508	359,711	-
Taurus Investimentos Imobiliários Ltda.	50	-	50	916	-		916	-	1,761
Taurus Máquinas-Ferramenta Ltda.	-	16,941	16,941	-	36,709		36,709	1,006	-
Taurus Plásticos Ltda.	17	-	17	-	-		-	-	-
Polimetal Metalurgia e Plásticos Ltda.	9,639	-	9,639	26,903	-		26,903	1,288	173,057
	9,755	16,941	26,696	98,036	75,868		173,904	362,310	179,496
December 31, 2016									
Taurus Blindagens Ltda.	**58**	-	58	**788**	**22,155**	**(iv)**	22,943	-	**694**
Taurus Blindagens Nordeste Ltda.	**86**	-	86	**328**	**18,586**	**(iv)**	18,914	-	**433**
Taurus Holdings, Inc.	-	-	-	**67,540**	**5,103**	**(v)**	72,643	**106,801**	**325**
Taurus Investimentos Imobiliários Ltda.	**265**	-	265	**1,107**	-		1,107	-	**184**
Taurus Máquinas-Ferramenta Ltda.	-	**18,266**	18,266	-	**37,101**		37,101	**526**	-
Taurus Plásticos Ltda.	**21**	-	21	-	-		-	-	-
Polimetal Metalurgia e Plásticos Ltda.	**8,916**	-	8,916	**37,989**	-		37,989	**97**	**45,812**
	9,346	**18,266**	**27,612**	**107,752**	**82,945**		**190,697**	**107,424**	**47,448**

(i) Refers to amounts recorded under Suppliers - R$ 38,775, advance from client, R$ 39,568 and financial loans, R$ 29,408.

(ii) Refers to amounts recorded under Trade accounts receivable, R$ 560 and financial loans, R$ 8,828.

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

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

(v) Refers to advances received from clients

Notes to the financial statements

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

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

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

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

As of March 31, 2017, operations involving Forjas Taurus S.A. and CBC refer mainly to sales of firearms for trading, and purchase of ammunition. The amount of these operations is shown below:

	Current assets	Current liabilities	Income	Expense
Companhia Brasileira de Cartuchos	**5,865**	**29,132**	**20,266**	**6,144**

Directors' fees and Board Members

As of March 31, 2017 and 2016, the Directors' fees include salaries, fees and benefits:

	Consolidated		Parent company	
	2017	2016	**2017**	2016
Salaries and benefits of statutory directors	**737**	740	**737**	740
Remuneration and benefits of the Board of Directors	**73**	75	**73**	75
Remuneration and benefits of the Tax Council	**122**	122	**122**	122
Total	**932**	937	**932**	937

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

Operations of directors and board members

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

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Sureties among related parties

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

	2017	**2016**
Polimetal Metalurgia e Plásticos Ltda.	-	42,023
Forjas Taurus S.A.	**103,435**	95,934
Taurus Blindagens Ltda	**478,350**	494,807
	581,785	632,764

26 Shareholders' equity / Unsecured liability (parent company)

a) Capital

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

As of March 31, 2017, the Company’s capital amounted to R$ 404,488,840.61 (four hundred four million, four hundred eighty-eight thousand, eight hundred forty and sixty-one centavos), represented by 64,688,212 (sixty-four million, six hundred eight-eight thousand and two hundred twelve) shares, of which 46,445,314 (forty-six million, four hundred forty-five thousand and three hundred fourteen) are common shares and 18,242,898 (eighteen million, two hundred forty-two thousand and eight hundred ninety-eight) are preferred shares, all nominative, book-entry and with no par value.

Subscription bonus

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

Preferred shares

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

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

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

(ii) approval of agreements entered into between the Company and its Controlling Shareholder, as defined in Level 2 Regulation, directly of by means of third parties, as well as other companies in which the Controlling Shareholder holds interests, whenever, pursuant to law or statutory provision, such matters should be submitted to the General Meeting;

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

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

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

Authorized shares (in thousands of shares)

	03/31/2017	**03/31/2016**
Common shares	**51,851**	51,851
Preferred shares	**103,702**	103,702
	155,553	155,553

Shares issued and fully paid-in

	Common (ON)		**Preferred**	
	Amount in thousands	**Amount in R$ thousand**	**Amount in thousands**	**Amount in R$ thousand**
March 31, 2016				
CS R$ 1.78 - PS - R$ 1.77*	34,582	61,555	13,002	23,013
March 31, 2017				
ON R$1.68 | PN R$1.81*	**46,445**	**78,028**	**33,020**	**24,545**

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

b) Equity valuation adjustments

Deemed cost

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

Notes to the financial statements

Fair value of property investments

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

Accumulated translation adjustments

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

c) Earnings per share

Basic earnings per share	**03/31/2017**	03/31/2016
Loss attributable to shareholders (in thousands of R$)	**(6,453)**	(3,267)
Balance of shares at the end of the year	**64,688,212**	47,583,248
Total shares	**64,688,212**	47,583,248
Earnings per share - Basic (in R$)	**(0.09976)**	(0.06866)
Diluted earnings per share	**03/31/2017**	03/31/2016
Loss attributable to shareholders (in thousands of R$)	**(6,453)**	(3,267)
Balance of shares at the end of the year	**64,688,212**	47,583,248
Bonus effect on share subscription*	-	54,901
Total shares considered	**64,688,212**	47,638,149
Earnings per share considering the bonus and diluted effect in R$	**(0.09976)**	(0.06858)

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

d) Capital transactions

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

27 Net operating income

Sale of assets

Operating income is recognized when:

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

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

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

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Sales taxes

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

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

	Consolidated		**Parent company**	
	03/31/2017	03/31/2016	**03/31/2017**	03/31/2016
Sales of goods	**244,461**	211,474	**140,206**	81,532
Rendering of services	**2,984**	-	**1,968**	-
Adjustment to present value	-	-	-	-
Total gross revenue	**247,445**	211,474	**142,174**	81,532
Sales taxes	**(30,824)**	(24,129)	**(9,237)**	(4,063)
Refunds and rebates	**(4,227)**	(1,807)	**(3,413)**	(180)
Total net operating revenue	**212,394**	185,538	**129,524**	77,289

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

28 Expenses per type

	Consolidated		**Parent company**	
	03/31/2017	**03/31/2016**	**03/31/2017**	**03/31/2016**
Expenses according to the role				
Cost of products sold	**(154,155)**	(581,736)	**(100,929)**	(47,380)
Sales expenses	**(28,541)**	(108,839)	**(9,428)**	(4,558)
General and administrative expenses	**(32,428)**	(122,235)	**(16,594)**	(20,792)
Other operating expenses	**(4,293)**	(87,941)	**(1,598)**	(1,481)
	(219,417)	(900,751)	**(128,549)**	(74,211)
Expenses per type				
Depreciation and amortization	**(8,470)**	(11,963)	**(1,846)**	(1,670)
Personnel expenses	**(67,018)**	(80,003)	**(18,698)**	(18,361)
Tax expenses	**(1,336)**	-	**(586)**	-
Raw materials and use and consumption materials	**(86,174)**	(42,862)	**(88,343)**	(33,793)
Freight and insurance	**(8,191)**	(6,946)	**(5,445)**	(293)
Third party services	**(11,335)**	(11,703)	**(5,235)**	(6,055)
Advertising and publicity	**(4,508)**	(4,623)	**(392)**	(12)
Expenses with product warranty	**(3,046)**	(2,992)	**(2,680)**	(1,605)
Water and electricity	**(4,030)**	(3,622)	**(1,062)**	(792)
Rentals	**(865)**	(2,386)	**(219)**	(582)
Travel and accommodation	**(1,337)**	(1,852)	**(712)**	(1,095)
Commission expenses	**(4,781)**	(4,548)	**1,257**	(2,355)
Cost of write-off property, plant and equipment	**(462)**	(4,124)	**(55)**	(1,481)
Provision for contingencies	**(6,575)**	(6,695)	**(3,921)**	(4,035)
Other expenses	**(11,289)**	(26,569)	**(612)**	(2,082)
	(219,417)	(210,888)	**(128,549)**	(74,211)

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29 Net financial income (loss)

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

	Consolidated			Parent company
	03/31/2017	**03/31/2016**	**03/31/2017**	**03/31/2016**
Financial expenses				
Interest	**(21,439)**	(17,696)	**(21,083)**	(16,139)
Exchange variation	**(2,274)**	-	**(2,197)**	-
IOF	**(393)**	(461)	**(310)**	(365)
Swap on financial operations	**-**	(5,480)	**-**	(5,227)
Other expenses	**(1,322)**	(1,665)	**(740)**	(1,012)
	(25,428)	(25,302)	**(24,330)**	(22,743)
Financial income				
Interest	**350**	127	**633**	1,832
Exchange variation	**18,686**	43,018	**17,469**	39,167
Swap on financial operations	**-**	836	**-**	836
Other income	**349**	1,156	**160**	2
	19,385	45,137	**18,262**	41,837
Net financial income (loss)	**(6,043)**	19,835	**(6,068)**	19,094

30 Insurance coverage

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

In 2017, insurance coverage for the Company was as follows:

	03/31/2017	
	Consolidated	**Parent company**
Material damages	**405,792**	**80,000**
Civil liability	**197,021**	**15,000**
Loss of profit	**233,521**	**233,521**

31 Provision for product warranty

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

	Consolidated		Parent company	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Domestic market	8,552	6,590	7,084	5,122
Foreign market	9,659	9,936	-	-
Total	18,211	16,526	7,084	5,122
Current liabilities	12,927	11,091	7,084	5,122
Non-current liabilities	5,284	5,435	-	-

Opinions and Statements / Special Review Report - Unqualified

Report on the review of quarterly information-ITR

To the Shareholders, Board Members and Directors of

Forjas Taurus S.A.

São Leopoldo - RS

Introduction

We have reviewed the interim, individual and consolidated accounting information of Forjas Taurus S.A. (“Company”), contained in the Quarterly Information - ITR Form for the quarter ended March 31, 2017, which comprise the balance sheet on March 31, 2017 and related statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the quarter then ended, including explanatory notes.
Company’s Management is responsible for the preparation of the interim accounting information in accordance with CPC 21 (R1) - Interim Statement and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

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

Conclusion on the interim information

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB and applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Other issues - Statements of added value

The individual and consolidated interim financial information related to statements of added value (DVA) for the quarter ended March 31, 2017, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes, was submitted to review procedures carried out jointly with the audit of Company’s quarterly information. To form a conclusion, we evaluated whether these statements are reconciled with interim financial information and accounting records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

Porto Alegre, May 11, 2017

KPMG Auditores Independentes

CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

Opinions and Statements / Fiscal Council opinion or equivalent body

Fiscal council opinion

The Fiscal Council of Inspectors of Forjas Taurus S.A. In compliance with legal and statutory provisions, reviewed the information regarding the first quarter of 2017. Based on this review and on information contained in the Quarterly Information Review Report, issued without qualifications by KPMG Auditores Independentes and dated May 11, 2017, in addition to information and explanations received from the Company's management, it represents that the mentioned documents are appropriate for disclosure.

São Leopoldo, May 11, 2017.

Haroldo Zago

President

Mauro César Medeiros de Mello

Board Member

Amoreti Franco Gibbon

Board Member

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

REPRESENTATION BY THE DIRECTORS OF FORJAS TAURUS S.A. ON THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2017

Messrs. Marco Aurélio Salvany, Thiago Piovesan and Salésio Nuhs, Directors of Forjas Taurus S.A., a company with head office at Avenida São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the CNPJ (Corporate Taxpayer's Registry) No. 92.781.335/0001-02, as provided in sections V and VI, article 25, CVM Instruction no. 480, dated December 7, 2009, hereby represent that they reviewed, discussed and agreed with the Financial Statement of Forjas Taurus S.A. and consolidated companies, for the period from January 1, 2017 to March 31, 2017.

São Leopoldo, May 11, 2017.

Marco Aurélio Salvany

CEO

Thiago Piovesan

CFO

IRO

Salésio Nuhs

Director Vice-President of Sales and Marketing

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

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

Messrs. Marco Aurélio Salvany, Thiago Piovesan and Salésio Nuhs, Directors of Forjas Taurus S.A., a company with head office at Avenida São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the CNPJ [EIN] 92.781.335/0001-02, as provided in sections V and VI, article 25, CVM Instruction 480, dated December 7, 2009, hereby represent that they reviewed, discussed and agreed with the opinions expressed KPMG Auditores Independentes, contained in the Independent Auditors' Review Report with regard to the Financial Statement for the period from January 1, 2017 to March 31, 2017, issued on May 11, 2017.

São Leopoldo, May 11, 2017.

Marco Aurélio Salvany

CEO

Thiago Piovesan

CFO

IRO

Salésio Nuhs

Director Vice-President of Sales and Marketing