Contents

Company information / Breakdown of capital

Number of shares (units)	Current period 12/31/2020
Common - Paid-in capital	46,445,314
Preferred - Paid-in capital	49,684,169
Total - Paid-in Capital	96,129,483
Common - Held in treasury	-
Preferred - Held in treasury	-
Total - Held in treasury	-

Individual financial statements / Balance sheet – Assets
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
1	Total assets	1,305,322	893,540	826,985
1.01	Current assets	485,412	323,978	274,335
1.01.01	Cash and cash equivalents	34,623	7,376	5,157
1.01.01.01	Cash and banks	30,783	227	2,056
1.01.01.02	Highly liquid short-term investments	3,840	7,149	3,101
1.01.02	Short-term investments	-	16	1,801
1.01.02.01	Short-term investments at fair value through profit or loss	-	-	-
1.01.02.01.01	Trading securities	-	-	-
1.01.02.01.02	Securities at fair value	-	-	-
1.01.02.02	Short-term investments at fair value through other comprehensive income	-	-	-
1.01.02.03	Short-term investments at amortized cost	-	16	1,801
1.01.03	Trade and other receivables	183,267	113,054	114,744
1.01.03.01	Trade receivables	183,267	113,054	114,744
1.01.03.02	Other receivables	-	-	-
1.01.04	Inventories	204,894	157,937	103,818
1.01.05	Biological assets	-	-	-
1.01.06	Recoverable taxes	28,987	25,448	14,991
1.01.06.01	Recoverable current taxes	28,987	25,448	14,991
1.01.07	Prepaid expenses	4,793	4,091	2,366
1.01.08	Other current assets	28,848	16,056	31,458
1.01.08.01	Noncurrent assets for sale	-	-	-
1.01.08.02	Assets of discontinued operations	-	-	-
1.01.08.03	Other	28,848	16,056	31,458
1.01.08.03.03	Related parties - Intragroup loan	-	660	24,978
1.01.08.03.04	Other receivables	28,848	15,396	6,480
1.02	Noncurrent assets	819,910	569,562	552,650
1.02.01	Long-term receivables	209,084	100,157	69,017
1.02.01.01	Short-term investments at fair value through profit or loss	-	-	-
1.02.01.01.01	Securities at fair value	-	-	-
1.02.01.02	Short-term investments at fair value through other comprehensive income	-	-	-
1.02.01.03	Short-term investments at amortized cost	-	1	746
1.02.01.04	Trade and other receivables	-	-	-
1.02.01.04.01	Trade receivables	-	-	-
1.02.01.04.02	Other receivables	-	-	-
1.02.01.05	Inventories	-	-	-
1.02.01.06	Biological assets	-	-	-
1.02.01.07	Deferred taxes	166,291	65,328	44,653
1.02.01.07.01	Deferred income tax and social contribution	166,291	65,328	44,653
1.02.01.08	Prepaid expenses	-	-	-
1.02.01.09	Claims on related parties	29,661	21,728	18,164
1.02.01.09.01	Due from associates	-	-	-
1.02.01.09.02	Due from subsidiaries	-	-	-
1.02.01.09.03	Due from owners of the Company	-	-	-
1.02.01.09.04	Due from other related parties	29,661	21,728	18,164
1.02.01.10	Other noncurrent assets	13,132	13,100	5,454
1.02.01.10.01	Noncurrent assets for sale	-	-	-
1.02.01.10.02	Assets of discontinued operations	-	-	-
1.02.01.10.03	Recoverable tax	-	-	121
1.02.01.10.04	Other	13,132	13,100	5,333
1.02.02	Investments	462,148	364,441	444,978
1.02.02.01	Equity interests	462,148	364,441	444,978
1.02.02.01.01	Investments in associates	-	-	-
1.02.02.01.02	Equity interests in subsidiaries	462,148	364,251	444,788

Individual financial statements / Balance sheet – Assets
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
1.02.02.01.03	Investments in joint ventures	-	-	-
1.02.02.01.04	Other investments	-	190	190
1.02.02.02	Investment property	-	-	-
1.02.03	Property, plant and equipment	130,012	92,985	32,599
1.02.03.01	Fixed assets in use	114,962	78,288	30,201
1.02.03.02	Lease right-of-use assets	-	-	-
1.02.03.03	Construction in progress	15,050	14,697	2,398
1.02.04	Intangible Assets	18,666	11,979	6,056
1.02.04.01	Intangible assets	18,666	11,979	6,056
1.02.04.01.01	Concession agreement	-	-	-
1.02.04.01.02	Intangible Assets	18,666	11,979	6,056

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

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
2	Total liabilities and equity	1,305,322	893,540	826,985
2.01	Current liabilities	460,921	550,830	546,826
2.01.01	Payroll, benefits and taxes thereon	32,150	21,747	14,116
2.01.01.01	Payroll and related taxes	7,482	1,857	4,905
2.01.01.02	Employee benefits and related taxes	24,668	19,890	9,211
2.01.02	Trade payables	82,490	70,359	155,932
2.01.02.01	Local suppliers	69,230	65,346	129,968
2.01.02.02	Foreign trade payables	13,260	5,013	25,964
2.01.03	Taxes Payable	49,915	25,700	14,903
2.01.03.01	Federal tax liabilities	47,605	23,612	11,157
2.01.03.01.01	Income tax and social contribution payable	7,477	5,620	-
2.01.03.01.02	Other taxes	40,128	17,992	11,157
2.01.03.02	State tax liabilities	2,258	2,067	3,744
2.01.03.03	Municipal tax liabilities	52	21	2
2.01.04	Borrowings and financing	78,402	110,907	113,126
2.01.04.01	Borrowings and financing	71,535	97,617	103,676
2.01.04.01.01	In local currency	1,817	8,911	8,260
2.01.04.01.02	In foreign currency	69,718	88,706	95,416
2.01.04.02	Debentures	6,867	13,290	9,450
2.01.04.03	Lease financing	-	-	-
2.01.05	Other payables	173,983	260,880	183,594
2.01.05.01	Due to related parties	-	-	-
2.01.05.01.01	Due to associates	-	-	-
2.01.05.01.02	Due to subsidiaries	-	-	-
2.01.05.01.03	Due to owners of the Company	-	-	-
2.01.05.01.04	Due to other related parties	-	-	-
2.01.05.02	Other	173,983	260,880	183,594
2.01.05.02.01	Dividends and interest on capital payable	-	3	3
2.01.05.02.02	Mandatory minimum dividends payable	-	-	-
2.01.05.02.03	Share-based compensation	-	-	-
2.01.05.02.04	Intragroup borrowing	22,721	53,359	59,057
2.01.05.02.05	Foreign exchange drafts	100,271	78,196	43,795
2.01.05.02.07	Factoring	-	73,516	48,455
2.01.05.02.08	Advances from customers	48,931	49,466	27,848
2.01.05.02.09	Other payables	2,060	6,340	4,436
2.01.06	Provisions	43,981	61,237	65,155
2.01.06.01	Tax, social security, labor and civil provisions	34,823	48,145	52,501
2.01.06.01.01	Tax provisions	27,689	27,689	27,689
2.01.06.01.02	Social security and labor provisions	6,413	6,463	3,162
2.01.06.01.03	Accrued employee benefits	-	-	-
2.01.06.01.04	Civil provisions	721	13,993	21,650
2.01.06.02	Other provisions	9,158	13,092	12,654
2.01.06.02.01	Provision for warranties	9,158	13,092	12,654
2.01.06.02.02	Provisions for restructuring	-	-	-
2.01.06.02.03	Provisions for environmental and decommissioning liabilities	-	-	-
2.01.07	Payables from noncurrent assets for sale and discontinued assets	-	-	-
2.01.07.01	Payables from noncurrent assets for sale	-	-	-
2.01.07.02	Payables from discontinued assets	-	-	-
2.02	Noncurrent liabilities	802,132	647,331	687,122
2.02.01	Borrowings and financing	611,408	491,757	576,766
2.02.01.01	Borrowings and financing	550,394	430,128	501,128
2.02.01.01.01	In local currency	13,256	13,362	18,131
2.02.01.01.02	In foreign currency	537,138	416,766	482,997

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

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
2.02.01.02	Debentures	61,014	61,629	75,638
2.02.01.03	Lease financing	-	-	-
2.02.02	Other payables	134,467	97,100	66,257
2.02.02.01	Due to related parties	85,088	79,460	49,310
2.02.02.01.01	Due to associates	-	-	-
2.02.02.01.02	Due to subsidiaries	18,435	6,492	6,241
2.02.02.01.03	Due to owners of the Company	-	-	-
2.02.02.01.04	Due to other related parties	66,653	72,968	43,069
2.02.02.02	Other	49,379	17,640	16,947
2.02.02.02.01	Share-based compensation	-	-	-
2.02.02.02.02	Advance for future capital increase	-	-	-
2.02.02.02.03	Taxes payable	31,192	164	549
2.02.02.02.04	Provision for negative equity	17,621	17,476	16,165
2.02.02.02.05	Other payables	-	-	-
2.02.02.02.06	Trade payables	566	-	233
2.02.03	Deferred taxes	-	-	-
2.02.03.01	Deferred income tax and social contribution	-	-	-
2.02.04	Provisions	56,257	58,474	44,099
2.02.04.01	Tax, social security, labor and civil provisions	56,257	58,474	44,099
2.02.04.01.01	Tax provisions	-	-	-
2.02.04.01.02	Social security and labor provisions	41,512	43,486	32,583
2.02.04.01.03	Accrued employee benefits	-	-	-
2.02.04.01.04	Civil provisions	14,745	14,988	11,516
2.02.04.02	Other provisions	-	-	-
2.02.04.02.01	Provision for warranties	-	-	-
2.02.04.02.02	Provisions for restructuring	-	-	-
2.02.04.02.03	Provisions for environmental and decommissioning liabilities	-	-	-
2.02.05	Payables from noncurrent assets for sale and discontinued assets	-	-	-
2.02.05.01	Payables from noncurrent assets for sale	-	-	-
2.02.05.02	Payables from discontinued assets	-	-	-
2.02.06	Unearned profit and revenue	-	-	-
2.02.06.01	Unearned profit	-	-	-
2.02.06.02	Unearned revenue	-	-	-
2.02.06.03	Unearned investment grants	-	-	-
2.03	Equity	42,269	- 304,621	- 406,963
2.03.01	Issued capital	560,287	520,277	465,218
2.03.02	Capital reserves	- 31,116	- 31,116	- 31,170
2.03.02.01	Share premium	-	-	-
2.03.02.02	Special goodwill reserve on the merger	-	-	-
2.03.02.03	Disposal of subscription warrants	9,880	9,880	-
2.03.02.04	Stock options granted	-	-	-
2.03.02.05	Treasury shares	-	-	-
2.03.02.06	Advance for future capital increase	-	-	-
2.03.02.09	Capital transactions	- 40,996	- 40,996	- 31,170
2.03.03	Revaluation reserves	-	-	-
2.03.04	Earnings reserves	-	-	-
2.03.04.01	Legal reserve	-	-	-
2.03.04.02	Bylaws reserve	-	-	-
2.03.04.03	Provision for risks	-	-	-
2.03.04.04	Unrealized earnings reserve	-	-	-
2.03.04.05	Earnings retention reserve	-	-	-
2.03.04.06	Special reserve for undistributed dividends	-	-	-
2.03.04.07	Tax incentive reserve	-	-	-

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

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
2.03.04.08	Proposed additional dividends	-	-	-
2.03.04.09	Treasury shares	-	-	-
2.03.05	Retained earnings/accumulated losses	- 704,720	- 970,315	- 1,012,915
2.03.06	Valuation adjustments to equity	45,857	45,958	47,023
2.03.07	Cumulative translation adjustments	-	-	-
2.03.08	Other comprehensive income	171,961	130,575	124,881
2.03.08.01	Cumulative translation adjustments	171,961	130,575	124,881

Individual financial statements / Statement of income
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
3.01	Net operating revenue	1,118,706	708,442	626,631
3.02	Cost of sales	-581,582	-475,827	-427,021
3.03	Gross profit	537,124	232,615	199,610
3.04	Operating (expenses) income	-108,106	-110,373	-131,217
3.04.01	Selling expenses	-65,353	-58,830	-42,719
3.04.02	General and administrative expenses	-107,403	-69,228	-84,820
3.04.03	Impairment losses	4,156	-2,191	420
3.04.04	Other operating income	11,643	43,768	8,722
3.04.05	Other operating expenses	-7,515	-18,392	-29,520
3.04.06	Share of profit (loss) of subsidiaries	56,366	-5,500	16,700
3.05	Profit before finance income (costs) and taxes	429,018	122,242	68,393
3.06	Finance income (costs)	-246,913	-88,984	-175,842
3.06.01	Finance income	248,235	34,496	25,278
3.06.02	Finance costs	-495,148	-123,480	-201,120
3.07	Pretax income	182,105	33,258	-107,449
3.08	Income tax and social contribution	81,498	10,168	47,587
3.08.01	Current	-19,465	-5,620	-
3.08.02	Deferred	100,963	15,788	47,587
3.09	Profit (loss) from continuing operations	263,603	43,426	-59,862
3.10	Profit (loss) from discontinued operations	-	-	-
3.10.01	Profit (loss) from discontinued operations	-	-	-
3.10.02	Gains (losses) on assets of discontinued operations, net	-	-	-
3.11	Profit/loss for the period	263,603	43,426	-59,862
3.99	Earnings per share (R$/share)	-	-	-
3.99.01	Basic earnings per share	-	-	-
3.99.01.01	Common shares (ON)	2.74	0.51	-0.93
3.99.01.02	Preferred shares (PN)	3.23	0.51	-0.93
3.99.02	Diluted earnings per share	-	-	-
3.99.02.01	Common shares (ON)	2.74	0.49	-0.80
3.99.02.02	Preferred shares (PN)	2.89	0.49	-0.80

Individual financial statements / Statement of comprehensive income
(In thousands of reais)

Line Item	**Description**	**Current Year 12/31/2020**	**Previous Year 12/31/2019**	**Antepenultimate year 12/31/2018**
4.01	Profit for the period	263,603	43,426	- 59,862
4.02	Other comprehensive income	41,386	5,693	29,212
4.02.01	Translation adjustments for the period	41,386	5,693	29,212
4.02.02	Realization of valuation adjustments to equity, net of taxes	-	-	-
4.03	Comprehensive income for the period	304,989	49,119	- 30,650

Individual financial statements / Statement of cash flows - Indirect method
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
6.01	Net cash from operating activities	190,303	67,942	-9,294
6.01.01	Cash generated by operating activities	276,504	125,920	50,130
6.01.01.01	Profit (loss) for the year before income tax and social contribution	182,105	33,258	-107,449
6.01.01.02	Depreciation and amortization	13,719	5,425	8,049
6.01.01.03	Cost of capital assets written off	226	1,844	-483
6.01.01.04	Allowance for doubtful debts	-4,156	2,191	1,214
6.01.01.05	Share of profit (loss) of investees	-56,367	5,500	-16,700
6.01.01.06	Share of results of investees - discontinued operations	-	-	-
6.01.01.07	Provision for derivative financial Instruments	-	-	-
6.01.01.08	Accrued interest on borrowings and financing	37,356	40,844	53,930
6.01.01.10	Allowance for inventory losses	-6,622	-3,978	-25,056
6.01.01.11	Provision for contingencies	-15,538	7,638	24,438
6.01.01.12	Provision for warranties	-3,934	438	5,890
6.01.01.13	Exchange differences on borrowings and other items	129,715	32,760	106,297
6.01.01.14	Write-off of goodwill on investment	-	-	-
6.01.01.15	Intangible Exchange Variation	-	-	-
6.01.02	Variation on Assets & Liabilities	-52,533	-57,978	-59,424
6.01.02.01	(Increase) decrease in trade receivables	-66,057	63,105	-36,271
6.01.02.02	(Increase) decrease in inventories	-38,444	-43,034	16,393
6.01.02.03	(Increase) decrease in other receivables	-17,065	-13,277	14,268
6.01.02.04	(Decrease) increase in trade payables	12,697	-92,042	21,333
6.01.02.05	(Decrease) increase in payables and provisions	56,336	27,270	-75,147
6.01.03	Other	-33,668	-	-
6.01.03.01	Income Tax Payments	-33,668	-	-
6.02	Net cash from investing activities	-65,385	4,099	-14,256
6.02.01	Due from related parties	-7,933	20,754	-9,731
6.02.02	Other long-term receivables	190	-	-
6.02.04	In property, plant and equipment	-49,408	-12,961	-3,333
6.02.05	In intangible assets	-8,251	-6,224	-1,175
6.02.06	Short-term investments	17	2,530	-17
6.03	Net cash from financing activities	-97,671	-69,822	26,164
6.03.02	Borrowings	330,094	77,846	170,682
6.03.03	Repayment of borrowings	-416,475	-133,520	-57,903
6.03.04	Treasury shares	40,010	55,059	729
6.03.06	Payment of interest on borrowings	-	-	-
6.03.07	Mortgage loans	-27,498	-45,695	-105,196
6.03.10	Advance for future capital increase	-23,802	-23,512	17,852
6.04	Exchange differences on translating cash and cash equivalents	-	-	-
6.05	Increase (decrease) in cash and cash equivalents	27,247	2,219	2,614
6.05.01	Cash and cash equivalents at the beginning of the year	7,376	5,157	2,543
6.05.02	Cash and cash equivalents at the end of the year	34,623	7,376	5,157

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2020–12/31/2020
(In thousands of Reais)

Line Item	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	520,277	- 31,116	-	- 970,315	176,533	- 304,621
5.02	Prior-year adjustments	-	-	-	-	-	-
5.03	Adjusted opening balances	520,277	- 31,116	-	- 970,315	176,533	- 304,621
5.04	Shareholders' capital transactions	40,010	-	-	1,045	846	41,901
5.04.01	Capital increases	40,010	-	-	-	-	40,010
5.04.02	Share issuance costs	-	-	-	-	-	-
5.04.03	Recognized stock options granted	-	-	-	-	-	-
5.04.04	Treasury shares acquired	-	-	-	-	-	-
5.04.05	Treasury shares sold	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-
5.04.07	Interest on capital	-	-	-	-	-	-
5.04.08	Other transactions	-	-	-	1,045	846	1,891
5.05	Total comprehensive income	-	-	-	264,550	40,439	304,989
5.05.01	Profit for the period	-	-	-	263,603	-	263,603
5.05.02	Other comprehensive income	-	-	-	947	40,439	41,386
5.05.02.01	Adjustments to financial instruments	-	-	-	-	-	-
5.05.02.02	Taxes on adjustments to financial instruments	-	-	-	-	-	-
5.05.02.03	Share of subsidiaries' and associates' comprehensive income	-	-	-	-	-	-
5.05.02.04	Translation adjustments for the period	-	-	-	-	41,386	41,386
5.05.02.05	Taxes on translation adjustments for the period	-	-	-	-	-	-
5.05.02.06	Realization of valuation adjustments to equity	-	-	-	947	- 947	-
5.05.03	Reclassifications to profit or loss	-	-	-	-	-	-
5.05.03.01	Adjustments to financial instruments	-	-	-	-	-	-
5.06	Internal changes in equity	-	-	-	-	-	-
5.06.01	Recognition of reserves	-	-	-	-	-	-
5.06.02	Realization of revaluation reserve	-	-	-	-	-	-
5.06.03	Taxes on realization of revaluation reserve	-	-	-	-	-	-
5.07	Closing balances	560,287	- 31,116	-	- 704,720	217,818	42,269

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2019–12/31/2019
(In thousands of Reais)

Line Item	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	465,218	-31,170	-	-1,012,915	171,904	-406,963
5.02	Prior-year adjustments	-	-	-	-	-	-
5.03	Adjusted opening balances	465,218	-31,170	-	-1,012,915	171,904	-406,963
5.04	Shareholders' capital transactions	55,059	54	-	-1,890	-	53,223
5.04.01	Capital increases	55,059	-	-	-	-	55,059
5.04.02	Share issuance costs	-	54	-	-	-	54
5.04.03	Recognized stock options granted	-	-	-	-	-	-
5.04.04	Treasury shares acquired	-	-	-	-	-	-
5.04.05	Treasury shares sold	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-
5.04.07	Interest on capital	-	-	-	-	-	-
5.04.20	Other Transactions	-	-	-	-1,890	-	-1,890
5.05	Total comprehensive income	-	-	-	44,490	4,629	49,119
5.05.01	Profit for the period	-	-	-	43,426	-	43,426
5.05.02	Other comprehensive income	-	-	-	1,064	4,629	5,693
5.05.02.01	Adjustments to financial instruments	-	-	-	-	-	-
5.05.02.02	Taxes on adjustments to financial instruments	-	-	-	-	-	-
5.05.02.03	Share of subsidiaries' and associates' comprehensive income	-	-	-	-	-	-
5.05.02.04	Translation adjustments for the period	-	-	-	-	5,693	5,693
5.05.02.05	Taxes on translation adjustments for the period	-	-	-	-	-	-
5.05.02.06	Realization of valuation adjustments to equity	-	-	-	1,064	-1,064	-
5.05.03	Reclassifications to profit or loss	-	-	-	-	-	-
5.05.03.01	Adjustments to financial instruments	-	-	-	-	-	-
5.06	Internal changes in equity	-	-	-	-	-	-
5.06.01	Recognition of reserves	-	-	-	-	-	-
5.06.02	Realization of revaluation reserve	-	-	-	-	-	-
5.06.03	Taxes on realization of revaluation reserve	-	-	-	-	-	-
5.07	Closing balances	520,277	-31,116	-	-970,315	176,533	-304,621

Individual financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2018–12/31/2018
(In thousands of Reais)

Line Item	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	404,489	-40,996	-	-952,635	143,909	-445,233
5.02	Prior-year adjustments	-	-	-	-1,635	-	-1,635
5.02.01	Adjustments to IFRS 9	-	-	-	-1,635	-	-1,635
5.03	Adjusted opening balances	404,489	-40,996	-	-954,270	143,909	-446,868
5.04	Shareholders' capital transactions	60,729	9,826	-	-	-	70,555
5.04.01	Capital increases	60,729	-	-	-	-	60,729
5.04.02	Share issuance costs	-	9,826	-	-	-	9,826
5.04.03	Recognized stock options granted	-	-	-	-	-	-
5.04.04	Treasury shares acquired	-	-	-	-	-	-
5.04.05	Treasury shares sold	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-
5.04.07	Interest on capital	-	-	-	-	-	-
5.05	Total comprehensive income	-	-	-	-58,645	27,995	-30,650
5.05.01	Profit for the period	-	-	-	-59,862	-	-59,862
5.05.02	Other comprehensive income	-	-	-	1,217	27,995	29,212
5.05.02.01	Adjustments to financial instruments	-	-	-	-	-	-
5.05.02.02	Taxes on adjustments to financial instruments	-	-	-	-	-	-
5.05.02.03	Share of subsidiaries’ and associates’ comprehensive income	-	-	-	-	-	-
5.05.02.04	Translation adjustments for the period	-	-	-	-	29,212	29,212
5.05.02.05	Taxes on translation adjustments for the period	-	-	-	-	-	-
5.05.02.06	Realization of valuation adjustments to equity	-	-	-	1,217	-1,217	-
5.05.03	Reclassifications to profit or loss	-	-	-	-	-	-
5.05.03.01	Adjustments to financial instruments	-	-	-	-	-	-
5.06	Internal changes in equity	-	-	-	-	-	-
5.06.01	Recognition of reserves	-	-	-	-	-	-
5.06.02	Realization of revaluation reserve	-	-	-	-	-	-
5.06.03	Taxes on realization of revaluation reserve	-	-	-	-	-	-
5.07	Closing balances	465,218	-31,170	-	-1,012,915	171,904	-406,963

Individual financial statements/ Statement of added value
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
7.01	Revenue	1,429,748	917,236	632,344
7.01.01	Sales of goods and services	1,413,949	875,659	623,202
7.01.02	Other income	11,643	43,768	8,722
7.01.03	Revenues related to the construction of own assets	-	-	-
7.01.04	Allowance for (reversal of) doubtful debts	4,156	-2,191	420
7.02	Inputs purchased from third parties	-536,082	-539,650	-492,165
7.02.01	Cost of products, goods and services sold	-342,480	-476,434	-438,725
7.02.02	Supplies, power, outside services and other inputs	-193,602	-63,216	-53,440
7.02.03	Loss/recovery of assets	-	-	-
7.02.04	Other	-	-	-
7.03	Gross value added	893,666	377,586	140,179
7.04	Withholdings	-13,719	-5,425	-7,487
7.04.01	Depreciation, amortization and depletion	-13,719	-5,425	-7,487
7.04.02	Other	-	-	-
7.05	Wealth created	879,947	372,161	132,692
7.06	Wealth received in transfer	304,601	28,996	41,978
7.06.01	Share of results of investees	56,366	-5,500	16,700
7.06.02	Finance income	248,235	34,496	25,278
7.06.03	Other	-	-	-
7.07	Total wealth for distribution	1,184,548	401,157	174,670
7.08	Wealth distributed	1,184,548	401,157	174,670
7.08.01	Personnel	171,235	60,330	65,774
7.08.01.01	Wages	121,784	44,988	53,429
7.08.01.02	Benefits	40,776	11,971	10,814
7.08.01.03	Severance Pay Fund (FGTS)	8,675	3,371	1,531
7.08.01.04	Other	-	-	-
7.08.02	Taxes, fees and contributions	252,799	173,516	-32,681
7.08.02.01	Federal	186,929	123,786	-32,733
7.08.02.02	State	65,679	49,681	-
7.08.02.03	Municipal	191	49	52
7.08.03	Lenders and lessors	496,911	123,885	201,439
7.08.03.01	Interest on capital	495,148	123,477	201,270
7.08.03.02	Rentals	1,763	408	169
7.08.03.03	Other	-	-	-
7.08.04	Shareholders	263,603	43,426	-59,862
7.08.04.01	Interest on capital	-	-	-
7.08.04.02	Dividends	-	-	-
7.08.04.03	Retained earnings (accumulated losses)	263,603	43,426	-59,862

Individual financial statements/ Statement of added value
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
7.08.05	Other	-	-	-

Consolidated financial statements or Balance sheet – Assets
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
1	Total assets	1,460,650	1,066,440	921,156
1.01	Current assets	930,859	694,536	616,217
1.01.01	Cash and cash equivalents	91,231	35,966	26,766
1.01.01.01	Cash and banks	85,983	28,416	23,562
1.01.01.02	Highly liquid short-term investments	5,248	7,550	3,204
1.01.02	Short-term investments	-	16	1,801
1.01.02.01	Short-term investments at fair value through profit or loss	-	-	-
1.01.02.01.01	Trading securities	-	-	-
1.01.02.01.02	Securities at fair value	-	-	-
1.01.02.02	Short-term investments at fair value through other comprehensive income	-	-	-
1.01.02.03	Short-term investments at amortized cost	-	16	1,801
1.01.03	Trade and other receivables	317,406	164,997	140,420
1.01.03.01	Trade receivables	317,406	164,997	140,420
1.01.03.02	Other receivables	-	-	-
1.01.04	Inventories	298,343	315,771	277,037
1.01.05	Biological assets	-	-	-
1.01.06	Recoverable taxes	33,319	31,078	29,461
1.01.06.01	Recoverable current taxes	33,319	31,078	29,461
1.01.07	Prepaid expenses	22,222	6,279	6,309
1.01.08	Other current assets	168,338	140,429	134,423
1.01.08.01	Noncurrent assets for sale	133,850	120,212	122,551
1.01.08.02	Assets of discontinued operations	-	-	-
1.01.08.03	Other	34,488	20,217	11,872
1.01.08.03.02	Other receivables	34,488	20,217	11,872
1.02	Noncurrent assets	529,791	371,904	304,939
1.02.01	Long-term receivables	203,121	110,521	84,539
1.02.01.01	Short-term investments at fair value through profit or loss	-	-	-
1.02.01.01.01	Securities at fair value	-	-	-
1.02.01.02	Short-term investments at fair value through other comprehensive income	-	-	-
1.02.01.03	Short-term investments at amortized cost	-	1	1,053
1.02.01.04	Trade and other receivables	-	-	-
1.02.01.04.01	Trade receivables	-	-	-
1.02.01.04.02	Other receivables	-	-	-
1.02.01.05	Inventories	-	-	-
1.02.01.06	Biological assets	-	-	-
1.02.01.07	Deferred taxes	188,580	96,226	73,419
1.02.01.07.01	Deferred income tax and social contribution	188,580	96,226	73,419
1.02.01.08	Prepaid expenses	-	-	-
1.02.01.09	Claims on related parties	-	-	-
1.02.01.09.01	Due from associates	-	-	-
1.02.01.09.03	Due from owners of the Company	-	-	-
1.02.01.09.04	Due from other related parties	-	-	-
1.02.01.10	Other noncurrent assets	14,541	14,294	10,067
1.02.01.10.01	Noncurrent assets for sale	-	-	-
1.02.01.10.02	Assets of discontinued operations	-	-	-

Consolidated financial statements or Balance sheet – Assets
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
1.02.01.10.03	Recoverable taxes	-	-	246
1.02.01.10.04	Other	14,541	14,294	9,821
1.02.02	Investments	2	192	192
1.02.02.01	Equity interests	2	192	192
1.02.02.01.01	Investments in associates	-	-	-
1.02.02.01.04	Investments in joint ventures	-	-	-
1.02.02.01.05	Other investments	2	192	192
1.02.02.02	Investment property	-	-	-
1.02.03	Property, plant and equipment	233,355	181,247	144,429
1.02.03.01	Fixed assets in use	216,115	166,445	140,137
1.02.03.02	Lease right-of-use assets	-	-	-
1.02.03.03	Construction in progress	17,240	14,802	4,292
1.02.04	Intangible Assets	93,313	79,944	75,779
1.02.04.01	Intangible assets	93,313	79,944	75,779
1.02.04.01.01	Concession agreement	-	-	-
1.02.04.01.02	Intangible Assets	93,313	79,944	75,779
1.02.04.02	Goodwill	-	-	-

Consolidated financial statements / Balance sheet - Liabilities
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
2	Total liabilities and equity	1,460,650	1,066,440	921,156
2.01	Current liabilities	575,350	630,019	535,626
2.01.01	Payroll, benefits and taxes thereon	57,488	30,374	31,946
2.01.01.01	Payroll and related taxes	32,138	9,696	14,695
2.01.01.02	Employee benefits and related taxes	25,350	20,678	17,251
2.01.02	Trade payables	111,892	114,157	94,707
2.01.02.01	Local suppliers	69,476	65,910	55,921
2.01.02.02	Foreign trade payables	42,416	48,247	38,786
2.01.03	Taxes Payable	68,259	52,921	41,902
2.01.03.01	Federal tax liabilities	65,946	50,793	37,729
2.01.03.01.01	Income tax and social contribution payable	14,274	12,513	8,135
2.01.03.01.02	Other taxes	51,672	38,280	29,594
2.01.03.02	State tax liabilities	2,258	2,098	4,165
2.01.03.03	Municipal tax liabilities	55	30	8
2.01.04	Borrowings and financing	78,402	110,907	113,126
2.01.04.01	Borrowings and financing	71,535	97,617	103,676
2.01.04.01.01	In local currency	1,817	8,911	8,260
2.01.04.01.02	In foreign currency	69,718	88,706	95,416
2.01.04.02	Debentures	6,867	13,290	9,450
2.01.04.03	Lease financing	-	-	-
2.01.05	Other payables	203,775	249,124	175,769
2.01.05.01	Due to related parties	-	-	-
2.01.05.01.01	Due to associates	-	-	-
2.01.05.01.03	Due to owners of the Company	-	-	-
2.01.05.01.04	Due to other related parties	-	-	-
2.01.05.02	Other	203,775	249,124	175,769
2.01.05.02.01	Dividends and interest on capital payable	-	3	3
2.01.05.02.02	Mandatory minimum dividends payable	-	-	-
2.01.05.02.03	Share-based compensation	-	-	-
2.01.05.02.04	DERIVATIVE FINANCIAL INSTRUMENTS	-	-	-
2.01.05.02.05	Foreign exchange drafts	100,271	78,196	43,795
2.01.05.02.08	Factoring	-	73,516	48,455
2.01.05.02.09	Advances from customers	49,062	49,428	28,793
2.01.05.02.10	Payables from noncurrent assets for sale	27,297	27,742	33,270
2.01.05.02.11	Other payables	27,145	20,239	21,453
2.01.06	Provisions	55,534	72,536	78,176
2.01.06.01	Tax, social security, labor and civil provisions	40,983	54,431	60,273
2.01.06.01.01	Tax provisions	27,689	27,689	27,689
2.01.06.01.02	Social security and labor provisions	8,770	9,478	5,235
2.01.06.01.03	Accrued employee benefits	-	-	-
2.01.06.01.04	Civil provisions	4,524	17,264	27,349
2.01.06.02	Other provisions	14,551	18,105	17,903
2.01.06.02.01	Provision for warranties	14,551	18,105	17,903

Consolidated financial statements / Balance sheet - Liabilities
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
2.01.06.02.02	Provisions for restructuring	-	-	-
2.01.06.02.03	Provisions for environmental and decommissioning liabilities	-	-	-
2.01.07	Payables from noncurrent assets for sale and discontinued assets	-	-	-
2.01.07.01	Payables from noncurrent assets for sale	-	-	-
2.01.07.02	Payables from discontinued assets	-	-	-
2.02	Noncurrent liabilities	843,031	741,042	792,493
2.02.01	Borrowings and financing	688,007	639,074	703,565
2.02.01.01	Borrowings and financing	626,993	577,445	627,927
2.02.01.01.01	In local currency	13,256	13,362	18,131
2.02.01.01.02	In foreign currency	613,737	564,083	609,796
2.02.01.02	Debentures	61,014	61,629	75,638
2.02.01.03	Lease financing	-	-	-
2.02.02	Other payables	78,652	24,468	987
2.02.02.01	Due to related parties	-	-	-
2.02.02.01.01	Due to associates	-	-	-
2.02.02.01.03	Due to owners of the Company	-	-	-
2.02.02.01.04	Due to other related parties	-	-	-
2.02.02.02	Other	78,652	24,468	987
2.02.02.02.01	Share-based compensation	-	-	-
2.02.02.02.02	Advance for future capital increase	-	-	-
2.02.02.02.04	Taxes payable	31,195	177	592
2.02.02.02.05	Other payables	46,891	24,291	-
2.02.02.02.06	Trade payables	566	-	395
2.02.03	Deferred taxes	10,291	10,263	20,804
2.02.03.01	Deferred income tax and social contribution	10,291	10,263	20,804
2.02.04	Provisions	66,081	67,237	67,137
2.02.04.01	Tax, social security, labor and civil provisions	59,512	61,678	61,558
2.02.04.01.01	Tax provisions	-	-	-
2.02.04.01.02	Social security and labor provisions	44,767	46,690	49,842
2.02.04.01.03	Accrued employee benefits	-	-	-
2.02.04.01.04	Civil provisions	14,745	14,988	11,716
2.02.04.02	Other provisions	6,569	5,559	5,579
2.02.04.02.01	Provision for warranties	6,569	5,559	5,579
2.02.04.02.02	Provisions for restructuring	-	-	-
2.02.04.02.03	Provisions for environmental and decommissioning liabilities	-	-	-
2.02.05	Payables from noncurrent assets for sale and discontinued assets	-	-	-
2.02.05.01	Payables from noncurrent assets for sale	-	-	-
2.02.05.02	Payables from discontinued assets	-	-	-
2.02.06	Unearned profit and revenue	-	-	-
2.02.06.01	Unearned profit	-	-	-
2.02.06.02	Unearned revenue	-	-	-
2.02.06.03	Unearned investment grants	-	-	-
2.03	Consolidated equity	42,269 -	304,621 -	406,963

Consolidated financial statements / Balance sheet - Liabilities
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
2.03.01	Issued capital	560,287	520,277	465,218
2.03.02	Capital reserves	-31,116	-31,116	-31,170
2.03.02.01	Share premium	-	-	-
2.03.02.02	Special goodwill reserve on the merger	-	-	-
2.03.02.03	Disposal of subscription warrants	9,880	9,880	-
2.03.02.04	Stock options granted	-	-	-
2.03.02.05	Treasury shares	-	-	-
2.03.02.06	Advance for future capital increase	-	-	-
2.03.02.09	Capital transactions	-40,996	-40,996	-31,170
2.03.03	Revaluation reserves	-	-	-
2.03.04	Earnings reserves	-	-	-
2.03.04.01	Legal reserve	-	-	-
2.03.04.02	Bylaws reserve	-	-	-
2.03.04.03	Provision for risks	-	-	-
2.03.04.04	Unrealized earnings reserve	-	-	-
2.03.04.05	Earnings retention reserve	-	-	-
2.03.04.06	Special reserve for undistributed dividends	-	-	-
2.03.04.07	Tax incentive reserve	-	-	-
2.03.04.08	Proposed additional dividends	-	-	-
2.03.04.09	Treasury shares	-	-	-
2.03.05	Retained earnings/accumulated losses	-704,720	-970,315	-1,012,915
2.03.06	Valuation adjustments to equity	45,857	45,958	47,023
2.03.07	Cumulative translation adjustments	-	-	-
2.03.08	Other comprehensive income	171,961	130,575	124,881
2.03.08.01	Cumulative translation adjustments	171,961	130,575	124,881
2.03.09	Noncontrolling interests	-	-	-

Consolidated financial statements / Statement of income
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
3.01	Net operating revenue	1,773,188	999,581	845,287
3.02	Cost of sales	-1,017,849	-658,952	-537,660
3.03	Gross profit	755,339	340,629	307,627
3.04	Operating (expenses) income	-321,016	-234,965	-261,379
3.04.01	Selling expenses	-148,826	-122,667	-97,067
3.04.02	General and administrative expenses	-182,177	-142,220	-146,596
3.04.03	Impairment losses	2,302	-2,664	-3,024
3.04.04	Other operating income	11,958	51,201	63,341
3.04.05	Other operating expenses	-4,273	-18,615	-78,033
3.04.06	Share of profit (loss) of subsidiaries	-	-	-
3.05	Profit before finance income (costs) and taxes	434,323	105,664	46,248
3.06	Finance income (costs)	-249,632	-80,485	-183,580
3.06.01	Finance income	250,414	36,459	28,103
3.06.02	Finance costs	-500,046	-116,944	-211,683
3.07	Pretax income	184,691	25,179	-137,332
3.08	Income tax and social contribution	68,628	22,452	74,726
3.08.01	Current	-18,893	-11,988	-1,864
3.08.02	Deferred	87,521	34,440	76,590
3.09	Profit (loss) from continuing operations	253,319	47,631	-62,606
3.10	Profit from discontinued operations	10,284	-4,205	2,744
3.10.01	Profit from discontinued operations	10,284	-4,205	2,744
3.10.02	Gains (losses) on assets of discontinued operations, net	-	-	-
3.11	Consolidated profit (loss) for the period	263,603	43,426	-59,862
3.11.01	Attributable to owners of the Company	263,603	43,426	-59,862
3.11.02	Attributable to noncontrolling interests	-	-	-
3.99	Earnings per share (R$/share)	-	-	-
3.99.01	Basic earnings per share	-	-	-
3.99.01.01	Common shares (ON)	2.74	0.51	-0.93
3.99.01.02	Preferred shares (PN)	3.23	0.51	-0.93
3.99.02	Diluted earnings per share	-	-	-
3.99.02.01	Common shares (ON)	2.74	0.49	-0.80
3.99.02.02	Preferred shares (PN)	2.89	0.49	-0.80

Consolidated financial statements / Statement of comprehensive income

(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
4.01	Consolidated profit for the period	263,603	43,426	-59,862
4.02	Other comprehensive income	41,386	5,693	29,212
4.02.01	Translation adjustment for the period	41,386	5,693	29,212
4.02.02	Realization of valuation adjustments to equity, net of taxes	-	-	-
4.03	Consolidated comprehensive income for the period	304,989	49,119	-30,650
4.03.01	Attributable to owners of the Company	304,989	49,119	-30,650
4.03.02	Attributable to noncontrolling interests	-	-	-

Consolidated financial statements / Statement of cash flows - Indirect method
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
6.01	Net cash from operating activities	352,007	108,788	32,011
6.01.01	Cash generated by operating activities	386,472	132,368	138,270
6.01.01.01	Profit (loss) before income tax and social contribution	184,691	25,179	-137,332
6.01.01.02	Depreciation and amortization	27,138	22,375	34,230
6.01.01.03	Cost of capital assets written off	5,160	6,796	49,475
6.01.01.04	Impairment Provision for Assests Held for Sale	-	-	-
6.01.01.05	Share of results of investees	-	-	-
6.01.01.06	Provision for derivative financial Instruments	-	-	-242
6.01.01.07	Allowance for doubtful debts	-2,302	2,664	3,024
6.01.01.08	Write-off of valuation adjustment to equity	-	-3,980	-
6.01.01.10	Accrued interest on borrowings and intragroup loans	36,080	40,844	59,548
6.01.01.11	Swap on financial transactions	-23,275	-	-
6.01.01.12	Exchange Difference on Borrowings	-	-	-
6.01.01.13	Net cash from discontinued operations	11,332	4,411	-
6.01.01.14	Provision for freight and commissions	-	-	-
6.01.01.15	Exchange differences on translating borrowings and financing	172,332	30,451	118,245
6.01.01.16	Allowance for inventory losses	-6,526	-3,797	-25,801
6.01.01.17	Write-off of investments	-	-	7,163
6.01.01.18	Write-off of goodwill on investments	-	-	-
6.01.01.19	Provision for risks	-15,614	7,243	23,198
6.01.01.20	Provision for warranties	-2,544	182	6,762
6.01.02	Changes in assets and liabilities	3,540	-16,679	-105,335
6.01.02.01	(Increase) decrease in trade receivables	-129,980	-27,240	-25,792
6.01.02.02	(Increase) decrease in inventories	76,772	-36,827	-56,722
6.01.02.03	(Increase) in other receivables	-23,041	-34,922	6,040
6.01.02.04	Increase in trade payables	-20,228	19,056	3,184
6.01.02.05	Increase in accounts payables and provisions	100,017	63,254	-32,045
6.01.03	Other	-38,005	-6,901	-924
6.01.03.01	Assets Held for Sale	-4,206	-	-
6.01.03.02	Income tax and social contribution paid	-33,799	-6,901	-924
6.02	Net cash from investing activities	-76,358	-67,018	-18,995
6.02.03	Sale of investments	190	-	-
6.02.04	In property, plant and equipment	-66,270	-61,463	-12,652
6.02.05	In intangible assets	-8,230	-6,098	-4,371
6.02.06	Short-term investments	17	2,837	-69
6.02.07	Net cash from investing activities of discontinued operations	-2,065	-2,294	-1,903
6.03	Net cash from financing activities	-212,275	-32,570	7,071
6.03.02	Borrowings	311,963	105,122	213,184
6.03.03	Repayment of borrowings	-522,920	-137,969	-98,794
6.03.05	Capital increase	40,010	55,059	729
6.03.06	Advance for future capital increase	-	-	-
6.03.10	Payment of interest on borrowings	-32,468	-45,695	-105,352
6.03.11	Mortgage loans	-	-7,761	-

Consolidated financial statements / Statement of cash flows - Indirect method
(In thousands of reais)

Line Item	Description	Current Year 12/31/2020	Previous Year 12/31/2019	Antepenultimate year 12/31/2018
6.03.13	Net cash generated by financing activities of discontinued operations	- 8,860	- 1,326	- 2,696
6.04	Exchange differences on translating cash and cash equivalents	- 8,109	-	-
6.05	Increase (decrease) in cash and cash equivalents	55,265	9,200	20,087
6.05.01	Cash and cash equivalents at the beginning of the year	35,966	26,766	6,679
6.05.02	Cash and cash equivalents at the end of the year	91,231	35,966	26,766

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL – 01/01/2020–12/31/2020
(In thousands of reais)

Line Item	Account description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	520,277	-31,116	-	-970,315	176,533	-304,621	-	-304,621
5.02	Prior-year adjustments	-	-	-	-	-	-	-	-
5.03	Adjusted opening balances	520,277	-31,116	-	-970,315	176,533	-304,621	-	-304,621
5.04	Shareholders' capital transactions	40,010	-	-	1,045	846	41,901	-	41,901
5.04.01	Capital increases	40,010	-	-	-	-	40,010	-	40,010
5.04.02	Share issuance costs	-	-	-	-	-	-	-	-
5.04.03	Recognized stock options granted	-	-	-	-	-	-	-	-
5.04.04	Treasury shares acquired	-	-	-	-	-	-	-	-
5.04.05	Treasury shares sold	-	-	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-	-	-
5.04.07	Interest on capital	-	-	-	-	-	-	-	-
5.04.08	Other transactions	-	-	-	1,045	846	1,891	-	1,891
5.05	Total comprehensive income	-	-	-	264,550	40,439	304,989	-	304,989
5.05.01	Profit for the period	-	-	-	263,603	-	263,603	-	263,603
5.05.02	Other comprehensive income	-	-	-	947	40,439	41,386	-	41,386
5.05.02.01	Adjustments to financial instruments	-	-	-	-	-	-	-	-
5.05.02.02	Taxes on adjustments to financial instruments	-	-	-	-	-	-	-	-
5.05.02.03	Share of associates’ comprehensive income	-	-	-	-	-	-	-	-
5.05.02.04	Translation adjustments for the period	-	-	-	-	41,386	41,386	-	41,386
5.05.02.05	Taxes on translation adjustments for the period	-	-	-	-	-	-	-	-
5.05.02.06	Realization of valuation adjustments to equity	-	-	-	947	-947	-	-	-
5.05.03	Reclassifications to profit or loss	-	-	-	-	-	-	-	-
5.05.03.01	Adjustments to financial instruments	-	-	-	-	-	-	-	-
5.06	Internal changes in equity	-	-	-	-	-	-	-	-
5.06.01	Recognition of reserves	-	-	-	-	-	-	-	-
5.06.02	Realization of revaluation reserve	-	-	-	-	-	-	-	-
5.06.03	Taxes on realization of revaluation reserve	-	-	-	-	-	-	-	-
5.07	Closing balances	560,287	-31,116	-	-704,720	217,818	42,269	-	42,269

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2019–12/31/2019
(In thousands of reais)

Line Item	Account description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	465,218 -	31,170	- -	1,012,915	171,904 -	406,963	- -	406,963
5.02	Prior-year adjustments	-	-	-	-	-	-	-	-
5.03	Adjusted opening balances	465,218 -	31,170	- -	1,012,915	171,904 -	406,963	- -	406,963
5.04	Shareholders' capital transactions	55,059	54	- -	1,890	-	53,223	-	53,223
5.04.01	Capital increases	55,059	-	-	-	-	55,059	-	55,059
5.04.02	Share issuance costs	-	54	-	-	-	54	-	54
5.04.03	Recognized stock options granted	-	-	-	-	-	-	-	-
5.04.04	Treasury shares acquired	-	-	-	-	-	-	-	-
5.04.05	Treasury shares sold	-	-	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-	-	-
5.04.07	Interest on capital	-	-	-	-	-	-	-	-
5.04.20	Other Transactions	-	-	- -	1,890	- -	1,890	- -	1,890
5.05	Total comprehensive income	-	-	-	44,490	4,629	49,119	-	49,119
5.05.01	Profit for the period	-	-	-	43,426	-	43,426	-	43,426
5.05.02	Other comprehensive income	-	-	-	1,064	4,629	5,693	-	5,693
5.05.02.01	Adjustments to financial instruments	-	-	-	-	-	-	-	-
5.05.02.02	Taxes on adjustments to financial instruments	-	-	-	-	-	-	-	-
5.05.02.03	Share of associates' comprehensive income	-	-	-	-	-	-	-	-
5.05.02.04	Translation adjustments for the period	-	-	-	-	5,693	5,693	-	5,693
5.05.02.05	Taxes on translation adjustments for the period	-	-	-	-	-	-	-	-
5.05.02.06	Realization of valuation adjustments to equity	-	-	-	1,064 -	1,064	-	-	-
5.05.03	Reclassifications to profit or loss	-	-	-	-	-	-	-	-
5.05.03.01	Adjustments to financial instruments	-	-	-	-	-	-	-	-
5.06	Internal changes in equity	-	-	-	-	-	-	-	-
5.06.01	Recognition of reserves	-	-	-	-	-	-	-	-
5.06.02	Realization of revaluation reserve	-	-	-	-	-	-	-	-
5.06.03	Taxes on realization of revaluation reserve	-	-	-	-	-	-	-	-
5.07	Closing balances	520,277 -	31,116	- -	970,315	176,533 -	304,621	- -	304,621

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2018–12/31/2018
(In thousands of reais)

Line Item	Account description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	404,489 -	40,996	- -	952,635	143,909 -	445,233	- -	445,233
5.02	Prior-year adjustments	-	-	- -	1,635	- -	1,635	- -	1,635
5.02.01	Adjustments to IFRS 9	-	-	- -	1,635	- -	1,635	- -	1,635
5.03	Adjusted Opening Balances	404,489 -	40,996	- -	954,270	143,909 -	446,868	- -	446,868
5.04	Shareholders' capital transactions	60,729	9,826	-	-	-	70,555	-	70,555
5.04.01	Capital increases	60,729	-	-	-	-	60,729	-	60,729
5.04.02	Share issuance costs	-	9,826	-	-	-	9,826	-	9,826
5.04.03	Recognized stock options granted	-	-	-	-	-	-	-	-
5.04.04	Treasury shares acquired	-	-	-	-	-	-	-	-
5.04.05	Treasury shares sold	-	-	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-	-	-
5.04.07	Interest on capital	-	-	-	-	-	-	-	-
5.05	Total comprehensive income	-	-	- -	58,645	27,995 -	30,650	- -	30,650
5.05.01	Profit for the period	-	-	- -	59,862	- -	59,862	- -	59,862
5.05.02	Other comprehensive income	-	-	-	1,217	27,995	29,212	-	29,212
5.05.02.01	Adjustments to financial instruments	-	-	-	-	-	-	-	-
5.05.02.02	Taxes on adjustments to financial instruments	-	-	-	-	-	-	-	-
5.05.02.03	Share of associates' comprehensive income	-	-	-	-	-	-	-	-
5.05.02.04	Translation adjustments for the period	-	-	-	-	29,212	29,212	-	29,212
5.05.02.05	Taxes on translation adjustments for the period	-	-	-	-	-	-	-	-
5.05.02.06	Realization of valuation adjustments to equity	-	-	-	1,217 -	1,217	-	-	-
5.05.03	Reclassifications to profit or loss	-	-	-	-	-	-	-	-
5.05.03.01	Adjustments to financial instruments	-	-	-	-	-	-	-	-
5.06	Internal changes in equity	-	-	-	-	-	-	-	-
5.06.01	Recognition of reserves	-	-	-	-	-	-	-	-
5.06.02	Realization of revaluation reserve	-	-	-	-	-	-	-	-
5.06.03	Taxes on realization of revaluation reserve	-	-	-	-	-	-	-	-
5.07	Closing balances	465,218 -	31,170	- -	1,012,915	171,904 -	406,963	- -	406,963

Consolidated financial statements/ Statement of added value
(In thousands of reais)

Line Item	Description	Current Year 01/01/2020 to 12/31/2020	Previous Year 01/01/2019 to 12/31/2019	Antepenultimate Year 01/01/2018 to 12/31/2018
7.01	Revenue	2,089,930	1,234,964	904,224
7.01.01	Sales of goods and services	2,075,670	1,186,427	841,693
7.01.02	Other income	11,958	51,201	63,341
7.01.03	Revenues related to the construction of own assets	-	-	-
7.01.04	Allowance for (reversal of) doubtful debts	2,302	-2,664	-810
7.02	Inputs purchased from third parties	-1,107,476	-747,870	-669,650
7.02.01	Cost of products, goods and services sold	-770,810	-676,917	-603,131
7.02.02	Supplies, power, outside services and other inputs	-336,666	-70,953	-66,519
7.02.03	Loss/recovery of assets	-	-	-
7.02.04	Other	-	-	-
7.03	Gross value added	982,454	487,094	234,574
7.04	Withholdings	-27,138	-22,375	-32,724
7.04.01	Depreciation, amortization and depletion	-27,138	-22,375	-32,724
7.04.02	Other	-	-	-
7.05	Wealth created	955,316	464,719	201,850
7.06	Wealth received in transfer	260,698	32,254	30,847
7.06.01	Share of results of investees	-	-	-
7.06.02	Finance income	250,414	36,459	28,103
7.06.03	Other	10,284	-4,205	2,744
7.06.03.20	Wealth created by discontinued operations for distribution	10,284	-4,205	2,744
7.07	Total wealth for distribution	1,216,014	496,973	232,697
7.08	Wealth distributed	1,216,014	496,973	232,697
7.08.01	Personnel	176,159	137,798	130,530
7.08.01.01	Wages	125,636	104,555	105,224
7.08.01.02	Benefits	41,581	25,244	21,675
7.08.01.03	Severance Pay Fund (FGTS)	8,942	7,999	3,631
7.08.01.04	Other	-	-	-
7.08.02	Taxes, fees and contributions	274,290	197,549	-44,848
7.08.02.01	Federal	206,333	146,249	-45,195
7.08.02.02	State	67,447	50,933	1
7.08.02.03	Municipal	510	367	346
7.08.03	Lenders and lessors	501,962	118,200	206,877
7.08.03.01	Interest on capital	500,043	116,941	206,209
7.08.03.02	Rentals	1,919	1,259	668
7.08.03.03	Other	-	-	-
7.08.04	Shareholders	-	-	-
7.08.04.01	Interest on capital	-	-	-
7.08.04.02	Dividends	-	-	-
7.08.04.03	Retained earnings (accumulated losses)	-	-	-
7.08.04.04	Noncontrolling interests in retained earnings	-	-	-
7.08.05	Other	263,603	43,426	-59,862
7.08.05.01	Accumulated losses, net of realization of valuation adjustments to equity - continuing operation	253,319	47,631	-62,606
7.08.05.02	Accumulated losses, net of realization of valuation adjustments to equity - discontinued operation	10,284	-4,205	2,744

Taurus Armas S.A.

Management Report

2020

São Leopoldo, March 19, 2021

Dear Shareholders,

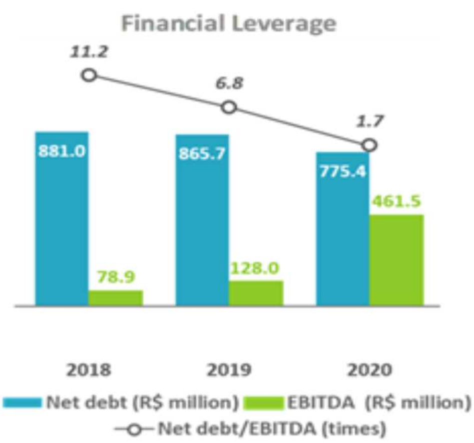
The management of Taurus Armas S.A. (Taurus), in compliance with legal and statutory provisions, is pleased to submit for your appreciation our Management Report and Financial Statements, and the Independent Auditor's Report on the Financial Statements for the year ended December 31, 2020.

Our operating and financial information, except where otherwise indicated, is presented based on consolidated figures and have been prepared in accordance with accounting practices adopted in Brazil, as laid down in the pronouncements issued by the Accounting pronouncements Committee ("CPC"), and International Financial Reporting Standards (IFRSs) applicable to its operations. All comparisons take into consideration the year 2019, unless otherwise stated.

Message from Management

Finally, positive equity! We posted successive record-breaking operating indicators each quarter of 2020. Manufacturing maintained its expansion pace and in the last quarter of the year the average output of our plants in Brazil and the US was 8,200 firearms/day, totaling 1.6 million firearms manufactured in 2020. With the burgeoning demand in our main markets, Brazil and the US, we reached the milestone of 1.8 million firearms sold, which generated revenues of R$1,773.2 million. This represents an increase of 77.4% over 2019, which had already been a year of excellent results for Taurus. Revenue growth was accompanied by gains in profitability, based on a strict management of costs and expenses, which resulted in our posting of record-breaking gross profits, gross margin, EBITDA, and in EBITDA margin. We ended 2020 with profit for the year of R$263.6 million, which allowed us to reverse the negative equity position that had been posted by Taurus since 2015. This is a first step toward making payouts to our shareholders through dividends All this is just three years, after the management shock carried out within the Company, a much shorter period than we could ever have been expected.

The current management team started its work at Taurus in 2018, with a very resolute purpose and a well-defined strategic plan, focused on a clear goal: to recover the Company's balance. This step was successfully completed. Our operating indicators reached unprecedented levels for Taurus and the debt issue, which was a sensitive issue for the Company, was fully solved, with the net debt-to-EBITDA leverage ratio dropping from 11.2 in 2018 to 1.7 at the end of 2020. This development is also in large part due to the strategic vision of the controlling shareholder to undertake a capital increase transaction. In 2020, more than R$40 million were capitalized by exercising subscription warrants, of which R$33.8 million were paid in by the controlling shareholder, an amount equivalent to 84.5% of the total.



These were profound, definite changes that consolidated for Taurus a profile that is quite different from what it was three years ago. Currently, we post the highest gross margin among firearms companies that disclose their earnings. We prepared ourselves for this and we currently have the lowest production cost, so that our gross margin in 2020 was 42.6%, while Ruger and Smith & Wesson—firearms companies listed on the stock exchange in the USA—recorded margins, in the last twelve months disclosed, of 33.7% and 39.6%, respectively. Taurus is also the best world company in this industry in terms of growth and conquered market.

Our Company is very well structured, and when you are as well prepared as we are, it is possible both to overcome faster any challenges that might arise and also benefit more broadly from an existing sellers' market. And we are experiencing very favorable times in our market segment since last year, with increasing demand in our two main markets: Brazil and the US. The US market grew exponentially in 2020 and maintains this trend. According to the NICS (National Instant Criminal Background Check System) purchase intention data, the number of inquiries made for purchasing a firearm in January and February 2021 in the US totaled 3.4 million, a record-braking number, unprecedented for the same period.

The ability to own a gun provides citizens with a greater sense of freedom and security for themselves and their families. For a consumer, a firearm something he or she has in a wish list and anxiously awaits the moment to buy it, as the fulfillment of a dream. According to a survey conducted in the US market, 20 million people in America intend to buy their first gun in 2021. And Taurus is the first option of the consumer who is looking for his or her first gun for personal use, due to the product's sturdiness, reliability, cost-benefit advantage, and availability. Our brand today is the 4th best-selling brand in the US and sales leader in the US market considering only imported brands, since 2019.

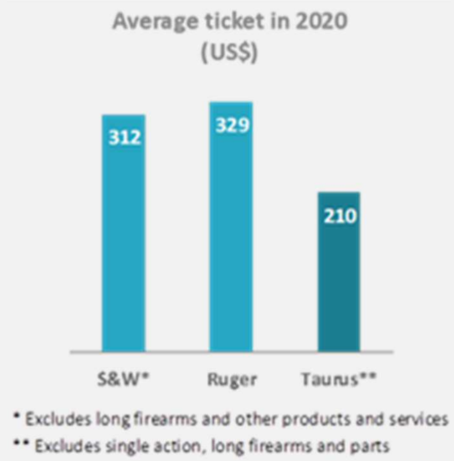
We have more than a year of future production sold: we have back orders of 2.3 million firearms, which will allow us to increase sales and EBITDA by at least 30% in 2021 compared to sales and EBITDA disclosed in this report for 2020. The units in Brazil and the USA are working hard and we are preparing to further increase production in order to keep up with this demand pace. The production pace of our plant in Brazil is currently around 6,000 firearms/day, which corresponds to 1.1 million firearms/year. In the USA, we expect that production in 2021 will also get closer to full production capacity of about 800,000 firearms per year. This adds up to 1.9 million firearms manufactured. But our goal is to reach, the historical milestone of 2 million firearms manufactured still in 2021.

A possible constraint to our production growth trend could be the supply of raw materials, since there is currently a supply crisis ranging from packaging to commodities. In order to avoid any bottlenecks in this regard, we leased a warehouse close to the São Leopoldo plant to store raw materials that are in demand worldwide. As a result, we have guaranteed, and we intend to maintain this standard throughout the year, an inventory that will cover at least three months for the main raw materials, to ensure that we will have no problems to deliver our orders.

However, despite all the positive results and this excellent outlook, we are not becoming complacent. We keep looking forward and we have outlined new steps in our strategic planning, always pursuing the Company's growth. In the coming five years, we want to be the largest manufacturer of light firearms in the world and we are at full pace getting ready to achieve this goal. We will get there with organic growth—which involves increasing production, making products that meet consumer requirements, and operating in segments where we do not yet operate, with higher value added.

One aspect that we consider to be key for our operating model and our vision of Taurus's future is the development of new products. We invest a lot in research and development in order to offer the market products that meet consumer expectations. A key aspect for this is our CITE, which stands for Integrated Engineering and Technology Center Brazil/USA. We have joined the engineering teams from both countries, under Brazil's coordination. The US team has the mission of reporting what consumers want in terms of innovation, while the Brazilian team transforms this into products. Our priority is to keep the CITE active and always on the lookout for market demands, so that we can respond to consumers by presenting novelties that always meet such demands.

One of the results of the work that has been done by the CITE is the GX4, a pistol that we will launch in Brazil and in the USA in April. The pistol will be assembled in the USA and imported to Brazil so that we are able to make it available to Brazilian consumers as well, since the homologation of new models in Brazil is very lengthy. This pistol, the fourth generation of the G family, incorporates a lot of innovations and is more than a mere evolution compared to previous models. It is a new product that will allow us to enter a market segment in which Taurus did not operate, the micro-compact pistols segment, with a higher price range and incorporating greater value added. And other novelties will come, expanding the Taurus brand notoriety in the market.



We are developing other products with higher value added. In 2020, Taurus's average price (in wholesale) was more than 30% lower than the price of the two foreign firearms companies already mentioned above, as shown in the graph. Rather than being a negative aspect for Taurus, this represents major earning potential. We are going to increase the average ticket beginning on this path that we are already following, which involves launching products aimed at a higher price range, which also incorporate greater profitability.

Also of strategic importance in our planning for the next five years is our industrial hub, which started to be built in December and should be completed in September 2021, with operations starting in January 2022. This expansion of our manufacturing facilities will bring six large Taurus suppliers to the industrial hub, including the magazines joint venture, which will deliver its products, already audited and approved by our receipt and quality staff, directly to Taurus's production line, using a logistics train. This will generate major gains in terms of assured supply, quality, logistics, and costs.

The third challenge is to consolidated the two joint ventures, i.e., the magazines joint venture, which is already in production, and the India plant joint venture. The magazines joint venture is very strategic, because there are very few magazine factories in the *world. Magazines, which Taurus currently imports, will start to be manufactured locally, in our facilities, and besides meeting our requirements, we will also supply the consumer market, opening the doors to this important aftermarket for Taurus earlier than originally planned. With regard to the firearms factory in India, a joint venture with the Jindal Group, internal issues in that country, in addition to the adversities created by the Covid-19 pandemic, resulted in a delay in the project's progress.*

We achieved a lot in 2020, even in the face of the setbacks brought by the Covid-19 pandemic. Already in March 2020, at the start of the pandemic in Brazil, we created a permanent committee to manage all Covid-19-related issues. This has helped us to stick to the original planning and keep our operations at a hectic pace and, at the same time, look after our employees and contribute to society's actions to handle the pandemic. We made several adjustments in the units to adjust processes to health and hygiene recommendations, we created a support structure for our employees and made several donations, including manufacturing face shields in our São Leopoldo unit that were donated throughout Brazil. The results we are now presenting from financial year 2020, as well as the maintenance of our people's health, are two facts that also fill us with pride.

We remain excited about what is to come at Taurus, as we are ready for new developments. We thank the entire Taurus team, in Brazil and in the USA, which with its tireless dedication has allowed us to have so much to celebrate. We also thank the support of our Board of Directors, as well as the trust and partnership of our suppliers, customers and shareholders.

Salesio Nuhs

CEO

COVID-19

As a Strategic Defense Company (EED), Taurus's activity was qualified as essential and, therefore, our operations were not interrupted because of the COVID-19 pandemic at any time. Preserving the health of our employees is the Company's priority. Accordingly, we very quickly and already at the beginning of March, adopted several measures and made several investments in to prevent contagion, which allowed us to continue our operations in a responsible manner, without sacrificing production, which remained at an increasing pace throughout the year.

On March 5, 2020, we created a permanent committee at Taurus to handle all matters related to the pandemic. More than 88 prevention actions were adopted, involving communication campaigns, social distancing and hygiene measures, shift rescheduling, consumption of 4,000 liters of hand sanitizer, which is available at 60 different stops within Company facilities, weekly sanitization of all environments carried out by a specialized company with the use of almost 100,000 liters of disinfectant, and the delivery of washable facemasks to all the employees. We conducted a total of 778 tests on employees, with 26% positive results, and of these, we were unable to identify the origin of the contact with the disease in only one case, while in all other cases the employee got infected outside the Company.

Our management understands that the Company's social responsibility goes beyond our employees and the boundaries of our facilities. We have also taken, therefore, several actions in support of society, such as the manufacture and donation of face shields to nine Brazilian states, including hiring new employees to manufacture these face shields, which will total 500,000 units, the donation of 14.3 tons of food to charitable entities, five sets of respirators to be used in ICUs, seven multifunctional monitors, and twenty infusion pumps donated to Hospital Centenário in São Leopoldo, as well as 5,000 rapid tests donated to the City of São Leopoldo.

As a result of these measures, we incurred some nonrecurring expenses related to the donations made and additional expenditures on several items, such as the food program, healthcare, uniforms, PPE, freight, and others. Even though the amounts involved are not material and, therefore, were absorbed without significant impact on operating margins, the Company chose to highlight these amounts in the presentation of EBITDA (earnings before interest, taxes, depreciation and amortization). Thus, in this report we show an adjusted EBITDA calculation excluding such nonrecurring expenses and costs, to provide better comparability with previous periods.

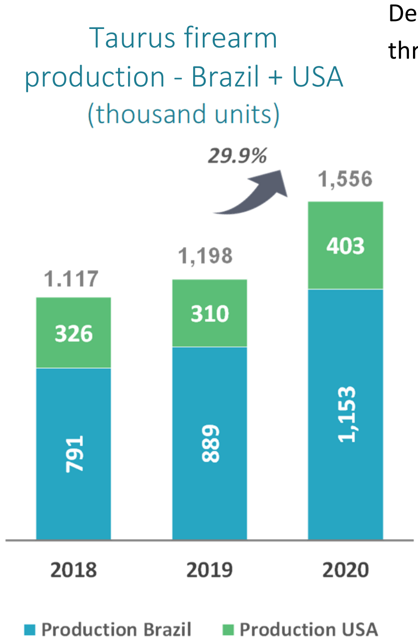
Operating Performance

Firearm production in 2020 continued growing throughout the year. Our plant in Brazil achieved a high level of productivity and maintained an accelerated pace of production, accounting for 74.1% of the total volume of firearms produced by in 2020. At the same time, our plant in Georgia, USA, which started production in the third quarter of 2019, exceeded production forecasts during this ramp up period. In 4Q20, the US plant's production was 138,3 00 firearms, 157.1% higher than the 53,800 units produced in 4Q19, which confirms that the decision to move the US unit to the new facilities was the right one. With the operating, logistics and management processes well aligned, the strong demand found us ready to respond quickly to market needs.

In a year of record-breaking results at each quarter, Taurus produced 1.55 million firearms in 2020.

In December, the factory located in São Leopoldo, Rio Grande do Sul, Taurus's largest industrial unit, carried out a scheduled shutdown for industrial maintenance and operating alignment aimed at increasing its production capacity, which did not compromise our record production volume for the year. Considering the recent adaptation of the Brazilian plant and the end of the ramp up period at the North American plant, we currently have a total physical production capacity of up to 8.5 thousand firearms/day.

The increase in production volume is in line with the renewal of our product portfolio. Innovations and launches have been a constant trend at Taurus in recent years. Investment in R&D is one of our strategic focuses and contributes to reinforcing our capacity to offer products that incorporate the consumer's desires, with quality and low production costs, providing adequate profitability at a competitive price on the market. To this end, we rely on our Brazil/USA Integrated Technology and Engineering Center (CITE). In 2020, we launched 135 new products with 249 new SKUs.



Demand for firearms in the US, the world's largest market for the industry, remained strong throughout 2020. The US firearm purchase intention index measured by Adjusted NICS (National Instant Check System) totaled 21.1 million inquiries in a year, 59.7% higher than in 2019 and the highest level ever recorded. Different factors combined lead to the rise in demand, considering the cultural aspect involving the US population's concern with personal and family protection due to the COVID-19 pandemic and the protests and riots that took place in several cities, together with the call for a reduction in the budget of police authorities, and the possibility of a change in policies regarding weapon carrying in the US due to the result of the presidential election.

The sales of Taurus products in the US, which were already increasing even before the strong market response in 2020, followed the upward trend, which was positive at each quarter. The Taurus brand has a prominent position in the US small firearms market, as the 4th bestselling brand in the USA. It is recognized as having the best cost/benefit ratio in the market and is the most desired brand by people who intend to buy their first gun, a consumer group that posted a particular strong growth in 2020. According to survey released in the US, about 40% of gun purchases made during the pandemic were made by new consumers, who had never purchased firearms before. In 4Q20, we sold 441,300 Taurus firearms in the USA, totaling 1,556,000 in the year, a quarter-on-quarter increase of 58.0% and a year-on-year increase of 31.7%.

The Brazilian market also showed an upward trend throughout 2020, with sales of Taurus firearms reaching record levels. We sold 279,900 units in Brazil, more than double (+111.6%) the total sales volume of 2019. Taurus remains the absolute leader in the domestic market despite the market deregulation to allow the importation of foreign firearms, since we have the best quality-price ratio, at a level that imported products cannot compete. Just as in the US market, the renewal of our portfolio, by incorporating characteristics into the models offered that meet consumer demands for technology and quality, has contributed to the increase in sales, which has been occurring especially to the consumer group identified as CACs: hunters, shooters and collectors, police officers for private use, magistrates, and civilians, especially women. The change in of Brazilian legislation regarding the possession of firearms led to a change in the profile of firearm consumption in Brazil, with an increase in the demand for firearms of previously restricted calibers, such as 9mm pistols and rifles, models that incorporate higher value added and, therefore, greater profitability for the company.

As a Brazilian multinational company, our priority is to supply the domestic market and the demand from the USA, which is the largest firearms market in the world. In addition to the strong increase in demand in these two markets, exports to other countries in 2020 were influenced by two factors related to the COVID-19 pandemic: (i), reduction in the number of international bids; and (ii) limitation in international air transport. Thus, our year-on-year sales to other countries in 2020 drop 42.6%, totaling 40,300 units. Nevertheless, we exported our firearms to 37 countries in 2020, in addition to the USA, of which we highlight the shipments made to South Africa, Senegal, the Philippines, France, and Guatemala. In 2021, we have already entered into important international deals, such as the sale of 12,400 rifles to the Philippines and 4,500 pistols to Burkina Faso.

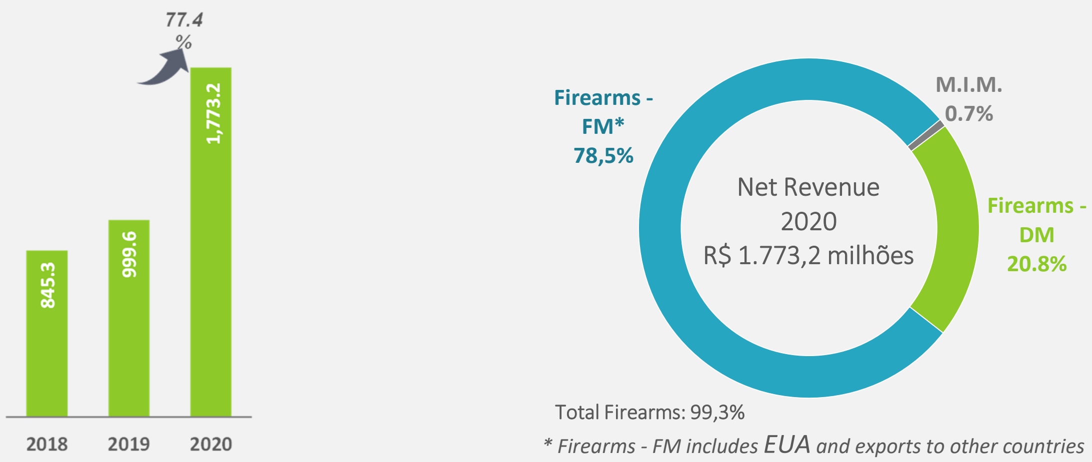
Brazil, US, and export sales to other countries in 4Q20 totaled 546,900 units, maintaining the upward trend posted every quarter of the year. In 2020, our total sales volume was 1,836,000 units, 35.7% above the volume recorded in 20219, which had already been a positive year for the Company in terms of sales, when we exceeded the number of firearms sold in 2018 by 15.1%.

Economic and Financial Performance

Net Operating Revenue

Total revenue for 2020 reached R$1,773.2 million, once again reaching a record level at Taurus and surpassing the previous year's performance by 77.4%. Of the total net revenue for the year, 0.7% or R$13.2 million, refers to the production and sales of MIM (metal injection molding) operation, a year-on-year increase of 26.9%.

Consolidated Net Operating Revenue (R$ million)



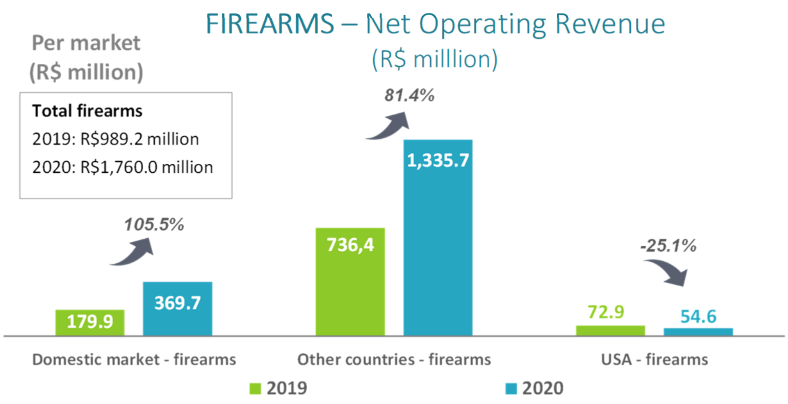
** Firearms - FM includes EUA and exports to other countries*

Some factors added up to generate this performance in 2020. On the one hand, there was a strong demand from and the good acceptance of Taurus products by consumers. At the same time, we were able to set a strong production and delivery pace, overcoming the difficulties imposed by the COVID-19 pandemic experienced since the beginning of 2020, responsibly and by ensuring that our employees were safe.

Additionally, our current product portfolio includes new models of firearms launched in recent years, with higher value added, which had a direct positive impact on our revenue. Finally, our revenue also benefits from the foreign exchange gains obtained due to the devaluation of the Brazilian currency against the US dollar, since most of our revenue—78.5% in 2020—is export revenue. Considering the average exchange rate in 2020, of R$5.16 per US dollar, compared to the average dollar rate in 2019 (R$3.95=US$1.00), the difference in the period was 30.6%.

In the USA, the world's largest firearms market and, therefore, also the largest market for Taurus firearms, sales of the products manufactured in Brazil and in our plant in the USA are made exclusively to the civilian market, through local distributors scattered throughout the USA. Each quarter, revenue from sales of firearms in the USA exceeded sales of the previous quarter, thus maintaining the trend observed since the beginning of the second half of 2019. Twelve-month sales in 2020 totaled R$1,335.7 million, a year-on-year increase of 81.3%.

In Brazil, the second market for Taurus firearms, revenue from firearms sales totaled R$369.7 million in 2020, a year-on-year increase of 105.5%. This growth in revenue was greater than the growth recorded in the number of units sold in the period, which is evidence of the more sophisticated mix of products sold, with a higher average ticket. This is the result of the change that we have been seeing in the profile of the Brazilian consumer, who has been looking mainly for previously restricted caliber firearms, such as 9mm pistols and rifles, models in a higher price range.



Gross profit

With the robust logistics and production processes in use at Taurus, our strict cost management, the greater dilution of overhead costs due to the increase in revenue, and the growing contribution from the sales of new models that incorporate higher value added, our gross profit for the year totaled R$755.3 million. This performance represents a year-on-year increase of 121.7%.

Despite the scheduled maintenance shutdown at the São Leopoldo plant at the end of the year, when new machines were also installed to allow for increased production in 2021, the gross margin in 2020 was 42.6%, up 8.5 percent from the previous year. With our renewed product portfolio and strong production pace at our two manufacturing units, we proved that we are prepared to satisfy consumer requirements during this period of strong growth in demand. At the same time, all the work carried out in recent years, with processes aligned throughout the entire production, distribution and sales chain, allowed us to keep up with this operation growth while increasing our gross profit, setting a new margin threshold.

Operating expenses

With the growth in revenue, there was a greater dilution of expenses in each quarter of 2020 and, therefore, also total expenses for the year. Operating expenses totaled R$321.0 million, a year-on-year increase of 36.6%. It is worth remembering that in 2019 our total net operating expenses were down because we recorded nonrecurring income of R$32.6 million in line item 'Other operating income' consisting of prior years' recovered taxes from the deduction of State Value Added Tax (ICMS) from the tax basis of taxes on revenue (PIS and COFINS).

The operating expenses incurred by US plant are denominated in US dollars and translated into the Brazilian currency upon consolidation in our consolidated financial statements, and are therefore burdened by the devaluation of the Brazilian real. In the last twelve months, the depreciation of the real was 35.6% in 2020, when comparing the average US dollar exchange rate for the year with the exchange rate in 2019, adversely impacting this portion of our operating expenses.

EBITDA

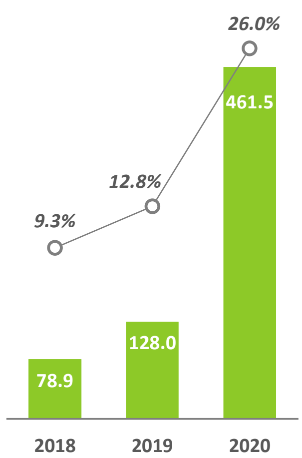
In line with the other economic and financial indicators, our EBITDA (earnings before interest, taxes, depreciation and amortization), maintained its growth trajectory in each quarter of 2020, surpassing the record set in the previous quarter. The growth in revenue, increase in gross profitability and greater dilution of operating expenses resulted in EBITDA of R$461.5 million and an EBITDA margin of 26.0%, which represents a year-on-year increase of 260.2 % and 13.2 percentage points.

EBITDA calculation - reconciliation according to ICVM 527/12.

R$ million	2020	2019	*% change*
Earnings before interest and taxes (Ebit)	434.3	105.7	*310.9%*
Depreciation and amortization	27.2	22.3	*22.0%*
Ebitda	**461.5**	**128.0**	***260.5%***
Ebitda Margin	*26.0%*	*12.8%*	*13.2 p.p.*
Nonrecurring expenses relating to Covid-19	4.8	0.0	
Adjusted Ebitda	**466.3**	**128.0**	***264.3%***
Adjusted Ebitda margin	*26.3%*	*12.8%*	*13.5 p.p.*

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

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



Finance income (costs)

Changes in foreign exchange rates, especially considering the depreciation of the local currency in 2020, have a material impact on our results of operations. This impact generates both a positive effect, when US dollar revenues from sales abroad and the foreign exchange gain arising on translation the cash held by the US subsidiary are accounted for in Brazilian reais, and also pressures finance costs related relating to our debt, most of which is foreign currency denominated (90.4% of our gross debt as at December 31, 2020). In 2020, the Brazilian real depreciated 30.6% against the average US dollar exchange rate in 2019.

R$ million	**2020**	**2019**	***% change***
(+) Finance income	**250.4**	**36.5**	***586.0%***
Foreign exchange gains	*249.0*	*10.0*	*2386.3%*
Interest and other income	*1.4*	*26.5*	*-94.7%*
(-) Finance costs	**500.0**	**116.9**	***327.7%***
Foreign exchang losses	*436.5*	*52.5*	731.4%
Interest IOF and other costs	*63.5*	*64.4*	-1.4%
(+/-) Finance income (costs), net	**-249.6**	**-80.4**	*210.4%*
Average US dollar Ptax rate for the perio	**5.16**	**3.95**	*30.6%*

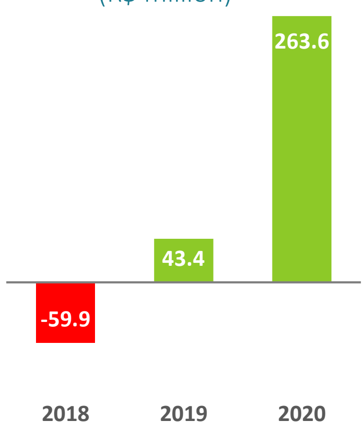
Considering the accumulated performance in 2020, we posted net finance costs of R$249.6 million, an amount R$169.2 million higher than net finance costs for 2019. As can be seen in the table, foreign exchange differences are a major factor both our finance income and finance costs.

Profit for the year

Our new operating performance level results from the strategy adopted that allowed Taurus to benefit from the strong increase in demand in the Brazilian and US markets that resulted in an increase in revenue, the dilution of costs and expenses, and the EBITDA growth.

The performance for 4Q20 offset the losses posted for the first quarter of 2020, which had been burdened by the recognition of R$195.4 million referring to the foreign exchange losses generated by our debt. Thus, in 2020, we recorded profit for the year of R$263.6 million, i.e., the second consecutive year of positive results.

Profit for the year (R$ million)



Debt

The Company's debt is primarily denominated in US dollars and, therefore, the exchange rate of this currency against to the Brazilian real has had a significant impact on the indebtedness position. At the end of December 2020, of the total gross debt of R$866.7 million, 90.4% was denominated in US dollars. Nevertheless, despite the 29.0% devaluation of the Brazilian real against the US dollar in 2020, with the exchange rate going from R$4.03 at the end of 2019 to R$5.20 per US dollar at the end of 2020, our gross debt decreased by 3.9% in the year.

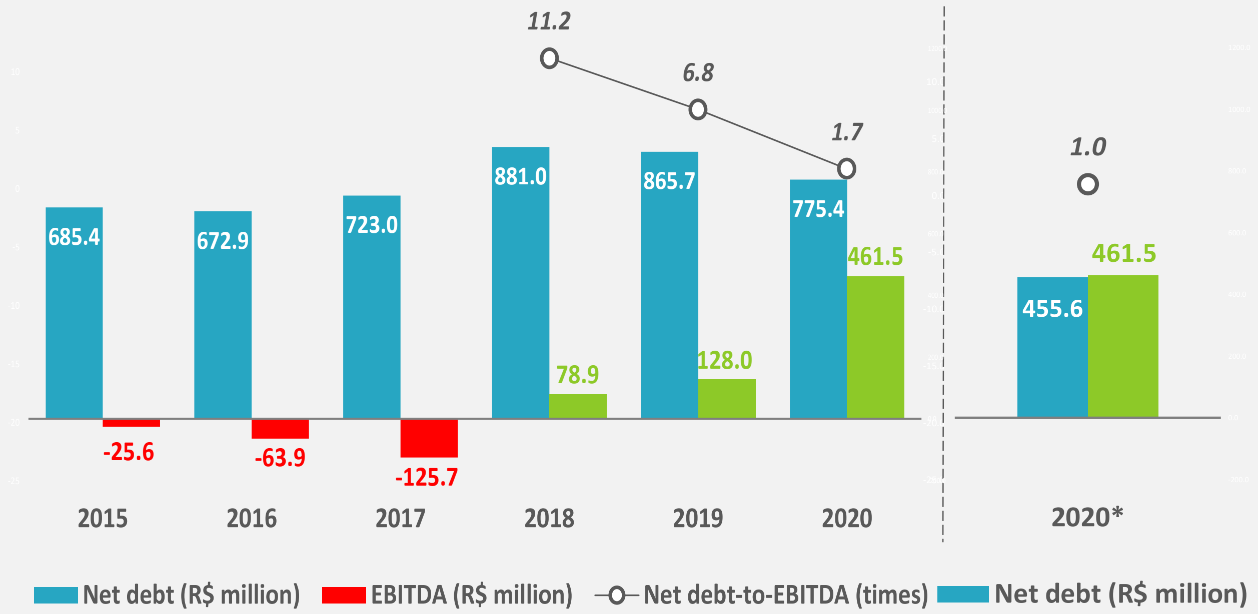
This performance was driven primarily by following factors: (i) with the growing generation and cash, we eliminated the need to use of factoring, zeroing out our position in this type of financial instrument which, at December 31, 2019 totaled R$73.5 million; (ii) during 2020 the debt payments were made as agreed and we prepaid part of the debt in October and December related to debentures, reducing the R$13.3 million balance recorded in short-term debt at the end of 2019 to R$6.9 million at the end of 2020; and (iii) during 2020 we made monthly repayments of the debt contracted by the US subsidiary, which dropped year on year by R$70.7 million or 48.0%.

With a higher cash generation and from our operations, the balance of cash and short-term financial investments at the end of 2020 was R$91.2 million, an amount 153.3% higher than at December 31, 2019. Taking into account our cash and cash equivalents, at the end of 2020 our net debt totaled R$775.4 million, a year-on-year reduction of R$90.3 million, or 10.4%.

	12/31/2020			31/12/2019			Var. %
R$ million	**Consolidate**	***Brazil***	***USA***	**Consolidate**	***Brazil***	***USA***	**Consolidated**
Borrowings and financing	71.5	*71.5*	*0.0*	97.6	*97.6*	*0.0*	*-26.7%*
Debentures	6.9	*6.9*	*0.0*	13.3	*13.3*	*0.0*	*-48.1%*
Advance on receivables	0.0	*0.0*	*0.0*	73.5	*73.5*	*0.0*	-
Foreign exchange drafts	100.3	*100.3*	*0.0*	78.2	*78.2*	*0.0*	*28.3%*
Current	**178.7**	***178.7***	***0.0***	**262.6**	***262.6***	***0.0***	***-31.9%***
Borrowings and financing	627.0	*550.4*	*76.6*	577.4	*430.1*	*147.3*	*8.6%*
Debentures	61.0	*61.0*	*0.0*	61.6	*61.6*	*0.0*	*-1.0%*
Noncurrent	**688.0**	***611.4***	***76.6***	**639.1**	***491.8***	***147.3***	***7.7%***
Gross debt	**866.7**	***790.1***	***76.6***	**901.7**	***754.4***	***147.3***	***-3.9%***
Cash and short-term investments	91.2			36.0			*153.3%*
Net debt	**775.4**			**865.7**			***-10.4%***
Ptax dollar exchange rate at end of period (R$)	**5.20**			**4.03**			***28.9%***
Gross debt translated into US dollars (US$ million)	**166.8**			**223.7**			***-25.4%***

Debt, which was a major issue for Taurus, is moving toward its full resolution. With the current level of operating performance, our financial leverage as measured by net debt-to-EBITDA ratio posts strong growth, reflecting this new company profile. From negative EBITDA until 2017, a period in which it was not even possible to measure the degree of leverage, as of 2018, the first year of the current management, we started to post positive EBITDA. From then on, there was a broad transformation in our financial profile, with the level of financial leverage measured by net debt-to-EBITDA ratio decreasing from 11.2 in 2018 to the current 1.7 at the end of 2020.

Financial leverage: Net debt-to-EBITDA



** In 2020 we deduct from the total debt at December 31, 2020 the amount of assets for sale and the balance of subscription warrants*

We also have two assets for sale, the proceeds of which, when they are sold, are earmarked exclusively for debt repayments—the helmet factory and the land of the former factory in Porto Alegre—, in addition to the amount referring to the balance of warrants to be redeemed. Based on an exercise in which both these amounts are deducted from total debt as at December 31, 2020, our net debt on this date would be R$455.6 million and the net debt-to-EBITDA ratio would be 1.0 times, i.e., taking into account these "potential receivables", cash generation measured by EBITDA for the year would be sufficient to repay our total debt.

As for maturities, 79.4% of our total gross debt as at December 31, 2020 matures in the long term, concentrating mainly in 2022. The amendment to the agreement entered into with the creditor banks in early August 2020 contemplates the rescheduling of the payment of approximately R$123 million in principal that would mature in June 2020, diluting this payment over 31 months.

As at December 31, 2020, 56.1% (R$100.3 million) of the gross debt maturing in the short term totaling R$178.7 million, is represented by foreign exchange drafts that have an agreement with the creditor bank for their automatic renewal at each maturity date, with the possibility of settlement by October 2022. This agreement also involves the renewal of factoring contracts, a financial instrument that, with the growing cash generation and cash inflows, we longer use. Excluding the amount related to foreign exchange drafts from the total short-term debt recognized at the end of December 2020, the portion of debt that effectively matures in the following 12 months would be R$78.4 million, or 9.0% of total gross debt on this date.

Capital Structure

The performance achieved in 2020 allowed us to reverse the negative Equity position that we had been posting in recent years, before the period originally considered by management. At the end of 2020, our equity was R$42.3 million, compared to a negative position of R$304.6 million at the end of 2019. Thus, we went from a situation in which we were operating entirely with third-party capital, i.e., liabilities were higher than the sum of all our assets, to operating with our own capital.

This reversal in our balance sheet is the result of the new performance level achieved, points to a situation of greater stability at the Company, and represents a first step in the sense that now we can see a future when we will resumes payouts to our shareholders. However, we ended 2020 with a negative balance of R$31.1 million in the capital reserves account, in addition to R$704.7 million in accumulated losses from previous years that need to be offset so that we are able to resume the payment of dividends.

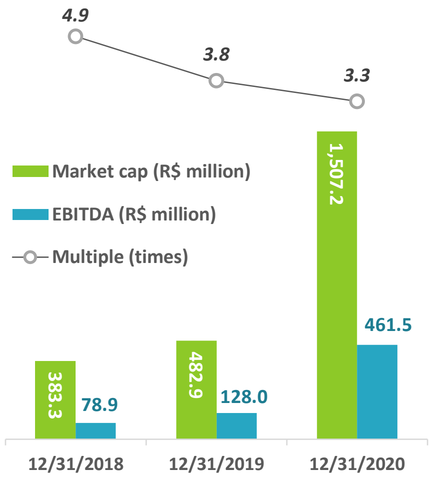
Capital Market

Taurus has preferred (TASA4) and common shares (TASA3) listed on B3's Level II listing segment, a market segment that brings together companies that voluntarily comply with special corporate governance rules. Both shares are part of the B31 Small Caps Index (SMLL) portfolio.

Our preferred shares ended 2020 priced at R$15.87, up 210.6% compared to the closing price on the last trading session of 2019, while our common shares appreciated 158.8% in the same period. In 2020, the Bovespa Index posted a high of 2.92% in the year and the B3 Small Caps Index was down 0.7%.

	TASA3	TASA4	Market value	Economic value (EV)*
12/31/2019	R$5.11	R$5.99	R$482.9 million	R$1,228.4 million
12/31/2020	R$15.87	R$15.50	R$1,507.2 million	R$2,148.8 million
Change	**+ 210.6%**	**+ 158.8%**	**+ 212.1%**	***+ 74.9%***

** Market value + net debt - non-operating assets (noncurrent assets for sale)*



Even considering the appreciation of our shares on the stock exchange at percentages that are much higher than those of the B3 indexes and the consequent increase in its market capitalization, our operating cash generation measured by EBITDA has also been growing at an accelerated pace. Thus, the multiple measured by our market value-to-EBITDA dropped in the last periods and remains at a level lower than the level of the US companies operating in our industry that are listed on a stock exchange.

Value Added Statement

The value added by Taurus from its activities in 2020 was R$1,216.0 million, which exceeds the value added in the previous year by 144.7%. This indicates that of the total R$2,089.3 million in gross revenue recorded in 2020, 58.2% was produced by our operations. Thus, for each R$1.00 received by Taurus in the quarter, we added R$0.58, which was distributed among personnel (wages, benefits and severance pay fund, or FGTS), governments (federal, state and municipal taxes), and as payments to lenders and lessors (interest and lease payments).

Subsequent Event

Material Fact - Memorandum of Understanding with Imbel

On February 2, we signed a non-binding Memorandum of Understanding (MoU) with Indústria de Material Bélico do Brasil - Imbel, aimed at setting the initial technical and commercial bases for entering into possible specific agreement covering different matters related to both companies, namely: (i) possible hiring of tool manufacturing services involving the provision of both products and services by IMBEL® currently in its portfolio; (ii) implementation and operation, jointly or separately, of an Accreditation and Certification Agency; (iii) research, development and production of new products; and (iv) joint sale of products and services from both companies.

The initial term of the signed MoU will be five (5) years, and it can be extended successively for equal periods, as long as there is an express written agreement to do so, which must be formalized by a contractual amendment.

The signing of this Memorandum of Understanding involving two Strategic Defense Companies (EED) is aligned with our strategic planning and is yet another important step in the development of technology and innovation.

External Audit– ICVM 381/03

In May 2020, we hired Deloitte Touche Tohmatsu Auditores Independentes as our external auditor, in accordance with the external audit rotation system, since the firm that provided this service until then had completed the maximum period of continuous operation of five years set forth by the relevant law.

Deloitte Touche Tohmatsu Auditores Independentes provided the external auditing service consisting of the audit of our financial statements and the financial statements of our subsidiaries for 2020, whose fees totaled R$894,568.51. Additionally, in 2020, Deloitte Touche Tohmatsu Auditores Independentes provided us tax review services and certain tax compliance reviews. The total amount of the fees hired for these additional services was R$33,826.00, which represents approximately 3.64% of the frees charged for the external audit of the financial statements.

We make sure to avoid the existence of conflicts of interest, loss of independence or objectivity of our independent auditor, and as a practice do not engage the independent auditor’s services for any matter that could interfere in the auditing of our financial statements.

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

1. General Information

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

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

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

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

In March 2018, the Company's management made a commitment to sell the helmet operation. In order to conduct this process, Taurus hired specialized consulting services. In light of the divestment decision, the investment was classified as ‘held for sale’ and accounted for pursuant to Brazilian accounting pronouncement CPC 31 Non-current Assets Held for Sale and Discontinued Operations. The helmet operation has one manufacturing plant, in Mandirituba, Paraná State. As described in Note 32.2, in February 2021 the Company decided that if no proposal is closed for the sale of the investment, it resume presenting its helmet unit in its consolidated statements.

Production Plant in Bainbridge (USA)

On April 12, 2018, the U.S. plant entered into a memorandum of understanding with the Georgia State Government for the relocation of the U.S. subsidiary's headquarters from Miami, Florida to Bainbridge, Georgia, USA.

This relocation aims at optimizing production in the United States in order to better meet local demand in terms of production volume, new product development, and improved perception of the Taurus brand It is also expected that this change will bring cost reductions, from state government grants and assistance and, consequently, an increased profitability of the operation.

The new plant was opened on December 5, 2019 with the production lines in operation, and the total migration of operations to Georgia was completed at the end of 2019 when the plant became fully operational.

On May 7, 2020, the Company transferred the production line of the TS-9 pistol from its headquarters in São Leopoldo (RS), Brazil, to its plant in Bainbridge, USA. This was the first assembly line transferred by the Company to its U.S. subsidiary, after the incentive granted by the Georgia state government.

The transfer of this line will increase production capacity of the US plant by about 50,000 firearms/year.

- MoU of accessories joint venture

On May 28, 2020, Taurus, after being authorized by its Board of Directors, has signed a non-binding MoU with an important Brazilian company in the automotive industry, operating in the domestic market, aiming at setting up a joint venture in Brazil to manufacture accessories for light weapons.

The purpose of the joint venture, if all statutory and legal authorizations are obtained, is the manufacture and sale of light weapon accessories for the domestic and foreign markets. With the execution of the MoU, the parties had until September 30, 2020 to complete the feasibility studies for the creation of the joint venture and the business plan to be developed, as well as to establish the conditions necessary for the implementation of the new business. On September 29, 2020, pursuant to the Material Fact Notice disclosed, an addendum to the memorandum of understanding (MoU) was signed, whereby the effective period was extended for an additional period of ten (10) days, so as to finally enter into the agreement for the setting up of the joint venture.

On October 8, 2020, after being authorized by its Board of Directors, the Company entered into a final agreement for the setting up of the joint venture, which will allow the manufacture and sale of clips and other light firearm stamped components.

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

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

The new magazine company is fully aligned with Taurus global strategy of making the unit in Brazil the most efficient firearm plant in the global market and a parts distribution hub for all Group units, to support the efficient and lucrative production model. It will also allow Taurus to enter a new business segment, which is the aftermarket segment, currently not exploited by the Company.

Production will start at Joalmi’s manufacturing center, in Guarulhos, São Paulo, and is expected to be transferred to Taurus manufacturing center in São Leopoldo, RS in 2021.

The incorporation and corporate formalization is waiting for the analysis by and approval of the State Divisions of Corporations for the operations to star, and currently the partner “Joalmi” is already producing magazine lots for testing because it already has the legal authorization for production. Taurus is providing all the support to the production process and as soon as the formal and legal incorporation of the new company is completed, this production will be transferred to the new company as mutually agreed by the parties.

COVID-19

Since the beginning of the COVID-19 outbreak, the Company has taken several actions to protect the health of its employees and their families, ensure it would continue as a going concern, and contribute to the development of the local and global economy. So far, the Company has limited the outbreak's impact on its operations. During this period, the Company has not suspended its operations in Brazil and in its unit in the United States, as it is classified as an essential activity because of its status as a Strategic Defense Company. The Company has made changes in its operation in order to reduce the flow, contact and gathering of workers, as well as by providing instructions on the measures to be taken, strengthening cleaning measures, and supplying hygiene supplies, measuring the temperature of everyone who enters its units, and the mandatory use of masks, among other measures. Some activities started to adopt a home office scheme, the employees identified as at-risk were put in leave and Taurus also adopted a new system of work scales, work shift rotation, and changes in working hours, aiming at balancing production with people flows, to mitigate the risks of virus transmission and preserve social, economic and financial interests without changing their productive capacity.

As the Company has not suffered significant changes in its operations, on impacts on the repayment of its debt and payments to its suppliers on due dates were identified. The Company has also adopted measures to maintain its financial health such as:

• Investment prioritization;
• Creation of the Crisis Committee to discuss the impacts of COVID-19;
• Reviewing the annual budget and periodical scenario updating and strict approval process for new expenses.

In compliance with CVM Circular Letter No. 02/2020 of March 10, 2020, which addresses the effects of the COVID19 pandemic on businesses' financial statements, Management assessed the main risks and accounting impacts, as well as the uncertainties that could affect said financial statements. Taurus reviewed its credit risks and assessed circumstances that would indicate an impairment of the Company's financial and nonfinancial assets, and identified no impacts due to the pandemic. Except for the costs arising from the increase of cleaning procedures, making facemasks, and face shields, buying hand sanitizer, sanitization, and other measures directly linked to COVID-19, which to date have totaled approximately R$3 million, no further costs or expenses were incurred. After all the inherent analyses made according to the legal, strategic and operational requirements of the Company, management did not identify any contingencies and the need to recognize provisions linked to, or adjustments to assets arising from COVID-19.

Economic and Financial Restructuring

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

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

As an additional option to assist in the economic and financial restructuring, the Company maintains its strategy of: (a) divestment of non-core assets, namely: the helmet operation (historically cost-effective and profitable), whose decision to sell and authorize the sale efforts was made by the Board of Directors in March 2018, in addition to extensive land in a prime residential area of Porto Alegre, where the Company's former facilities were located; and (b) sound restructuring plan, already underway and conducted by a specialized consulting firm already hired.

This restructuring plan, which is in progress, showed positive results throughout 2018 with substantial improvements in 2019. The Company believes that it has obtained efficiency gains in 2020, such as greater reduction of production costs, increased production scale, better dilution of finance costs, considerable improvement of its product quality and strengthening of its processes, and it also expects to continue bringing gains over the next years, in particular for its new plant in Bainbridge, Georgia, in the United States. The plan is divided into four areas: (i) Debt Renegotiation, (ii) Operating Efficiency, (iii) Sales Efficiency, and (iv) Earnings Assessment. The following is a summary of the actions:

I Debt Renegotiation:

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

On August 10, 2020, the amendments to the agreement relating to the new payment terms and conditions of the obligations to the Bank Syndicate were entered into, which contemplate the rescheduling of the payment of the principal that would mature in June 2020, which decreased from 15.07% to 0.29%, whereas the December 2022 installment decreased from 63.81% to 60.00%. These two adjustments were diluted between the installments due from June 2020 and November 2022. There was a 0.50% annual prospective increase in the bank spread rate. Collaterals also include the pledge of the shares issued by subsidiary Taurus USA. The amount will be adjusted to the Company's future cash flows and diluted over 31 months, including the other amounts and maturity dates already agreed in the previous agreement, as shown in the table below, in thousands of Brazilian reais (R$):

MATURITIES	CURRENT 1Q20	CURRENT After signature		NONCURRENT
Year	**2020**	**2020**	**2021**	**2022**
Amounts	**R$135,600**	**R$96,218**	**R$31,819**	**R$657,565**

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

REPAYMENT SYSTEM BEFORE RENEGOTIATION	REPAYMENT SYSTEM AFTER RENEGOTIATION - 07.31.2018	REPAYMENT SYSTEM AFTER WAIVER RENEGOTIATION - JUNE 2020
PPEs and DEBENTURES, BANKS BRADESCO, BRASIL, SANTANDER, ITAÚ, HAITONG.	**PPEs and DEBENTURES, BANKS BRADESCO, BRASIL, SANTANDER, ITAÚ, HAITONG.**	**PPEs and DEBENTURES, BANKS BRADESCO, BRASIL, SANTANDER, ITAÚ, HAITONG.**
23.07% OF THE DEBT IN 2018	10.71% OF THE DEBT IN 2019	
30.76% OF THE DEBT IN 2019	15.90% OF THE DEBT IN 2020	
30.76% OF THE DEBT IN 2020	2.80% OF THE DEBT IN 2021	14.03% OF THE DEBT IN 2021 (*)
15.41% OF THE DEBT IN 2021	70.59% OF THE DEBT IN 2022	72.86% OF THE DEBT IN 2022

(*) For 2021, 9.76% remains to be repaid, since 4.27% was prepaid in December 2020.

Upon the execution of these amendments, the Company is in regular standing before its creditors, rescheduling the payment of its debt which will be solely supported by its own cash generation so as to continue with the financial deleverage process. Such negotiation was based on the banks' confidence in the Company's current management, strengthening the commitment to all stakeholders, especially at the present difficult period the world is undergoing due to the COVID-19 pandemic, and is fully aligned with Taurus restructuring strategy, based on sustainable profitability, quality and improvement of financial and operating indicators. Up to December 31, 2020, the payments made totaled R$166.9 million, which accounts for 17.38% of total debt principal.

II - Operating efficiency

On a macro basis, Management has revalued the Company's Organizational Structure by analyzing activities and processes, span of control, and average compensation:

Completed stages:

- Realign the structure with the strategic goals;
- Clearly set metrics;
- Streamline hierarchical levels to increase decision-making agility;
- Standardize functions to avoid conflicts and redundancies;
- Review each position's roles and responsibilities;
- Reassess service levels;
- Develop a collaborative environment conducive to change;
- Long-lasting and smart cost cut;
- Remodel the relationship with other Company units.

Stages in progress:

- Reassess outsourcing of noncore activities;
- Reassess activity centralization;
- Eliminate activities that do not add value;
- Analyze efficiency gains in processes;

Specifically, the planning and operating management will be segmented as follows, together with their related action plans already in progress:

Completed stages:

Operating Master Planning:

- Revisit the S&OP model.
- Revisit the production planning and inventory counting process and logical model.

Research and Development:

- Identify Capex needs;
- Integrate with all manufacturing units.
- Schedule actions.

Stages in progress:

Cost of Sales (CoS):

- Analyze the evolution of Variable Costs and Manufacturing Overhead to identify the main deviations and opportunities.

Operating Master Planning:

- Improve the demand forecasting methodology;

Operating Management Effectiveness:

- Review metrics, goals and noting routines of results of key indicators of the processes;
- Map each process critical points for improvement and develop/implement the applicable corrective actions.

Material Losses *(yield* and scrap):

- Identify critical points for improvement and implement the applicable corrective actions.

Tools used:

- Explosion of Ideas;
- Data analysis;
- Scenario simulations;
- Cause/Effect Analysis;
- Compensation Matrix.

III - Sales Efficiency

In order to capture more efficiency gains in the sales area, Taurus is focusing on three areas, as follows:

Completed stages:

Market analysis

- Revisit the pricing model.

Product portfolio

- Analyze to streamline SKUs.

Performance Analysis of Product Categories;

- Define each category's positioning.

Sales Execution

- Assess the sales routine management model;
- Restructure the goal achievement monitoring model;
- Reassess and model a variable compensation program for the sales team.

Stages in progress:

Market analysis

- Mapp sales channels and analyze the strategies per channel;
- Analyze opportunities to reduce the number of layers and approaching the point of sale.

IV - Result Assessment (in progress)

The purpose of these initiatives is to adjust the Company's key processes in order to increase profitability and competitiveness.

Thus, by setting roles and responsibilities, *performance* metrics, and a culture of discipline in the implementation of action plans, the Company continues to take actions aimed at greater operating and financial efficiency, in order to meet the demand for its products, improve its margins, recover profitability, and balance its cash flows.

Management believes that the set of actions related to operating efficiency improvement described above, together with the sale of *non-core* assets, capital transactions, and the already noticeable improvement in the performance of operations will be sufficient to ensure its continuity as a going concern.

2. Presentation of the Financial Statements for the Year

2.1. Basis of preparation

a) Statement of compliance

The individual and consolidated financial statements have been prepared and are presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and also in accordance with accounting practices adopted in Brazil (BR GAAP), considering the pronouncements, guidelines and instructions issued by the Accounting Pronouncements Committee (CPC), approved by the Brazilian Securities and Exchange Commission (CVM), and the provisions in the Brazilian Corporate Law, and are identified as "Parent" and "Consolidated", respectively.

The individual and consolidated annual financial statements for the year ended December 31, 2020 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

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

b) Management statement

The Company's Management asserts that all relevant information related to the financial statements as at December 31, 2020, and only this information, is being disclosed and corresponds to the information used by the Company's Management in its management.

These individual and consolidated annual financial statements were authorized for issue by the Board of Directors on March 17, 2021.

2.2. Basis of consolidation

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

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

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

- Has the ability to use its power to affect its returns.

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

		Equity interest	
	Country	2020	2019
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%**

(*) The equity interests above represent the percentage rate held by the Company, both directly and indirectly, in the subsidiaries' capital.

The consolidation of balance sheet and statement of income line items is based on their nature, supplemented by the elimination of the following:

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

2.3. Functional and presentation currency

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

Foreign currency-denominated transactions are translated into the Company's functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting periods are retranslated into the functional currency at the exchange rate prevailing on that date. All differences are recognized in the statement of income.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

The information on critical judgments related to the accounting policies adopted that affect the amounts recognized in the individual and consolidated financial statements and information on uncertainties, assumptions and estimates is disclosed in the following notes: 8 – Trade receivables (allowance for doubtful debts), 9 - Inventories (allowance for inventory losses), 12 – Income tax and social contribution, 13 – Assets held for sale (impairment), 15 – Property, plant and equipment (impairment), 16 – Intangible assets (impairment), 22 – Provision for civil, labor and tax risks and 23 – Financial instruments.

Due to the COVID-19 pandemic, the Company reassessed the accounting estimates based on performance projections and assessed the accounting impacts from other measures. The main analyses conducted and the Company's conclusions are as follows:

Trade receivables (allowance for doubtful debts): Sales to final customers are paid with credit cards and the Company has the option to advance receipts without risk of default because the contracts with the card company have a no return condition, while at the same time the Company increased its sales volume to its parent Companhia Brasileira de Cartuchos – CBC, which has no history of default and in the current scenario also experiences increase in potential demand.

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

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

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

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

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

The Company analyzed its supply chain, current market demands, its customer payment capacity, its financial condition and capacity to obtain financing, as well as its continuity as a going concern. The Company, as part of the analyses described above, has revised its allowances, estimates, impairment calculations, and they do not indicate any changes and need to recognize allowances or change its figures.

The Company is classified as essential because it is a strategic defense company and its supply chain is regulated by the related legal provisions, which allows it to continue to operate normally. The demand for the Company's products increase due to special segment issues in adverse situations, in which important buying countries feel unprotected, such as during lockdown periods. Accordingly, differently from other markets, the Company is in a comfortable demand situation and is also favored by foreign exchange matters with respect to exports.

It was also one of the first companies to adopt all sanitization and employee protection procedures, thus allowing the continuity of its operations without risking the health of its employees.

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

(i) Fair value measurement

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

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

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

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

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

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

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

4. Significant Accounting Policies

The accounting policies and calculation methods adopted in preparing these annual financial statements as at December 31, 2020 are the same accounting policies used to prepare the annual financial statements for the year ended December 31, 2019, and are described in each one of the specific notes to the financial statements. All amounts are expressed in thousands of Brazilian reais (R$), unless otherwise stated.

The presentation of the individual and consolidated statement of value added (DVA) is required by the Brazilian Corporate Law and the accounting practices adopted in Brazil applicable to publicly-held companies. The IFRSs issued by the IASB do not require the presentation of such statement. Consequently, the presentation of the statement of value added is considered by the IFRSs as supplemental information, without prejudice to the set of financial statements.

a) Financial instruments – general accounting policy

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, if applicable, on initial recognition. Transactions costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(i) Non-derivative financial assets

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

All financial assets recognized are subsequently measured at amortized cost or at fair value, depending on their classification.

The Company has the following non-derivative financial assets: cash and cash equivalents classified and measured at fair value, and short-term investments and restricted accounts, trade receivables, due from related parties and other receivables, classified and measured at amortized cost.

(ii) Non-derivative financial liabilities

All financial liabilities are subsequently measured at amortized cost under the effective interest method or measured at fair value through profit or loss. However, financial liabilities arising when the transfer of a financial asset does not qualify for write-off or when the continuing involvement approach is applicable and the financial guarantee contracts issued by the Company are measured in accordance with the specific accounting policies described below.

The Company has the following non-derivative financial liabilities: borrowings and financing, non-convertible debentures, trade and other payables, all classified and measured at amortized cost.

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

(iii) Impairment

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

b) <u>New effective standards, interpretations and revised standards</u>
The main new standards or amendments to standards and interpretations effective for annual periods beginning on or after January 1, 2020 and adopted by the Company are as follows:

(i) **<u>Amendments to CPC 26 and CPC 23 – Definition of Materiality</u>**
The amendments to CPC 26 and CPC 23 clarify the definition of materiality and align the definition used in the conceptual framework and other accounting standards. These amendments came into effect on January 1, 2020. Management believes that these amendments do not significantly impact the Company's financial statements, as it applies technical guidance OCPC 7 and, consequently discloses material information only.

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

(ii) **<u>CPC 50 / IFRS 17– Insurance Contracts</u>**
This standard will come into effect beginning January 1, 2021 and will supersede CPC 11 – Insurance Contracts that maintains the requirements set out in prevailing local rules. CPC 50 will provide a global, comprehensive model for accounting for insurance contracts in line with the international accounting standards.

(iii) **<u>Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.</u>**
In case of sale or contribution of assets between an investor and its associate or joint venture, the transaction effect would only be recognized in profit or loss to the extent the transaction is conducted with an unrelated third party. This standard has no defined adoption date.

(iv) **<u>Amendment to IAS 1 – Classification of Liabilities as Current or Non-current</u>**
This standard will come into effect beginning January 1, 2022. Clarifies aspects to be considered for the classification of liabilities as current or non-current liabilities.

(v) **<u>Annual improvements to IFRS 2018-2020 Cycle</u>**
This standard will come into effect beginning January 1, 2022. Refer to amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 9 – Financial Instruments, IFRS 16 – Leases and IAS 41 - Agriculture.

Management is assessing the impacts of the standards above on the Company’s financial statements, but it does not expect significant effects arising from their adoption.

5. Financial Risk Management

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

5.1 Credit risk

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

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

Credit approvals are individually analyzed before customary payment and delivery terms and conditions are offered. Such analysis includes external assessments and, in certain cases, bank references. Purchase limits are set for each customer, which represent the maximum outstanding amount without requiring credit approval; these limits are periodically reviewed. Customers that failed to comply with the credit limit set by the Company can only operate if receivables are settled. For public bodies, the Company's Management individually assesses the payment capacity and bidding requirements for making a sale. The consolidated statement excludes related-party transactions and, after excluding such transactions, the Company has no customers individually accounting for more than 5% of sales.

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

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

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

Exposure to credit risks

At the end of the reporting period, the maximum credit risk exposure was as follows:

	Consolidated		Parent	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Fair value through profit or loss				
Cash and cash equivalents	**91,231**	35,966	**34,623**	7,376
Amortized cost				
Trade receivables	**317,406**	164,997	**183,267**	113,054
Short-term investments and restricted account	**16**	17	**16**	17
Other receivables	**49,013**	34,511	**41,964**	29,156
Total	**457,666**	235,491	**259,870**	149,603

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

	Consolidated		Parent	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Domestic – trade receivables	**182,436**	96,915	**172,384**	83,972
United States – trade receivables	**138,526**	79,411	**2,893**	-
Other	**12,259**	21,712	**9,539**	46,249
Total	**333,221**	198,038	**184,816**	130,221

***** The balances of trade receivables are disclosed without considering the expected allowance for doubtful debts (see note 8).

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

	Consolidated		Parent	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Trade receivables – public bodies	**6,862**	6,594	**6,825**	6,511
Trade receivables – distributors	**287,521**	171,377	**152,129**	119,563
Final customers	**38,838**	20,067	**25,862**	4,147
Total	**333,221**	198,038	**184,816**	130,221

* The balances of trade receivables are disclosed without considering the allowance for doubtful debts (see note 8).

Allowance for expected losses

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

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

As at December 31, 2020, the aging list of the customer portfolio and allowance for expected losses is as follows:

						Consolidated
			12/31/2020			12/31/2019
	Portfolio	Allowance	% Coverage	Portfolio	Allowance	% Coverage
Current	**265,986**	**(5,288)**	**2.0%**	**107,524**	**(840)**	**0.8%**
0-30 days past due	**27,764**	**(367)**	**1.3%**	**33,176**	**(758)**	**2.3%**
31-60 days past due(1)	**18,919**	**(160)**	**0.8%**	**14,388**	**(670)**	**4.7%**
61-90 days past due(1)	**1,390**	**(110)**	**7.9%**	**6,208**	**(83)**	**1.3%**
91-180 days past due(1)	**4,013**	**(335)**	**8.3%**	**3,253**	**(460)**	**14.1%**
181-360 days past due(1)	**2,524**	**(433)**	**17.2%**	**4,501**	**(1,632)**	**36.3%**
Over one year past due	**12,625**	**(9,122)**	**72.3%**	**28,988**	**(28,598)**	**98.7%**
Total	**333,221**	(15,815)		**198,038**	(33,041)	

						Parent
			12/31/2020			12/31/2019
	Portfolio	Allowance	% Coverage	Portfolio	Allowance	% Coverage
Current	**142,945**	**(491)**	**0.3%**	**69,168**	**(808)**	**1.2%**
0-30 days past due	**21,144**	**(206)**	**1.0%**	**25,069**	**(752)**	**3.0%**
31-60 days past due(1)	**15,999**	**(41)**	**0.3%**	**14,175**	**(622)**	**4.4%**
61-90 days past due(1)	**632**	**(20)**	**3.2%**	**5,769**	**(55)**	**1.0%**
91-180 days past due(1)	**582**	**(94)**	**16.2%**	**1,322**	**(375)**	**28.4%**
181-360 days past due(1)	**929**	**(284)**	**30.6%**	**3,086**	**(1,574)**	**51.0%**
Over one year past due	**2,585**	**(413)**	**16.0%**	**11,632**	**(12,981)**	**111.6%**
Total	**184,816**	(1,549)		**130,221**	(17,167)	

5.2 Liquidity risk

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

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

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

				Consolidated
				12/31/2020
	Carrying amount	Contractual cash flow	Up to 1 year	1-2 years
Non-derivative financial liabilities				
Trade payables	112,458	112,458	111,892	566
Borrowings and financing	698,528	744,467	94,493	649,974
Debentures	67,881	73,553	9,854	63,699
Foreign exchange advances	100,271	107,098	107,098	-
	979,138	**1,037,576**	**323,337**	**714,239**

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

					Consolidated
					12/31/2019
	Carrying amount	Contractual cash flow	Up to 1 year	1-2 years	2-5 years
Non-derivative financial liabilities					
Trade payables	114,157	114,157	114,157	-	-
Borrowings and financing	675,062	738,455	97,617	471,707	169,131
Debentures	74,919	82,917	13,290	69,627	-
Foreign exchange advances	78,196	78,196	78,196	-	-
Advance on receivables	73,516	75,530	75,530	-	-
	1,015,850	**1,089,255**	**378,790**	**541,334**	**169,131**

				Parent
				12/31/2020
	Carrying amount	Contractual cash flow	Up to 1 year	1-2 years
Non-derivative financial liabilities				
Trade payables	83,056	83,056	82,490	566
Borrowings and financing	621,929	665,043	94,493	570,550
Debentures	67,881	73,553	9,854	63,699
Foreign exchange advances	100,271	107,098	107,098	-
	873,137	**928,749**	**293,935**	**634,814**

				Parent
				12/31/2019
	Carrying amount	Contractual cash flow	Up to 1 year	1-2 years
Non-derivative financial liabilities				
Trade payables	70,359	70,359	70,359	-
Borrowings and financing	527,745	569,324	97,617	471,707
Debentures	74,919	82,917	13,290	69,627
Foreign exchange advances	78,196	78,196	78,196	-
Advance on receivables	73,516	75,530	75,530	-
	824,735	**876,326**	**334,992**	**541,334**

5.3 Market risk

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

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

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

Sensitivity analysis of exchange rates
As at December 31, 2020 the Company is mainly exposed to fluctuations between the Brazilian real and the US dollar. The sensitivity analysis carried out by the Company considers the effects of an increase or a decrease of 10% between the Brazilian real and the US dollar on its debts and trade receivables. In this analysis, if the Brazilian real appreciates against the US dollar, this would correspond to a net gain of R$65.1 million.
If the Brazilian real depreciates against the US dollar, this would correspond to an expense at the same

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

amount.

The net amounts of trade receivables and trade payables in foreign currencies (not including borrowings and financing) do not pose material risks due to fluctuations in the exchange rate.

(ii) Interest rate risk

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

Sensitivity analysis of interest rate

The Company's profit or loss is susceptible to changes in the interest rates levied on short-term investments, borrowings and financing at floating interest rates, mainly pegged to the Libor and CDI. The Company's Management is not aware of any facts that have or may have significant impacts on this rate so as to affect the Company's results of operations.

If the interest rates were 50% higher/lower and all other variables remained unchanged, profit for the year ended December 31, 2020 would decrease/increase by (R$1.7 million). This is mainly due to the Company's exposure to the interest rates on borrowings subject to floating rates.

(iii) Capital management

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

		Consolidated
	12/31/2020	**12/31/2019**
Total liabilities	**1,418,381**	1,328,119
Less: Cash and cash equivalents and short-term investments	**(91,247)**	(27,819)
Net debt (A)	**1,327,134**	1,300,300
Total negative equity (B)	**42,269**	(406,963)
Net debt-to-equity ratio as at December 31, 2020 and December 31, 2019 (A/B)	31.40	(3.21)

6. Operating Segments

The information reported to the Company's CEO (the chief operating decision maker) to allocate resources and assess the performance of the operating segments focuses on the Company’s product category. The Company has four segments, two of which are reportable represented by strategic business units managed separately, as they differ based on the offer of products and services, technologies and marketing strategies. The other operations are consolidated in segment “Other”, as they are not classified within the quantity limits for separate reporting. The operations in each one of the Company´s reportable segments can be summarized as follows:

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

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

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

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

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

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

	Firearms		Other		Total		Helmets(a)		Total	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019	**12/31/2020**	12/31/2019	**12/31/2020**	12/31/2019	**12/31/2020**	12/31/2019
Sales revenues	**1,759,991**	989,224	**13,197**	10,357	**1,773,188**	999,581	**86,152**	82,488	**1,859,340**	1,082,069
Intercompany revenue	**692,657**	640,429	**7,444**	5,603	**700,101**	646,032	**-**	-	**700,101**	646,032
Cost of sales	**(1,006,905)**	(650,222)	**(10,944)**	(8,730)	**(1,017,849)**	(658,952)	**(53,770)**	(54,455)	**(1,071,619)**	(713,407)
Gross profit	**1,445,743**	979,431	**9,697**	7,230	**1,455,440**	986,661	**32,382**	28,033	**1,487,822**	1,014,694
Selling expenses	**(145,944)**	(125,268)	**(535)**	(33)	**(146,479)**	(125,301)	**(15,248)**	(14,974)	**(161,727)**	(140,275)
General and administrative expenses	**(161,189)**	(131,196)	**(3,217)**	(1,939)	**(164,406)**	(133,135)	**(6,838)**	(8,039)	**(171,244)**	(141,174)
Depreciation and amortization	**(15,874)**	(7,774)	**(1,942)**	(1,341)	**(17,816)**	(9,115)	**(424)**	(198)	**(18,240)**	(9,313)
Other operating income (expenses), net	**6,788**	32,268	**897**	318	**7,685**	32,586	**13**	(909)	**7,698**	31,677
Share of profit (loss) of subsidiaries	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
	(316,219)	(231,970)	**(4,797)**	(2,995)	**(321,016)**	(234,965)	**(22,497)**	(24,120)	**(343,513)**	(259,085)
Operating profit	**1,129,524**	747,461	**4,900**	4,235	**1,134,424**	751,696	**9,885**	3,913	**1,144,309**	755,609
Finance income	**247,296**	36,429	**3,117**	30	**250,413**	36,459	**2,102**	560	**252,515**	37,019
Finance costs	**(496,939)**	(116,816)	**(3,107)**	(128)	**(500,046)**	(116,944)	**(3,316)**	(5,373)	**(503,362)**	(122,317)
Finance income (costs), net	**(249,643)**	(80,387)	**10**	(98)	**(249,633)**	(80,485)	**(1,214)**	(4,813)	**(250,847)**	(85,298)
Profit (loss) from the reportable segment before income tax and social contribution	**879,881**	667,074	**4,910**	4,137	**884,791**	671,211	**8,671**	(900)	**893,462**	670,311
Elimination of intercompany revenue	**(692,657)**	(640,429)	**(7,444)**	(5,603)	**(700,101)**	(646,032)	**-**	-	**(700,101)**	(646,032)
Profit (loss) before income tax and social contribution	**187,224**	26,645	**(2,534)**	(1,466)	**184,690**	25,179	**8,671**	(900)	**193,361**	24,279
Income tax and social contribution	**67,352**	23,866	**1,277**	(1,414)	**68,629**	22,452	**1,613**	(3,305)	**70,242**	19,147
Profit (loss) for the year	**254,576**	50,511	**(1,257)**	(2,880)	**253,319**	47,631	**10,284**	(4,205)	**263,603**	43,426
Assets from reportable segments	**1,229,351**	908,953	**148,839**	88,665	**1,378,190**	997,618	**82,460**	68,822	**1,460,650**	1,066,440
Liabilities from reportable segments	**1,362,597**	1,323,213	**28,487**	20,106	**1,391,084**	1,343,319	**27,297**	27,742	**1,418,381**	1,371,061

(a) The Helmets operation is being presented as Discontinued Operation as disclosed in Note 25.

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

Geographic information

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

		Firearms		Helmets
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Domestic market				
Southeast Region	**265,352**	117,877	**29,965**	23,755
South Region	**74,913**	34,644	**5,147**	5,605
Northeast Region	**12,112**	13,878	**25,389**	25,071
Midwest Region	**10,722**	7,670	**13,239**	13,787
North Region	**6,572**	5,833	**11,545**	13,328
	369,671	179,902	**85,285**	81,546
Foreign market				
United States	**1,335,713**	736,458	**590**	942
South Africa	**10,473**	7,820	**-**	-
Germany	**2,244**	2,155	**-**	-
Saudi Arabia	**1,706**	-	**-**	-
Argentina	**2,553**	937	**-**	-
Australia	**-**	938	**-**	-
Azerbaijan	**121**	1,258	**-**	-
Bangladesh	**-**	21,668	**-**	-
Burkina	**1,469**	3,350	**-**	-
Chile	**1,805**	2,128	**-**	-
Singapore	**-**	12	-	-
South Korea	**-**	-	**278**	-
El Salvador	**740**	375	**-**	-
Philippines	**6,319**	17,827	**-**	-
France	**5,125**	2,552	**-**	-
Guatemala	**4,611**	3,603	**-**	-
Honduras	**-**	1,402	**-**	-
Israel	**861**	106	**-**	-
Italy	**1,372**	752	**-**	-
Malaysia	**-**	10	-	-
Namibia	**-**	461	-	-
New Zealand	**-**	676	-	-
Pakistan	**595**	-	-	-
Peru	**2,289**	877	**-**	-
United Kingdom	**-**	332	-	-
Czech Republic	**596**	218	-	-
Senegal	**6,772**	368	**-**	-
Thailand	**1,062**	661	**-**	-
Turkey	**-**	69	**-**	-
Argentina	**-**	1,059	**-**	-
Uruguay	**-**	221	**-**	-
Zambia	**-**	179	**-**	-
Other countries	**3,894**	850	**-**	-
	1,390,320	809,322	**868**	942
Total net revenue	**1,759,991**	989,224	**86,153**	82,488

The sales of the Company's other segments are concentrated on the domestic market and spread throughout all Brazilian regions. The Company's and its subsidiaries' sales do not show high level of concentration that can characterize significant dependence on governmental bodies or any other customer. Approximately 76% of consolidated revenues derive from the US civilian market and are subject to US regulations.

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

7. Cash and Cash Equivalents

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

	Consolidated		Parent	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Cash	**95**	55	**77**	41
Unsettled foreign exchange	**30,721**	-	**30,531**	-
Demand deposits	**55,167**	28,361	**175**	186
Short-term investments	**5,248**	7,550	**3,840**	7,149
Cash and cash equivalents	**91,231**	35,966	**34,623**	7,376

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

Highly liquid short-term investments refer to automatic investments yielding interest ranging between 5% and 35% of CDI.

8. Trade Receivables

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

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

	Consolidated		Parent	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Domestic customers	**182,436**	96,915	**172,384**	83,972
Foreign customers	**150,785**	101,123	**12,432**	46,249
	333,221	198,038	**184,816**	130,221
Allowance for doubtful debts - domestic	**(8,017)**	(24,656)	**(319)**	(14,785)
Allowance for doubtful debts - foreign	**(7,798)**	(8,385)	**(1,230)**	(2,382)
	(15,815)	(33,041)	**(1,549)**	(17,167)
	317,406	164,997	**183,267**	113,054

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

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

	Consolidated	Parent
Balance as at December 31, 2019	**(33,041)**	**(17,167)**
Additions	**(6,547)**	**(3,353)**
Reversal of allowance for doubtful debts	**8,849**	**7,509**
Uncollectible losses (Reclassification)	**13,990**	**11,617**
Exchange rate changes	**934**	**(155)**
Balance as at December 31, 2020	**(15,815)**	**(1,549)**

9. Inventories

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

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

	Consolidated		Parent	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Finished products	**49,594**	160,661	**28,303**	33,753
Raw material	**241,301**	173,494	**168,762**	142,283
Advance for purchase of raw material	**20,687**	-	**20,687**	-
Allowance for inventory losses	**(13,239)**	(18,384)	**(12,858)**	(18,099)
	298,343	315,771	**204,894**	157,937

Variations in the allowance for inventory losses	Consolidated	Parent
Balance as at December 31, 2019	**(18,384)**	**(18,099)**
Addition	**(3,054)**	**(3,029)**
Reversal	**537**	**620**
Definitive write-offs	**9,043**	**9,031**
Allowance for losses (Reclassification)	**(1,381)**	**(1,381)**
Balance as at December 31, 2020	**(13,239)**	**(12,858)**

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

10. Recoverable Taxes

On June 20, 2008, Taurus Armas S.A. has filed a lawsuit seeking the non-inclusion of State VAT (ICMS) in the taxes on revenue (PIS and COFINS) basis. Such lawsuit was distributed to the 1st Federal Court of Brasília. A favorable decision was handed down on March 31, 2015. The Federal government has filed an appeal with the Federal Regional Court of the 1st Region against said decision, which favorable decision for the Company was upheld. After filing of appeals by the Federal government with the Superior Courts, the Vice Chief Justice of the Federal Regional Court of the 1st Region has rejected the appeals, based on the judgment of Topic 69 of the STF, under the general effect system, which has decided that the ICMS must not be included in the PIS and COFINS tax basis. After filing of a new appeal against said decision by the Federal government, which was denied, a final and unappealable decision was handed down on April 1, 2019, and the case records were distributed to the original court. On June 10, 2019, the Company requested the approval of the request for formalization of the offset procedure at administrative level, which procedure was accepted by the original court, and Taurus Armas S.A. has requested the credit confirmation before the Brazilian Federal Revenue Service, and started to offset the credit in the amount of R$64.9 million.

In March 2017, the Federal Supreme Court has decided that the ICMS, as it does not comprise the Company's and its subsidiaries' income or gross revenue, must be excluded from the PIS and COFINS tax basis, judging it unconstitutional.

	Consolidated		Parent	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
State VAT (ICMS)	**8,257**	10,932	**7,022**	9,770
Federal VAT (IPI)	**2,284**	12,288	**2,280**	12,080
Tax on revenue (PIS)	**1,077**	516	**916**	459
Tax on revenue (COFINS)	**4,826**	772	**4,246**	670
Income tax and social contribution	**15,431**	6,318	**13,664**	2,448
Other	**1,444**	252	**859**	21
Total	**33,319**	31,078	**28,987**	25,448
Current	**33,319**	31,078	**28,987**	25,448

11. Other Assets

	Consolidated		Parent	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Advance for settlement of borrowings and financing	**13,073**	-	**13,073**	-
Advances to suppliers	**7,636**	12,842	**3,977**	12,337
Advances to employees	**2,344**	2,028	**2,293**	1,949
Advances for foreign bids	**7,923**	-	**7,923**	
Escrow deposits	**14,541**	14,294	**13,132**	13,100
Short-term investments and restricted accounts	**16**	17	**16**	17
Insurance receivables	**-**	2,382	**-**	-
Intragroup loans	**-**	-	**-**	660
Other receivables	**3,496**	2,965	**1,566**	1,110
Total	**49,029**	34,528	**41,980**	29,173
Current	**34,488**	20,233	**28,848**	16,072
Noncurrent	**14,541**	14,295	**13,132**	13,101

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

12. Current and Deferred Income Tax and Social Contribution

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

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

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

a) Breakdown of impacts on deferred tax assets and liabilities

	Consolidated		Parent	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
On income tax and social contribution losses				
Income tax loss	91,720	8,818	87,007	5,818
Social contribution loss	33,874	3,094	32,178	2,094
On temporary differences – assets				
Billed and undelivered sale	487	300	487	300
Impairment loss of assets	212	212	212	212
Other allowances, provisions and accruals	2,014	2,071	-	1,357
Realization of revaluation reserve	517	-	517	-
Allowance for inventory losses	9,080	10,271	4,372	6,623
Accrued profit sharing	5,854	4,690	3,708	2,987
Accrued commissions	304	1,072	271	1,018
Tax provisions	20,217	26,356	1,954	2,680
Provision for civil, labor and tax risks	32,233	35,561	30,967	34,981
Provision for warranty	6,091	6,680	3,113	4,371
Provision for uncollectible receivables	1,562	2,536	526	1,871
Financial provisions	978	1,016	978	1,016
Unrealized profit – TIMI	1,325	7,502	-	-
Total assets	**205,436**	**110,179**	**166,291**	**65,328**
On temporary differences - liabilities				
Goodwill on expected future earnings	(11,465)	(9,524)	-	-
Fair value of investment property	(15,682)	(14,693)	-	-
Total liabilities	**(27,147)**	**(24,217)**	**-**	**-**
Deferred assets, net	**178,289**	**85,962**	**166,291**	**65,328**

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

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

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

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

b) Variation in deferred taxes

	Consolidated	Parent
Opening balance of deferred taxes, net	85,962	65,328
Allocated to profit or loss	87,521	100,963
Translation adjustments	4,805	-
Closing balance of deferred taxes, net	**178,289**	**166,291**

The amount of income tax and social contribution losses on which no deferred taxes are recognized total R$298.4 million in consolidated, which correspond to the portion of these amounts in the Company's subsidiaries for which it is not probable that future taxable income will be available for offset. In the Parent, income tax and social contribution losses is fully recorded, and in its subsidiaries, they were partially recorded up to the limit of confirmation of realization.

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

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

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

As at December 31, 2020, the expected tax loss realization for deferred income tax and social contribution, recorded in noncurrent assets in the Parent and consolidated, is as follows:

				Parent
	Income tax and social contribution losses	Deferred income tax	Deferred social contribution	Total deferred taxes
Balance recognized as at 12/31/20	357,529	87,007	32,178	119,185
In 2021	(109,705)	(27,426)	(9,873)	(37,300)
In 2022	(79,150)	(19,788)	(7,124)	(26,911)
In 2023	(70,609)	(17,652)	(6,355)	(24,007)
In 2024	(65,653)	(16,413)	(5,909)	(22,322)
In 2025	(32,412)	(5,728)	(2,917)	(8,645)
From 2026 to 2030		-	-	-

				Consolidated
	Income tax and social contribution losses	Deferred income tax	Deferred social contribution	Total deferred taxes
Balance recognized as at 12/31/20	376,377	91,720	33,874	125,593
In 2021	(111,927)	(27,982)	(10,073)	(38,055)
In 2022	(82,445)	(20,611)	(7,420)	(28,031)
In 2023	(73,017)	(18,254)	(6,572)	(24,826)
In 2024	(67,080)	(16,770)	(6,037)	(22,807)
In 2025	(33,861)	(6,090)	(3,047)	(9,138)
From 2026 to 2030	(8,047)	(2,013)	(725)	(2,736)

The main balances of income tax and social contribution losses are observed in Parent Taurus Armas S.A. and in subsidiaries Polimetal and Taurus International.

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

	Consolidated		Parent	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Pretax profit (loss)	184,691	25,179	182,104	33,258
Income tax and social contribution at applicable tax rates	(62,795)	(8,561)	(61,915)	(11,308)
Permanent additions				
Non-deductible expenses	(340)	(3,652)	(340)	(3,548)
PPR – Statutory and CLT officers	(3,606)	-	(3,606)	-
Share of loss of subsidiaries	-	-	(7,340)	(5,500)
Donations/sponsorship	(1,146)	-	(1,146)	-
Capital gain on property, plant and equipment	(138)	-	(138)	-
Thin Cap	(504)	-	(504)	-
Permanent deductions				
Reintegra	227	(80)	227	(75)
Deemed ICMS grant	8,005	6,575	8,005	6,575
Share of profit of subsidiaries	-	-	26,504	-
Capital gain	-	3,071		3,071
Other deductions	1,105	3,317	1,105	3,317
Other deductions (PAT)	221	196	221	103
Unrecognized deferred tax on provision for civil, labor and tax risks	-	(3,050)	-	(371)
Recognized deferred tax on prior-year's tax losses	116,180	29,993	111,272	20,675
Unrecognized deferred tax on income tax and social contribution losses	9,654	(5,213)	8,471	(2,771)
Current and deferred income tax and social contribution from prior years	6,860	-	683	-
Unrecognized current income tax and social contribution of related parties	(5,094)	(144)	-	-
Income tax and social contribution in profit or loss for the year	**68,628**	22,452	**81,499**	10,168
Current	(18,893)	(11,988)	(19,465)	(5,620)
Deferred	87,521	34,440	100,963	15,788
	68,628	22,452	**81,499**	10,168
Effective tax rate	37%	89%	45%	31%

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

For this disclosure, in 2020 the Company better classified unrecognized deferred taxes from prior years and recognized deferred taxes in some line items according to the breakdown of deferred tax assets and liabilities.

								Consolidated
				12/31/2020				12/31/2019
	Basis	25%	9%	Total	Basis	25%	9%	Total
Valuation adjustments to equity	-	-	-	-	(627)	(157)	(56)	(213)
Fair value of investment property	-	-	-	-	(30,185)	(7,546)	(2,717)	(10,263)
Unshipped invoices	-	-	-	-	883	221	79	300
Other allowances, provisions and accruals	244	61	22	83	107	27	10	37
Provision for uncollectible receivables	7,580	1,895	682	2,577	6,200	1,550	558	2,108
Allowance for inventory losses	-	-	-	-	3,481	870	313	1,183
Allowance for loss – short-term investment	-	-	-	-	19,273	4,818	1,735	6,553
Allowance for loss on agreements receivable (*)	69,849	17,462	6,286	23,749	-	-	-	-
Tax provisions	-	-	-	-	7,363	1,841	663	2,504
Profit sharing	-	-	-	-	9,004	2,251	810	3,061
Agents' commission	-	-	-	-	3,153	788	284	1,072
Accrued life pension	-	-	-	-	8,892	2,223	800	3,023
Provision for civil, labor and tax risks	3,702	926	333	1,259	98,930	24,732	8,903	33,635
Provision for warranty	1,468	367	132	499	12,855	3,214	1,157	4,371
Loss on other receivables	5,114	1,279	460	1,739	-	-	-	-
Provision for INSS credit offset	-	-	-	-	389	97	35	132
On income tax and social contribution losses								
Income tax and social contribution losses	298,447	74,612	26,860	101,472	502,180	125,545	45,196	170,741
	386,404	**96,601**	**34,776**	**131,378**	**641,898**	**160,474**	**57,770**	**218,244**

(*) Allowance for risk of loss on agreement relating to the sale of operations of Taurus Máquinas in 2012.

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

13. Assets Held for Sale

Noncurrent assets or groups of noncurrent assets (including liabilities) held for sale are classified as “held for sale” if it is highly probable that they will be primarily recovered through sale instead of their continuing use.

The assets or group of assets held for sale should be measured at the lower of their carrying amount recognized until then or fair value less selling expenses, and the depreciation or amortization of these assets ceases.

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

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

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

Carrying amount reconciliation

	Consolidated	**Consolidated**
In thousands of reais	12/31/2020	12/31/2019
Buildings, land and improvements	51,390	51,390
Helmets operation – held-for-sale noncurrent assets	82,460	68,822
Total held-for-sale noncurrent assets	**133,850**	**120,212**
Helmets operation – held-for-sale liabilities	27,297	27,742
Total held-for-sale liabilities	**27,297**	**27,742**

Buildings, land and improvements.

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

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

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

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

Industrial complex, not occupied, with floor space of 18,600.00 m² in urban land and area of 29,900 m².

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

Held-for-sale asset – Helmets operation

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

The preparation of a schedule and sales efforts was the responsibility of a specialized firm, according to the proposal already accepted by the Company.

As at December 31, 2020, the group of assets and liabilities held for sale was presented as shown in the table below and comprised the following assets and liabilities:

Property, plant and equipment/Intangible assets	21,703
Inventories	19,656
Trade and other receivables	41,101
Assets held for sale	**82,460**
Trade and other payables	27,297
Liabilities held for sale	**27,297**

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

Profit or loss from transactions with assets held for sale are presented in the note on operating segments (note 6).

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

14. Investments

										Parent
	Taurus Helmets Indústria de Capacetes Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Plásticos Ltda.	Taurus Holdings, Inc.	T. Investments Co. Inc.	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-Ferramenta Ltda. (1)	12/31/2020	12/31/2019
Current assets	49,980	5,422	801	332,762	6	75,179	157,345	215		
Noncurrent assets	107,600	55,725	3,090	124,164	-	39,859	63,135	1,344		
Current liabilities	29,810	7,561	-	104,549	-	3,008	44,729	3,839		
Noncurrent liabilities	2,828	733	27	130,059	-	15,026	12,817	25,687		
Capital	73,855	9,400	6,355	1,584	57,164	53,292	211,452	293,639		
Equity	124,942	52,853	3,864	222,318	6	97,004	162,934	(27,967)		
Net revenue	86,152	-	-	1,335,713	-	5,673	13,203	-		
Profit (loss) for the year	10,615	372	34	35,202	-	3,423	6,517	(229)		
Number of shares	14	9,400	636	302,505	11,000,000	43,623,159	304,779,837	185,007,117		
Direct interest percentage (%)	0.00%	0.10%	0.01%	100.00%	100.00%	81.86%	100.00%	63.00%		
Opening balances	1	52	-	131,173	5	80,217	152,803	-	**364,251**	**444,788**
Spin-off	-	-	-	-	-	-	-	-	-	**(82,040)**
Share of profit (loss) of subsidiaries	-	**1**	-	**35,202**	-	**2,802**	**6,517**	**(144)**	**44,378**	**(5,591)**
Exchange differences arising on translating investments	-	-	-	**41,383**	**3**	-	-	-	**41,386**	**5,693**
Unrealized profit on inventories	-	-	-	**11,989**	-	-	-	-	**11,989**	**90**
Valuation adjustments to equity	-	-	-	-	-	**(3,615)**	**3,615**	-	-	-
Reclassified to provision for negative equity (1)	-	-	-	-	-	-	-	**144**	**144**	**1,311**
Closing balances	**1**	**53**	-	**219,747**	**8**	**79,404**	**162,935**	-	**462,148**	**364,251**

(1) The negative equity of subsidiary Taurus Máquinas-Ferramentas Ltda., amounting to R$144, is presented on line item “Provision for negative equity” in noncurrent liabilities.

On December 31, 2019, in line with its strategy, the Company decided to carried out a partial spin-off of subsidiary Polimetal, followed by the upstream merger with and into Taurus Armas of the spun-off portion that intended to meet internal demand, while the operations focused on third parties remained in the subsidiary.

In addition to tax benefits, the transaction increases synergy and production and administrative efficiency, improves internal controls, and cuts costs and expenses. The spun-off amount of subsidiary Polimetal merged with and into the parent company Taurus Armas was R$82,040 ad refers to 35.71% of the equity of the investee.

15. Property, Plant and Equipment

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

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

Cost includes expenditure directly attributable to the purchase of an asset. The cost of assets built by the entity itself includes costs of materials and direct labor, and any other costs for bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management, the costs of dismantling the item and restoring the site where it is located, as well as borrowing costs on qualifying assets for which the capitalization start date is January 1, 2009 or later.

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

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

Group	Useful life
Buildings	27 years
Machinery and equipment	10-20 years
Dies and tools	5 years
Furniture	10-15 years
Other components	5-6 years

Taurus Armas S.A.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

									Consolidated
Cost or deemed cost	**Land**	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Company cars**	**Other**	**Construction in progress**	**Advances to suppliers**	**Total**
Balance as at December 31, 2018	8,726	81,068	237,373	24,814	283	-	4,292	215	356,771
Additions	424	25,622	18,073	4,169	-	-	10,934	2,865	62,087
Impairment	-	-	(623)	-	-	-	-	-	(623)
Write-offs	(1,620)	(3,500)	(20,789)	(2,037)	-	-	2,389	-	(25,557)
Transfers	-	347	2,137	329	-	-	(2,813)	-	-
Effect of changes in exchange rates	57	15	2,704	404	8	-	-	-	3,188
Balance as at December 31, 2019	**7,587**	**103,552**	**238,875**	**27,679**	**291**	**-**	**14,802**	**3,080**	**395,866**
Additions	-	6,527	29,222	4,120	145	174	18,711	7,371	66,270
Write-offs	-	(350)	(18,179)	(401)	-	-	(2,243)	-	(21,173)
Transfers	3,005	4,203	(268)	(6,019)	-	-	(9,650)	-	(8,729)
Effect of changes in exchange rates	-	6,704	20,707	3,684	70	-	76	-	31,241
Balance as at December 31, 2020	**10,592**	**120,636**	**270,357**	**29,063**	**506**	**174**	**21,696**	**10,451**	**463,475**
Depreciation									
Balance as at December 31, 2018	-	(22,826)	(171,876)	(17,357)	(283)	-	-	-	(212,342)
Depreciation in the year	-	(4,023)	(13,565)	(1,387)	-	-	-	-	(18,975)
Write-offs	-	1,111	15,803	1,847	-	-	-	-	18,761
Effect of changes in exchange rates	-	(2)	(1,691)	(362)	(8)	-	-	-	(2,063)
Balance as at December 31, 2019	**-**	**(25,740)**	**(171,329)**	**(17,259)**	**(291)**	**-**	**-**	**-**	**(214,619)**
Depreciation in the year	-	(5,816)	(14,792)	(2,259)	-	(7)	-	-	(22,874)
Write-offs	-	278	14,921	814	-	-	-	-	16,013
Transfers	-	(2,232)	2,071	8,081	-	-	-	-	7,920
Effect of changes in exchange rates	-	(28)	(12,333)	(4,129)	(70)	-	-	-	(16,560)
Balance as at December 31, 2020	**-**	**(33,538)**	**(181,462)**	**(14,752)**	**(361)**	**(7)**	**-**	**-**	**(230,120)**
Carrying amount									
December 2019	7,587	77,812	67,546	10,420	-	-	14,802	3,080	181,247
December 2020	**10,592**	**87,098**	**88,895**	**14,311**	**145**	**167**	**21,696**	**10,451**	**233,355**

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

								Parent
Cost or deemed cost	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Company cars**	**Other**	**Construction in progress**	**Advances to suppliers**	**Total**
Balance as at December 31, 2018	17,306	65,784	7,618	33	-	2,398	46	93,185
Additions	924	4,616	1,391	-	-	3,622	3,034	13,587
Write-offs	(753)	(7,295)	(1,574)	-	-	597	-	(9,025)
Transfers	235	643	310	-	-	(1,188)	-	-
Merger due to business combination	26,429	92,871	1,487	19	-	9,268	-	130,074
Impairment	-	(623)	-	-	-	-	-	(623)
Balance as at December 31, 2019	**44,141**	**155,996**	**9,232**	**52**	**-**	**14,697**	**3,080**	**227,198**
Additions	5,245	23,025	3,467	-	174	10,126	7,371	49,408
Write-offs	-	(3,458)	(289)	-	-	-	-	(3,747)
Transfers	1,808	7,779	186	-	-	(9,773)	-	-
Balance as at December 31, 2020	**51,194**	**183,342**	**12,596**	**52**	**174**	**15,050**	**10,451**	**272,859**
Depreciation								
Balance as at December 31, 2018	(4,827)	(50,659)	(5,067)	(33)	-	-	-	(60,586)
Depreciation in the year	(906)	(3,090)	(565)	-	-	-	-	(4,561)
Write-offs	156	5,547	1,478	-	-	-	-	7,181
Merger due to business combination	(8,125)	(67,293)	(810)	(19)				(76,247)
Balance as at December 31, 2019	**(13,702)**	**(115,495)**	**(4,964)**	**(52)**	**-**	**-**	**-**	**(134,213)**
Depreciation in the year	(2,734)	(8,540)	(880)	-	(7)	-	-	(12,161)
Write-offs	-	3,286	235	-	-	-	-	3,521
Transfers	-	-	6	-	-	-	-	6
Balance as at December 31, 2020	**(16,436)**	**(120,749)**	**(5,603)**	**(52)**	**(7)**	**-**	**-**	**(142,847)**
Carrying amount								
December 2019	30,439	40,501	4,268	-	-	14,697	3,080	92,985
December 2020	**34,758**	**62,593**	**6,993**	**-**	**167**	**15,050**	**10,451**	**130,012**

Construction in progress
The balance of construction in progress refers to machinery and equipment still in the implementation stage and current construction works. These assets should come into operation during 2020.

Collateral
The Company uses its assets as collaterals for the funds raised with financial institutions. Even though most property, plant and equipment items are collateralized in borrowing and financing transactions, historically these collaterals have never been enforced. As at December 31, 2020, the Company uses R$38.7 million in collaterals (R$44.9 million as at December 31, 2019).

16. Intangible Assets

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

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

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

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

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

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

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

								Consolidated
	Software	**Trademarks and patents**	**Customer relationship**	**Goodwill**	**Product development**	**Intangible assets in progress**	**Other intangible assets**	**Total**
Cost								
Balance as at December 31, 2018	5,926	22,270	16,945	44,581	8,725	-	-	98,447
Acquisitions	4,300	-			1,795	-	-	6,095
Exchange gains (losses)	-	492	660	481	278	-	-	1,911
Balance as at December 31, 2019	**10,226**	**22,762**	**17,605**	**45,062**	**10,798**	**-**	**-**	**106,453**
Acquisitions	5,717	-	-	-	9	2,504	-	8,230
Transfers	4,725	-	-	-	(4,420)	6,076	2,348	8,729
Exchange gains (losses)	-	3,682	4,936	3,598	1,229	-	(692)	12,753
Balance as at December 31, 2020	**20,668**	**26,444**	**22,541**	**48,660**	**7,616**	**8,580**	**1,656**	**136,165**
Amortization								
Balance as at December 31, 2018	(3,333)	(7,388)	(11,298)	-	(649)	-	-	(22,668)
Amortization in the year	(933)	-	(1,791)	-	(676)	-	-	(3,400)
Exchange gains (losses)	-	-	(423)	-	(18)	-	-	(441)
Balance as at December 31, 2019	**(4,266)**	**(7,388)**	**(13,512)**	**-**	**(1,343)**	**-**	**-**	**(26,509)**
Amortization in the year	(1,513)	-	(2,250)	-	(501)	-	-	(4,264)
Transfers	(7,920)	-	-	-	-	-	-	(7,920)
Exchange gains (losses)	(119)	-	(3,805)	-	(235)	-	-	(4,159)
Balance as at December 31, 2020	**(13,818)**	**(7,388)**	**(19,567)**	**-**	**(2,079)**	**-**	**-**	**(42,852)**
Carrying amount								
December 2019	5,960	15,374	4,093	45,062	9,455	-	-	79,944
December 2020	**6,850**	**19,056**	**2,974**	**48,660**	**5,537**	**8,580**	**1,656**	93,313

					Parent
	Software	**Trademarks and patents**	**Product development**	**Intangible assets in progress**	**Total**
Cost					
Balance as at December 31, 2018	4,422	9,481	1,530	-	15,433
Acquisitions	4,098	-	2,125	-	6,223
Acquisition through business combination	1,486	4	333	-	1,823
Balance as at December 31, 2019	**10,006**	**9,485**	**3,988**	**-**	**23,479**
Acquisitions	5,747	-	-	2,504	8,251
Transfers	(4,004)	-	(2,072)	6,076	-
Balance as at December 31, 2020	**11,749**	**9,485**	**1,916**	**8,580**	**31,730**
Amortization					
Balance as at December 31, 2018	(2,498)	(6,840)	(40)	-	(9,378)
					-
Amortization in the year	(692)	-	(175)	-	(867)
Acquisition through business combination	(937)	-	(318)	-	(1,255)
Balance as at December 31, 2019	**(4,127)**	**(6,840)**	**(533)**	**-**	**(11,500)**
Amortization in the year	(1,388)	-	(170)	-	(1,558)
Transfers	(7)	-	1	-	(6)
Balance as at December 31, 2020	**(5,522)**	**(6,840)**	**(702)**	**-**	**(13,064)**
Carrying amount					
December 2019	5,879	2,645	3,455	-	11,979
December 2020	**6,227**	**2,645**	**1,214**	**8,580**	**18,666**

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

Impairment test of cash-generating units containing goodwill

For impairment testing purposes, goodwill is allocated to the 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	2020
Firearms	48,660

The impairment test of the CGUs referred to above is conducted annually based on the fair value, less selling expenses, which is estimated using discounted cash flows. The updated tests continue to indicate that there is no need for allowances for impairment losses on goodwill and intangible assets with indefinite useful lives as the amount exceeds the carrying amount by more than 100%.

Main assumptions used in the discounted cash flow projections

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

Cash-generating unit	WACC discount rate	Average growth rate	WACC discount rate	Average growth rate
		12/31/2020		12/31/2019
Firearms	11.90%	4.40%	14.40%	5.40%

Discount rate

The discount rate for the CGU is represented by a post-tax rate based on 20-year US Treasury Bond rate, adjusted for a risk premium that reflects the risks of investments in equity securities and the systematic risk of the related unit. The Company estimated, based on Management's experience with the assets of this CGU, the Weighted Average Cost of Capital of the industry in which this CGU operates, which was calculated based on a possible debt-to-equity ratio as at December 31, 2020 of 23.00% (20.25% as at December 31, 2019) for the Firearms CGU at the market interest rate of 5.74% (7.60% as at December 31, 2019).

Growth rate and perpetuity

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

To calculate perpetuity as at December 31, 2020, the Company used a nominal growth rate of 3.20% (3.50% as at December 31, 2019) in line with the expected long-term inflation projected by the Central Bank of Brazil (BACEN) and macroeconomic indicators released in BACEN's Focus report and in the Country Forecast report of the Economist Intelligence Unit (EIU).

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

17. Borrowings and Financing

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

							Consolidated
				12/31/2020		12/31/2019	
	Currency	Statutory interest rate	Maturity year	Contractual amount	Carrying amount	Contractual amount	Carrying amount
Borrowings and Financing							
Working capital	R$	CDI + 2.50% p.a.	2022	**18,193**	**15,066**	28,897	20,407
FINAME	R$	2.50% to 5.50% p.a.	2021	**702**	**7**	2,304	188
BNDES	R$	3.50% p.a.	2020	**-**	**-**	9,995	1,677
Receivables advances	R$	21.60% p.a.	2020	**-**	**-**	6,136	73,516
Foreign exchange advance	US$	7.0% p.a.	2022	**98,663**	**100,271**	50,198	78,196
Working capital	US$	Libor + 1.55%-3.50% p.a.	2023	**509,950**	**683,455**	646,479	652,790
				Total	**798,799**		**826,774**
				Current liabilities	**171,806**		**249,329**
				Noncurrent liabilities	**626,993**		**577,445**

							Parent
				12/31/2020		12/31/2019	
	Currency	Statutory interest rate	Maturity year	Contractual amount	Carrying amount	Contractual amount	Carrying amount
Secured bank loans							
Working capital	R$	CDI + 2.50% p.a.	2022	**18,193**	**15,066**	28,897	20,407
FINAME	R$	2.50% to 5.50% p.a.	2021	**702**	**7**	2,304	188
BNDES	R$	3.5% p.a.	2020	**-**	**-**	9,995	1,677
Receivables advances	R$	21.60% p.a.	2020	**-**	**-**	32,402	73,516
Foreign currency advances	US$	7.0% p.a.	2022	**98,663**	**100,271**	50,198	78,196
Working capital	US$	Libor + 3.50% p.a.	2022	**433,351**	**606,856**	424,162	505,473
				Total	**722,200**		**679,457**
				Current liabilities	**171,806**		**249,329**
				Noncurrent liabilities	**550,394**		**430,128**

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

Flow of future debt payments disclosed in noncurrent liabilities:

	Consolidated		Parent	
Maturity year	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
2022	**550,394**	413,710	**550,394**	413,710
2023	**76,599**	147,317	**-**	-
	626,993	561,027	**550,394**	413,710

Borrowings and financing are guaranteed by promissory notes, short-term investments, collateral assignment of machinery and equipment, mortgages on property, shares, and subsidiaries' sureties. The sureties granted by the parent company and its subsidiaries are disclosed in Note 25 - Related parties.

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

As mentioned in Note 1 (General information), in June 2020 the Company signed a waiver with the Bank Syndicate extending the debt repayment due date up to August 31, 2020.

On August 10, 2020, the parties signed the contractual amendments referring to the new terms and conditions for the discharge of the obligations assumed with the Bank Syndicate, which provide for the rescheduling of the principal repayment that would be made in June 2020, amounting approximately to R$123 million. The amount will be consistent with the Company's future cash flow and diluted over the next 31 months together with the other amounts and maturity dates already agreed in the previously agreed provisions. There was also increase of 0.50 percentage points in annual interest.

Covenants

As described in Note 1, the new debt renegotiation process with the Bank Syndicate was completed on July 18, 2018. The executed agreement, which was included in debt reprofiling process, provides for accelerated maturity in cases of noncompliance of covenants that required, among other obligations: meeting certain financial ratios, such as: net debt-to-adjusted EBITDA of 13x or lower in 2018, 8x or lower in 2019, 7x or lower in 2020, and 6x or lower beginning 2021, as well as an adjusted EBITDA-to-finance costs ratio of 0.90 or higher as at December 31, 2018 and 1.20 or higher beginning 2019.

These ratios are monitored by the Company's management as the underlying agreements require that such ratios be measured annually. As at December 31, 2020, the Company was compliant with all said covenants.

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

18. Debentures

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

Debentures	Principal in R$	Issue Date	Outstanding	Financial charges	12/31/2020	12/31/2019
3rd Issue (a)	100,000	13/06/2014	5,000	DI rate + 2.50% (2020)	**67,881**	74,919
				Total principal	**67,881**	74,919
				Current liabilities	**6,867**	13,290
				Noncurrent liabilities	**61,014**	61,629
				Total	**67,881**	74,919

Covenants

As described in Note 1, the new debt renegotiation process with the Bank Syndicate was completed in 2018. The executed agreement, which was included in debt reprofiling process, provides for accelerated maturity in cases of noncompliance of covenants that required, among other obligations: meeting certain financial ratios, such as: net debt-to-adjusted EBITDA of 13x or lower in 2018, 8x or lower in 2019, 7x or lower in 2020, and 6x or lower beginning 2021, as well as an adjusted EBITDA-to-finance costs ratio of 0.90 or higher as at December 31, 2018 and 1.20 or higher beginning 2019.

These ratios are monitored by Management and the underlying agreements require that such ratios be measured annually. As at December 31, 2020, the Company was compliant with all said covenants.

19. Other Payables

	Consolidated		Parent	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Performance bonus	**-**	12,014	**-**	-
Sales commissions	**806**	3,075	**709**	2,916
Accrued interest	**192**	788	**-**	-
Insurance and freight	**18,912**	1,138	**280**	857
Marketing	**4,639**	1,508	**-**	-
Parent and subsidiaries	**-**	-	**66,653**	72,968
Unrealized gain on government grant	**44,789**	23,111	**-**	-
Other	**4,698**	2,896	**1,071**	2,567
	74,036	44,530	**68,713**	79,308
Current	**27,145**	20,239	**2,060**	6,340
Noncurrent	**46,891**	24,291	**66,653**	72,968

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

20. Payroll and Related Taxes

	Consolidated		Parent	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Payroll	**35,910**	9,178	**11,227**	8,935
Contributions payable	**7,628**	9,696	**7,482**	1,857
Accrued vacation pay	**13,950**	11,500	**13,441**	10,955
	57,488	30,374	**32,150**	21,747

21. Taxes, Fees and Contributions

	Consolidated		Parent	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
State VAT (ICMS)	**2,258**	1,682	**2,258**	1,682
Federal VAT (IPI)	**15,520**	11,788	**15,258**	11,716
Tax on revenue (PIS)	**1,247**	90	**1,130**	(2)
Tax on revenue (COFINS)	**5,751**	411	**5,211**	(13)
Special tax – FAET (USA)	**8,860**	17,575	**-**	-
Withholding income tax (IRRF)	**4,200**	958	**4,184**	563
Income tax and social contribution	**14,274**	12,513	**7,477**	5,621
Other installment payments (*)	**39,706**	511	**39,679**	468
Other	**7,638**	7,570	**5,910**	5,829
	99,454	53,098	**81,107**	25,864
Current	68,259	52,921	49,915	25,700
Noncurrent	31,195	177	31,192	164

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

22. Provision for Civil, Labor and Tax Risks

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

The Company also holds an amount equivalent to R$164 million in ongoing lawsuits, which are classified as contingent assets and are not recognized in accounting.

For this total, R$14 million is classified as Virtually Certain, which is equivalent to provable (contingent inabilities), and in this case, considering that it refers to a contingent asset (calculation of possible Taurus claims), the estimated probable amount refers to a favorable outcome. The main lawsuits are detailed below.

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

Ordinary Suit - Eletrobrás and Federal Government (National Treasury)

Taurus filed an ordinary suit against Eletrobrás and the Federal Government claiming the adjustment for inflation of the compulsory loan to Eletrobrás. In light of the favorable court decision on this the claim, on October 20, 2014, Taurus issued a judgment enforcement order where it submitted the calculations of its claim (case no. 5076012-70.2014.4.04.7100). The case is being processed in the Federal Court of Rio Grande do Sul and totals R$9 million. After the final decision of the objection filed by Eletrobrás, the court records were corrected to allow the settlement of awarded sentence by arbitration. Because of the decision that set new settlement criteria, Taurus filed an Interlocutory Appeal, whose decision is pending. The likelihood of a favorable outcome in this lawsuit is classified as probable.

Writ of Mandamus - Federal Revenue Service Porto Alegre Commissioner

Taurus filed a writ of mandamus against the Federal Revenue Service Porto Alegre Commissioner seeking the deduction of paid prior notice, sick pay, one-third vacation bonus, maternity leave pay, and overtime amounts from the tax base of the employer's social security contribution, as provided for by Article 22, I and II, of Law 8212/91, and the social security contribution paid on behalf of outsourced contractors. Writ of Mandamus No. 5067090-11.2012.404.7100 is handled by the 14th Federal Tax Court of Porto Alegre and the amount involved is R$2.5 million. The claim was partially granted, allowing for the possibility of offsetting the social security contributions amounts already paid and the social security contributions paid for contractors levied on paid prior notice amounts. The Defendant filed an interlocutory appeal, which currently pending a decision. The likelihood of a favorable outcome in this lawsuit is classified as probable.

The Company, based on information from its legal advisors and analysis of pending lawsuits, set up a provision for losses on lawsuits in an amount considered sufficient to cover estimated losses, as shown below:

				Consolidated
			12/31/2020	**12/31/2019**
	Provision	**Escrow deposit (1)**	**Net**	**Net**
Labor	51,922	(13,465)	38,457	42,643
Civil	19,269	(798)	18,471	31,761
Tax	29,304	(278)	29,026	27,411
	100,495	**(14,541)**	**85,954**	101,815
Classified in current liabilities	40,983			
Classified in noncurrent liabilities	59,512			

(1) Recognized in other noncurrent assets,

				Parent
			12/31/2020	**12/31/2019**
	Provision	**Escrow deposit (1)**	**Net**	**Net**
Labor	47,705	(12,056)	35,649	37,618
Civil	15,466	(798)	14,668	28,490
Tax	27,910	(278)	27,632	27,411
	91,081	**(13,132)**	**77,949**	93,519
Classified in current liabilities	34,823			
Classified in noncurrent liabilities	56,257			

(1) Recognized in other noncurrent assets,

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

Variations in the provision:

			Consolidated
	Civil and labor	Tax	Total
Balance as at December 31, 2019	88,420	27,689	116,109
Provisions recognized during the year	15,491	1,615	17,106
Provisions used during the year	(15,264)	-	(15,264)
Derecognition of provision	(17,456)	-	(17,456)
Balance as at December 31, 2020	**71,191**	**29,304**	**100,495**

			Parent
	Civil and labor	Tax	Total
Balance as at December 31, 2019	78,930	27,689	106,619
Provisions recognized during the year	11,934	-	11,934
Provisions used during the year	(14,865)	221	(14,644)
Derecognition of provision	(12,828)	-	(12,828)
Balance as at December 31, 2020	**63,171**	**27,910**	**91,081**

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

	Consolidated				Parent			
	12/31/2020		12/31/2019		12/31/2020		12/31/2019	
	Possible	Remote	Possible	Remote	Possible	Remote	Possible	Remote
Tax	52,667	-	58,429	-	50,900	-	29,456	-
Civil	130,702	6,817	96,843	273	126,702	6,782	83,683	237
Labor	44,367	37,972	40,077	41,911	18,958	35,001	12,859	29,760
	227,736	44,789	195,349	42,184	196,560	41,783	126,001	29,997

a) **Labor lawsuits**

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

b) **Civil lawsuits**

Except for the civil lawsuits listed below, no other civil lawsuit refers to individually significant amounts and the discussions mainly involve individual lawsuits related to the Company's civil liability for the products it manufactures and sells, and these other lawsuits classified as possible risk of loss total R$35.2 million for consolidated purposes.

Public Civil Action – State of Goiás

The State of Goiás has filed a public civil action with motion for injunction against the Company, which is in progress before the 4th Court of the Goiânia Public Revenue Service, relating to 704 PT 24/7 PRO DS pistols supplied by the Company to the Civil Police of the Goiás State in 2015. In summary, they claim an alleged defect in the products. Therefore, the State of Goiás requires the granting of urgent relief for the immediate replacement of the 704 PT 24/7 PRO DS pistols for 704 TH40C (compact) .40 pistols and; in the merits of the case, it requires the ratification of the relief and that Taurus be sentenced to pay (i) statutory late payment interest on the amount paid for the acquisition of the pistols, adjusted by the IPCA-E from March 1, 2017 up to the effective replacement date which, according to the plaintiff, totals R$622,631.21 (adjusted up to May 2020); (ii) indemnity for material damages borne by the State on the payment of functional rights to the victims under sick leave from public service due to alleged accidental/involuntary firing; (iii) refund of expenses on training for the use of the PT 24/7 PRO DS pistol by the Civil Police of the Goiás State; (v) indemnification for damages arising from the hours that the State would have spent on negotiations with Taurus; and (v) indemnity for collective pain and suffering.

On August 9, 2020, a decision was handed down granting the injunction requested by the State of Goiás, determining that the Company should deliver 704 new TH 40C pistols, under penalty of daily fine. In a bill of review filed by Taurus, the Court of Justice of the State of Goiás has granted stay effects and the injunction will have no immediate effects. On September 10, 2020, the State of Goiás filed counterarguments to the bill of review. The Judge confirmed the termination of the lawsuit at the request of both parties.

In the opinion of its legal counsel, this action was classified with a possible likelihood of loss and its adjusted amount Is R$2.3 million.

Even though the legal counsel assesses the likelihood of an unfavorable outcome is this lawsuit as a possible, the Company has been considering the possibility of a settlement between the parties.

Public Civil Action - Attorney General of Sergipe for the Federal Public Prosecutor's Office

The Company became aware of the filing by the Attorney General of Sergipe for the Federal Public Prosecutor's Office of a Civil Class Action against Taurus and also against the Federal Government (Brazilian Army), before the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe. The requests are related to alleged defects in a few models of firearms produced by Taurus. In the Civil Class Action, the Federal Public Prosecutor's Office pleads that i) Taurus be prevented from selling some models of firearms in Brazil; ii) Taurus makes a national recall for replacement and/or indemnity according to the market value of these models of firearms and iii) the Federal Government be prohibited from applying the restriction of import of models that have local similar products, under penalty of daily fine of R$10. Finally, the Federal Public Prosecutor's Office pleads i) the conviction of the Federal Government to the obligation to modify R-105 or to issue a new substitutive regulation that does not create regime of monopoly of sales of firearms in Brazil, which adversely affects the free competition; ii) the conviction of Taurus to the obligation to make a national recall within 20 days, for the repair, replacement and/or indemnity according to the market value of these models of firearm; (iii) the conviction of the Federal Government and Taurus to the payment of collective pain and suffering in amount to be defined by the judge, not below R$40 million. In preliminary injunction, in a decision handed down in July 2017, the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe determined the obligation by Taurus to submit a detailed plan of recall of the supposedly defective models of firearms within 90 days. The preliminary injunctions for suspension of the sale of the models allegedly defective and prohibition of restriction of import of firearms by the Federal Government were rejected by the Judge. In the judgment of the bill of review filed by Taurus, in November 2017, the Federal Court of the 5th Region suspended the effectiveness of the decision granted by the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe, with respect to the part that establishes the submission, by Taurus, of a plan of recall within ninety (90) days. Currently, the lawsuit is in its evidence submission stage. In the opinion of Taurus' legal counsel, this class action is classified with a possible likelihood of loss and its adjusted amount is R$64.3 million.

Civil Class Action – Public Prosecutor's Office of the Federal District and Territories
The Public Prosecutor's Office of the Federal District ("MPDFT") filed a Civil Class Action with motion for injunction against the Company due to alleged supply to the Civil Police of the Federal District of pistols that had not met the contractual specifications. Through this action, it requires that Taurus should be convicted to indemnify for material damages caused, temporary suspension of the Company to bid and contract with the Public Administration for a period of two years, as well as to pay for collective pain and suffering in the amount of R$10 million. Based on the injunction, it required the freezing of the claimed amounts in the Company's bank accounts.

The Judge of the 8th Civil Court of Brasília rejected the motion for injunction of freezing of the Company's bank accounts in the absence of evidence as to the alleged need of immediate freezing of the amounts claimed in the lawsuit. The MPDFT filed bill of review, received by the Federal Regional Court of the 1st Region without stay effect and, on this date, awaits judgment.

After the filing of Taurus's objection, the Judge accepted the request of qualification of the Federal District as co-plaintiff of the MPDFT and determined the forwarding of the lawsuit to one of the Public Treasury Courts of the Federal District, since it considers itself unqualified to judge the action. Lawsuit is now in the 1st Court of the Federal District's Public Revenue Service and closing arguments are being presented by the parties.

On July 7, 2020, the court awarded a ruling that considered the claim groundless and issued a final decision on the case merits. According to the judge's ruling, the supplied pistols are within the domestic firearms manufacturing control standards and there is no evidence of noncompliance with the contract by the Company.

This decision was appealed by the Federal District and the Public Prosecutor's Office of the Federal District, for which Taurus has filed counterarguments. The appeal awaits judgment. The Company believes that the likelihood of loss in this lawsuit is possible and its adjusted amount is R$12.7 million.

Administrative Proceeding and Lawsuit – PMESP
The Company was summoned to present defense in an administrative proceeding filed by the São Paulo State Military Police ("PMESP") (Sanctioning Proceeding CSMAM-002/30/16) which challenges the possibility or not of partial or full noncompliance with the agreement for acquisition and supply of ninety-eight thousand, four hundred and sixty-five (98,465) firearms, pistol type, models 24/7 and 640, between 2007 and 2011. On May 18, 2020, a decision was issued imposing a R$12.7 million fine on Taurus, as well as a penalty suspending the Company from bidding and signing any contract with the São Paulo State Public Administration during two (2) years. It is worth clarifying that this is an administrative decision, with no immediate effects, due to the stay effect granted on the appeal filed by the Company.

According to the Company's legal counsel's assessment, the likelihood of the above sentences being confirmed is considered possible and therefore no provision is recognized.

In any case, the declaration of suspension of the right to sign any contract with the State administration, if confirmed, should be restricted to this plaintiff's State (São Paulo), not affecting contracts with other states.

Finally, it should be noted that the Company has not made any sales to the São Paulo State Government in the past three years, which is why the Company believes that such decision will not have a direct impact on its revenue.

On December 19, 2017, the Company received court subpoena in a lawsuit where the State of São Paulo requires the termination of the supply contract of 5,931 submachine guns, model SMT-40, entered into in 2011 with the São Paulo State Military Police and the return of the amount paid at the time, totaling R$21.7 million, plus inflation adjustment and other legal fees. The Company has filed its defense in the lawsuit and, the case record is being currently submitted to the examination by the Federal Treasury, after the opinion issued by the Public Prosecutor's Office.

In the opinion of its legal counsel, this action was classified with a possible likelihood of loss, estimated at R$13.4 million.

c) Tax lawsuits:

Except for the tax lawsuit listed below, no other lawsuit refers to individually significant amounts and/or is still in its administrative stage. These other lawsuits classified with possible likelihood of loss total R$41.6 million.

Tax collection lawsuit - Municipality of São Leopoldo

The Municipality of São Leopoldo has filed for tax collection lawsuit seeking to collect the credit registered as an tax executable debt under No. 2016/1997, relating to the collection of Service Tax (ISS) for the assessment period January 2012-December 2014. The tax collection lawsuit is being processed at the 4th Civil Court of the São Leopoldo (RS) Court District, under Case No. 033/1.16.0014529-9, and the disputed amount is R$17.4 million. The lawsuit is pending judgment of the objection to the tax collection filed by the Company. The likelihood of loss in this lawsuit is possible.

d) Other lawsuits

Djibouti

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

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

23. Financial Instruments

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

a) Fair value *versus* carrying amount

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

				Consolidated
		12/31/2020		**12/31/2019**
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Liabilities measured at amortized cost				
Borrowings and financing	**698,528**	**707,936**	675,062	673,466
Debentures	**67,881**	**69,378**	74,919	74,919
Foreign currency advances	**100,271**	**100,271**	78,196	78,196
	866,680	**877,585**	828,177	826,581

				Parent
		12/31/2020		**12/31/2019**
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Liabilities measured at amortized cost				
Borrowings and financing	**621,929**	**631,446**	527,745	531,095
Debentures	**67,881**	**69,378**	74,919	74,919
Foreign currency advances	**100,271**	**100,271**	78,196	78,196
	790,081	**801,095**	680,860	684,210

In light of the short-term cycle, it is assumed that the fair value of cash trade receivables, trade payables, other payables, and advances of receivables approximates their carrying amounts.

The fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted using a market interest rate determined at the reporting date.

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

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

24. Related Parties

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

	Outstanding balances of subsidiaries with the parent							Effect on the result of transactions of subsidiaries with the parent	
	Current assets (ii)	Noncurrent assets (iii)	Total assets	Current liabilities (i)	Noncurrent liabilities		Total liabilities	Revenue (v)	Expense (v)
December 31, 2019									
Taurus Helmets Indústria de Capacetes Ltda.	479	-	479	1,432	17,148	(iv)	18,580	-	648
Taurus Blindagens Nordeste Ltda.	33	-	33	819	44,999	(iv)	45,818	-	1,354
Taurus Holdings, Inc.	20,815	-	20,815	41,936	6,492		48,428	455,365	10,491
Taurus Investimentos Imobiliários Ltda.	114	-	114	9,312	8,874	(iv)	18,186	-	2,153
Taurus Máquinas-Ferramenta Ltda.	-	21,728	21,728	10	-		10	1,168	-
Taurus Plásticos Ltda.	47	-	47	22	1,947		1,969	-	-
Polimetal Metalurgia e Plásticos Ltda.	-	-	-	-	-		-	311	185,064
	21,488	21,728	43,216	53,531	79,460		132,991	456,844	199,710
December 31, 2020									
Taurus Helmets Indústria de Capacetes Ltda.	**-**	**-**	**-**	**92**	**14,817**	(iv)	**14,909**	**-**	**397**
Taurus Blindagens Nordeste Ltda.	**-**	**-**	**-**	**789**	**45,704**	(iv)	**46,493**	**-**	**1,229**
Taurus Holdings, Inc.	**692**	**-**	**692**	**19,395**	**18,435**		**37,830**	**692,657**	**6,561**
Taurus Investimentos Imobiliários Ltda.	**-**	**-**	**-**	**11,306**	**4,536**	(iv)	**15,842**	**-**	**3,972**
Taurus Máquinas-Ferramenta Ltda.	**-**	**24,082**	**24,082**	**-**	**-**		**-**	**610**	**-**
Taurus Plásticos Ltda.	**-**	**-**	**-**	**-**	**1,597**	(iv)	**1,597**	**1,568**	**53**
Polimetal Metalurgia e Plásticos Ltda.	**-**	**5,579**	**5,579**	**80**	**-**		**80**	**2,588**	**-**
	692	**29,661**	**30,353**	**31,662**	**85,089**		**116,751**	**697,423**	**12,212**

(i) Refers to amounts recorded in line items trade payables - R$8,941 and other payables - R$22,721;
(ii) Refers to amounts recorded in line items trade receivables - R$692;
(iii) Refers to amounts recognized in line items intragroup loans - R$29,661 from parent company Taurus Armas S.A. which are adjusted at 100% of CDI (Interbank Deposit Certificate) rate;
(iv) Represent intragroup loans totaling R$66,654 from subsidiaries Taurus Helmets de Capacetes Ltda., Taurus Blindagens Nordeste Ltda., Taurus Investimentos Imobiliários Ltda., and Taurus Plásticos Ltda. which are adjusted at 100% of CDI (Interbank Deposit Certificate) rate;
(v) Comparative balance with December 31, 2019.

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

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

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

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

As at December 31, 2020, transactions involving Taurus Armas S.A. and CBC (indirect parent company) refer mainly to sales of firearms for sale and purchase of ammunition. The amount of these transactions is shown below:

	Current assets	Current liabilities	Revenue	Expenses
Companhia Brasileira de Cartuchos	**1,090**	**20,777**	**13,344**	**36,095**
CBC Brasil Comércio e Distribuição	**164,298**	**-**	**414,885**	**-**
	165,388	**20,777**	**428,229**	**36,095**

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

	Consolidated		Parent	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Statutory officer's compensation and benefits	**18,307**	4,319	**18,307**	4,319
Directors' compensation and benefits	**591**	152	**591**	152
Supervisory Board members' compensation and benefits	**244**	360	**244**	360
	19,142	4,831	**19,142**	4,831

The Company does not have compensation benefit policies for key management personnel that could be characterized as: postemployment benefits, termination benefits, share-based compensation, or other long-term benefits.

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

Sureties between related parties
Borrowings and financing in the form of debentures, PPEs (export prepayments) owed to KG Banco Itaú and ACCs (advances on exchange contracts) owed to Banco Pine are covered by a set of joint collaterals, consisting of sureties granted by Taurus Helmets, Taurus Blindagens, the collateral assignment of shares, the collateral assignment of receivables, mortgages on properties, and shares of Taurus International held by Taurus Armas S.A. The guaranteed debt totals R$790,081 (R$680,860 at December 31, 2019) to Taurus Armas S.A.
Subsidiary Taurus International has an overdraft account with a US banking institution, Wells Fargo, on which there is an additional guaranteed consisting of a surety granted by its parent Taurus Armas S.A.

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

25. Discontinued Operations

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

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

The classification as a discontinued operation is made at the earlier of its disposal or when the operation meets the criteria to be classified as held for sale.

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

In March 2018, the Board of Directors unanimously authorized the offering of the helmets business, consisting of the companies Taurus Helmets Indústria de Capacetes Ltda. and Taurus Blindagens Nordeste Ltda., to the market.

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

(a) Profit (loss) from discontinued operations, net

	12/31/2020	**12/31/2019**
Net sales revenue	86,152	82,488
Foreign revenue	86,152	82,488
Finance costs, net	(77,481)	(83,388)
Foreign expenses	(77,481)	(83,388)
Profit (loss) from operating activities	8,671	(900)
Taxes on income	1,613	(3,305)
Profit (loss) before income tax and social contribution	**10,284**	**(4,205)**
Basic earnings (loss) per share (in R$)	**0.139246**	**(0.056936)**

Profit (loss) from discontinued operations as at December 31, 2020 is R$10,2 million (-R$4,2 million as at December 31, 2019) and is fully attributed to owners of the Company.

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

(b) Cash flows generated by discontinued operations

	12/31/2020	12/31/2019
Net cash generated by operating activities	**11,332**	4,411
Net cash generated by investing activities	**(2,065)**	(2,294)
Net cash used in financing activities	**(8,860)**	(1,326)
Net cash generated by discontinued operations	**407**	791

26. Equity

a) Capital

As at December 31, 2020, the Company's issued capital is R$560,287 thousand (R$520,259 thousand as at December 31, 2019), represented by 96,129,483 book-entry, registered shares, divided into 46,445,314 common shares and 49,684,169 preferred shares, without par value.

On October 5, 2018, the Company issued four series of subscription warrants, where each warrant may be converted into one (1) share, as follows: (i) 25 million in series A, (ii) 20 million in series B, (iii) 20 million in series C, and (iv) 9 million in series D. Subscription fixed prices are R$4.00, R$5.00, R$6.00, and R$7.00, respectively.

In the year ended December 31, 2019, the warrants exercised were automatically converted into capital, in an amount equivalent to R$55 million, which was ratified by the Company's Board of Directors' Meeting.

In the year ended December 31, 2020, the warrants exercised were automatically converted into capital, in an amount equivalent to R$40 million, which was ratified by the Company's Board of Directors' Meeting.

Preferred shares

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

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

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

Authorized shares (in thousands of shares):

	12/31/2020	12/31/2019
Common shares	51,851	51,851
Preferred shares	103,702	103,702
	155,553	155,553

Issued, fully paid-in shares:

	Common		**Preferred**	
	In thousands	**Amount in R$ thousands**	**In thousands**	**Amount in R$ thousands**
As at December 31, 2019 Common: R$5.11; Preferred: R$5.99*	46,445	237,334	42,019	251,694
As at December 31, 2020 Common: R$15.87; Preferred: R$15.50*	**46,445**	737,082	**49,684**	770,102

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

b) Valuation adjustments to equity

Deemed cost

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

Fair value of investment properties

As described in note 13, in 2016 the Company recognized the fair value of its investment property, pursuant to the Brazilian accounting policies (BR GAAP) and IFRSs. The investment property at fair value is initially recognized in equity. After initial recognition, the fair value should be reviewed annually and changes in fair value are recognized directly in profit or loss for the year.

Cumulative translation adjustments

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

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

c) Earnings (loss) per share

	Parent and consolidated	
Basic numerator	**2020**	**2019**
Profit from continuing operations		
Common	122,392	25,007
Preferred	130,927	22,624
	253,319	47,631
Profit (loss) from discontinued operations		
Common	4,969	(2,208)
Preferred	5,315	(1,997)
	10,284	(4,205)
Profit for the year		
Common	127,361	22,799
Preferred	136,242	20,627
	263,603	43,426
Basic denominator – Weighted average number of outstanding shares (no. of shares)		
Common	46,445,314	46,445,314
Preferred	42,200,378	38,017,377
	88,645,692	84,462,691
Basic earnings per share from continuing operations (R$ per share)		
Common	2.63519	0.53842
Preferred	3.10251	0.59510
Basic earnings (loss) per share from discontinued operations (R$ per share)		
Common	0.10699	(0.04754)
Preferred	0.12595	(0.05253)
Basic earnings per share (R$ per share)		
Common	2.74218	0.49088
Preferred	3.22846	0.54257

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

	Parent and consolidated	
Diluted numerator	**2020**	**2019**
Profit from continuing operations		
Common	122,392	25,007
Preferred	130,927	22,624
	253,319	47,631
Profit (loss) from discontinued operations		
Common	4,969	(2,208)
Preferred	5,315	(1,997)
	10,284	(4,205)
Profit for the year		
Common	127,361	22,799
Preferred	136,242	20,627
	263,603	43,426
Diluted denominator – Weighted average number of outstanding shares (no. of shares)		
Common	46,445,314	46,445,314
Preferred	42,200,378	38,017,377
	88,645,692	84,462,691
Potential increase in the number of shares from the exercise of warrants		
Common	-	-
Preferred	4,932,787	-
	4,932,787	-
Diluted earnings per share from continuing operations (R$ per share)		
Common	2.63519	0.53842
Preferred	2.77781	0.59510
Diluted earnings (loss) per share from discontinued operations (R$ per share)		
Common	0.10699	(0.04754)
Preferred	0.11277	(0.05253)
Diluted earnings per share (R$ per share)		
Common	2.74218	0.49088
Preferred	2.89058	0.54257

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

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

27. Net Operating Revenue

Pursuant to CPC 47/IFRS 15, revenue is recognized when control of the goods is transferred to the customer.

Pursuant to CPC 47/IFRS 15, revenue for contracts with customers is recognized to the extent that it is probable that there will be no significant reversal in the accumulated revenue amount. As a result, for contracts where the Company is unable to make a reasonable estimate of the returns, revenue is expected to be recognized after the elapse of the return period. A liability for reimbursement and an asset for recovery will be recognized for these contracts and stated separately on the balance sheet.

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

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

		Consolidated		**Parent**
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Sales of goods	**2,204,556**	1,249,604	**1,416,537**	882,429
Provision of services	**31**	4	**31**	4
Total gross revenue	**2,204,587**	1,249,608	**1,416,568**	882,433
Sales taxes	**(427,986)**	(241,822)	**(295,391)**	(166,571)
Returns and discounts	**(3,413)**	(8,205)	**(2,471)**	(7,420)
Total operating revenue, net	**1,773,188**	**999,581**	**1,118,706**	**708,442**

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

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

28. Expenses by nature

	Consolidated		Parent	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Expenses by function				
Cost of sales	**(1,017,849)**	(658,952)	**(581,582)**	(475,827)
Selling expenses	**(148,826)**	(122,667)	**(65,353)**	(58,830)
Allowance for impairment of financial instruments	**2,302**	(2,664)	**4,156**	(2,191)
General and administrative expenses	**(182,177)**	(142,220)	**(107,403)**	(69,228)
Other operating expenses	**(4,273)**	(18,615)	**(7,515)**	(18,392)
	(1,350,823)	**(945,118)**	**(757,697)**	**(624,468)**
Expenses by nature	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Depreciation and amortization	(27,138)	(22,379)	(13,719)	(5,428)
Personnel expenses	(322,618)	(298,065)	(206,988)	(103,228)
Tax expenses	(7,921)	(12,684)	(2,442)	(7,243)
Raw material and supplies and consumables	(637,614)	(324,598)	(332,766)	(391,564)
Auxiliary materials and upkeep and maintenance supplies	(71,965)	(47,279)	(69,784)	(6,948)
Freight and insurance	(95,190)	(47,023)	(45,857)	(30,985)
Outside services	(46,171)	(46,159)	(37,976)	(27,767)
Advertising and publicity	(27,336)	(22,929)	(4,439)	(6,509)
Expenses on product warranty	(5,222)	(2,824)	(6,281)	(3,570)
Water and power	(28,525)	(10,765)	(10,085)	(1,064)
Travel and accommodation	(4,430)	(13,949)	(2,263)	(4,950)
Expenses on commissions	(29,803)	(24,740)	(4,106)	(8,738)
Cost of property, plant and equipment written off	(5,160)	(6,796)	(226)	(1,844)
Provision for civil, labor and tax risks	(10,065)	(11,797)	(9,355)	(10,318)
Rentals	(3,386)	(4,634)	(5,506)	(1,972)
Other expenses	(28,282)	(48,495)	(5,905)	(12,339)
	(1,350,823)	**(945,118)**	**(757,697)**	**(624,468)**

29. Finance income (costs), net

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

	Consolidated		Parent	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Finance income				
Interest	**1,286**	26,092	**2,084**	24,601
Foreign exchange gains	**248,980**	10,014	**246,008**	9,767
Other income	**148**	353	**143**	128
	250,414	36,459	**248,235**	34,496
Finance costs				
Interest and fines	**(53,707)**	(45,418)	**(51,880)**	(52,215)
Foreign exchange losses	**(436,509)**	(52,535)	**(433,608)**	(52,444)
Tax on financial transactions (IOF)	**-**	(203)	**-**	(164)
Other costs	**(9,830)**	(18,788)	**(9,660)**	(18,657)
	(500,046)	(116,944)	**(495,148)**	(123,480)
Finance income (costs), net	**(249,632)**	(80,485)	**(246,913)**	(88,984)

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

30. Insurance

The Company has the policy of insuring risk-exposed assets to cover probable losses, in light of the nature of its business. The adequacy of insurance coverage is determined by the Company's Management, which considers it sufficient to cover probable losses.

As at December 31, 2020, insurance coverage for the Company was as follows:

		12/31/2020
	Consolidated	**Parent**
Property damages	755,935	150,000
Civil liability	302,637	15,000
Loss of profits	335,674	335,674

31. Provision for Product Warranty

The Company quantifies and recognizes an estimate for the warranty-related costs, according to history of and current repair costs. The provision for product warranty ensures that the repair costs in case of replacement or repair do not affect the results of operations for the periods in which these additional costs were incurred. Therefore, amounts are recognized on an accrual basis. As at December 31, 2020 and 2019, the balances are as follows.

		Consolidated		**Parent**
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Domestic market	**10,624**	14,560	**9,158**	13,092
Foreign market	**10,496**	9,104	**-**	-
Total	**21,120**	**23,664**	**9,158**	**13,092**
Current liabilities	**14,551**	18,105	**9,158**	13,092
Noncurrent liabilities	**6,569**	5,559	**-**	-

32. Events After the Reporting Period

32.1 IMBEL Memorandum of Understanding (MoU)

On February 02, 2021, the Company signed a non-binding Memorandum of Understanding (MoU) with IMBEL - Empresa Estratégica de Defesa (EED) under which the parties agree to work together to set the technical and commercial bases for entering into possible agreements in the future.
The purpose of the Memorandum of Understanding (MoU) is to set between the parties the initial technical and commercial bases for the execution of possible specific agreements, which will establish the operational terms and conditions for possibly hiring tool manufacturing services (TMS) IMBEL® products, as well as other services in their portfolio, the implementation and operation, jointly or separately, of an Accreditation and Certification Agency; research, development and production of new products; and also the joint sale of products and services from both companies.
The initial term of the signed MoU will be five (5) years, and it can be extended successively for equal periods, as long as there is an express written agreement to do so, which must be formalized by a contractual amendment.

32.2 Helmet operation

The Company continues to assess the proposals received so far for the sale of the helmet operation to ensure it receives adequate return on the actual value of the business, and will make decisions regarding this operation during the first quarter of 2021.

Deloitte Touche Tohmatsu
Av. Carlos Gomes, 222 –
2º andar - Boa Vista -
90480-000 - Porto Alegre - RS
Brasil

Tel.: + 55 (51) 3327-8800
Fax: + 55 (51) 3328-3031
www.deloitte.com.br

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

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

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

Opinion

We have audited the accompanying individual and consolidated financial statements of Taurus Armas S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2020, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Taurus Armas S.A. as at December 31, 2020, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

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

Realization of deferred tax assets

Why it is a KAM	How the matter was addressed in our audit
As disclosed in note 12 to the individual and consolidated financial statements, the Company present net assets related to deferred income tax and social contribution in the amounts of R$166,291 thousand and R$178,289 thousand (Parent and consolidated, respectively), which were recognized based on a study prepared by the Company's and its subsidiaries' Management and approved by the Board of Directors, related to the probable amount of taxable income that will be available in the future against which these assets can be utilized. The future taxable income estimate has been prepared based on the business plan and budgets prepared and approved by the Company's Management and with the support of external specialists hired by the Company and its subsidiaries. As the Company's Management uses assumptions based on its market strategies, the macroeconomic scenario, present and past performance and the expected growth of operations in preparing future taxable income estimate, and due to the uncertainties inherent to these assumptions that impact the estimate, we considered this a key audit matter in our audit.	Our audit procedures to address such key audit matter included, amongst others: (a) Understanding and assessing relevant internal controls related to the approval of the study prepared by the Company's Management; (b) Assessing the criteria and assumptions and their consistency with historical data and available market information; (c) Assessing the mathematical accuracy of the estimate and the reasonableness of the main components in accordance with the prevailing tax laws, with the involvement of our income tax and social contribution specialists; (d) Assessing whether the Company's estimate indicated, for the portion of deferred tax assets recognized, the existence of sufficient future taxable income against which these assets can be utilized, and also assessing the appropriateness of the disclosures included in the notes to the financial statements. Based on the result of the audit procedures performed, we understand that the criteria adopted by the Company's Management for the recognition of deferred tax assets, as well as the related disclosures in the notes to the financial statements, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Assets held for sale

Why it is a KAM	How the matter was addressed in our audit
As disclosed in note 13 to the individual and consolidated financial statements, the Company has assets held for sale consisting of a property located in the City of Porto Alegre, whose fair value was determined by external real estate appraisers (Management’s specialist), and the helmet operations, represented by Taurus Helmets Indústria de Capacetes Ltda. and Taurus Blindagens Nordeste Ltda. This matter was considered a key audit matter due to the significance of the amounts and judgments involved in the maintenance of the classification as held for sale and the potential effects on the measurement and disclosure in the Company’s individual and consolidated financial statements.	Our audit procedures on the assets held for sale to address such key audit matter included, amongst others: (a) Assessing the classification criteria of the assets held for sale; (b) Holding discussions with Management about its understanding of the consummation of the sale of such assets, as well inspecting evidences supporting their maintenance as held for sale. (c) Assessing Management specialist’s skills, abilities and objectivity, obtaining an understanding of the specialist's work and assessing the appropriateness of the work of such specialist as audit evidence; (d) Assessing the disclosures made by Management in the individual and consolidated financial statements. As a result of the performance of these procedures, misstatements related to the measurement and disclosure of noncurrent assets held for sale were identified, which were not recognized by the Company’s Management as they were considered immaterial, in accordance with applicable standards. Based on the audit procedures described above and the audit evidence obtained, we understand that the criteria adopted by Management for the recognition of assets held for sale, as well as the measurement of the amounts recognized and related disclosures, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Allowance for impairment

Why it is a KAM	How the matter was addressed in our audit
As disclosed in notes 15 and 16 to the individual and consolidated financial statements, the Company annually tests assets for impairment, including goodwill in the amount of R$48,660 thousand. The assessment and subsequent requirement or not for recognition of an allowance for impairment are supported by the determination of the value in use, based on future cash flow projections discounted at present value, which take into consideration the local and global economic scenarios and the business plans and budgets prepared by the Company's Management and approved by the Board of Directors. This matter was considered a key audit matter since: (i) the goodwill amounts recognized are considered material for the audit; (ii) the determination of future cash flows discounted at present value involves the definition of discount rates and sales assumptions for the projection period and at perpetuity and require a high level of judgment by the Company's Management; and (iii) there was significant interaction with the Company's Management in assessing the matter.	Our audit procedures to address such key audit matter included, amongst others: (a) Assessing the design and implementation of significant internal controls on the asset impairment test; (b) Assessing the reasonableness of the determination of the Company's and its subsidiaries' cash-generating units; (c) Involving our financial valuation specialists to assist us in assessing the adequacy of the model to measure the value in use (discounted future cash flows), its mathematical accuracy and the reasonableness of the macroeconomic assumptions and the discount rate used. (d) Assessing the disclosures made by Management in the individual and consolidated financial statements. Based on the audit procedures performed and the audit evidence obtained, we understand that the Company's assessment of the value in use, as well as the related disclosures, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Going concern

Why it is a KAM	How the matter was addressed in our audit
As disclosed in note 1 to the individual and consolidated financial statements, in 2018 the Company's Management completed the process for renegotiation of debts with the Bank Syndicate and of its third issue of public Debentures as part of its economic and financial restructuring plans, and in 2020 new amendments to the agreements were signed relating to the new terms and conditions for the payment of these debts, which contemplate the rescheduling of the payment of the principal. The Company presented negative equity in the year ended December 31, 2019 and prior years. In this regard, the Company's Management has prepared, with the support of an external consultant, a study on the Company's financial condition that supported its conclusion for the preparation of financial statements based on the assumption that the Company will continue as a going concern, as described in note 2.1 to the individual and consolidated financial statements. This matter was considered a key audit matter due to the significance of the judgments exercised by Management in the definition of the assumptions used in the study, which included the future cash flow projection.	Our audit procedures to address such key audit matter included, amongst others: (a) Understanding and assessing the study prepared by the Company's Management which supported its conclusion for the preparation of the individual and consolidated financial statements based on the assumption that the Company will continue as a going concern; (b) Assessing the assumptions and projections used in the study prepared by the Company's Management; and (c) Assessing the contradictory evidence affecting the study prepared by the Company. Based on the result of the audit procedures performed, we understand that the study prepared by the Company's Management, as well as the main assumptions used and the related disclosure in note 2.1, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2020, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company's individual and consolidated financial statements. In forming our opinion, we assess whether these statements are reconciled with the other financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Audit of the individual and consolidated financial statements for the year ended December 31, 2019

The individual and consolidated financial statements for the year ended December 31, 2019 were audited by another auditor, who issued a report dated March 26, 2020 containing an unmodified opinion on these financial statements.

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

Management is responsible for the other information. The other information comprises the Management Report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Porto Alegre, March 17, 2021

DELOITTE TOUCHE TOHMATSU Auditores Independentes	Jonas Dal Ponte Engagement Partner

STATEMENT OF THE EXECUTIVE COMMITTEE OF TAURUS ARMAS S.A. ON THE FINANCIAL STATEMENTS FOR THE DECEMBER 31, DE 2020

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, Eduardo Minghelli, Ricardo Machado, and Leonardo Brum Sesti, Officers of Taurus Armas S.A., a company with registered head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled with Corporate Taxpayer Identification (CNPJ/MF) under No. 92.781.335/0001-02, in compliance with provisions of Article 25, V and VI, of CVM Instruction 480, of December 7, 2009, hereby declare that they have reviewed, discussed and agreed with the Financial Statements of Taurus Armas S.A. and consolidated companies for the period from January 1, 2020 to 31 December 31, 2020.

São Leopoldo, March 17, 2021.

Salesio Nuhs
Chief Executive Officer

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

Eduardo Minghelli
Executive Officer without specific designation

Ricardo Machado
Executive Officer without specific designation

Leonardo Brum Sesti
Executive Officer without specific designation

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

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, Eduardo Minghelli, Ricardo Machado, and Leonardo Brum Sesti, Officers of Taurus Armas S.A., a company with registered head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled with Corporate Taxpayer Identification (CNPJ/MF) under No. 92.781.335/0001-02, in compliance with provisions of Article 25, V and VI, of CVM Instruction 480, of December 7, 2009, hereby declare that they have reviewed, discussed and agreed with the opinions expressed by Deloitte Touche Tohmatsu Auditores Independentes, in its Independent Auditor's Review Report on the Financial Statements for the period from January 1, 2020 to Dezember 31, 2020, issued on March 17, 2021.

São Leopoldo, March 17, 2021.

Salesio Nuhs
Chief Executive Officer

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

Eduardo Minghelli
Executive Officer without specific designation

Ricardo Machado
Executive Officer without specific designation

Leonardo Brum Sesti
Executive Officer without specific designation

Supervisory Board's Opinion

The Supervisory Board of Taurus Armas S.A., in compliance with legal and statutory provisions, reviewed the Management Report and the Financial Statements for the year ended December 31, 2020, approved by the Board of Directors on March 17, 2021.

Based on the conducted reviews and also taking into consideration the unqualified Independent Auditor's Report issued by Deloitte Touche Tohmatsu Auditores Independentes on March 16, 2021, in addition to information and clarifications received from the Company's Management in the course of the year, it represents that the mentioned documents are appropriate to be reviewed by the Annual Shareholders' Meeting.

São Leopoldo, March 17, 2021

Haroldo Zago

Chairman

Mauro César Medeiros de Mello

Board Member

Edson Pereira Ribeiro

Board Member

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

The members of the Audit and Risk Committee of Taurus Armas S.A., in the discharge of their statutory duties and responsibilities, as provided for in the in the Charter of the Advisory Committees to the Board of Directors, proceeded to review and analyze the financial statements, accompanied by the independent auditor’s report and the Management Report for 2020 (“2020 Annual Financial Statements”) and, considering the information provided by the Company’s Management and Deloitte Touche Tohmatsu Auditores Independentes, are of the unanimously opinion that these financial statement present fairly, in all material respects, the financial positions of the Company and its subsidiaries, and recommend the approval of the financial statements and the Management Report by the Board of Directors and their submission to the Annual Shareholders’ Meeting, pursuant to the Brazilian Corporate Law.

São Leopoldo, March 16, 2021.

Sérgio Laurimar Fioravanti

Magno Neves Fonseca

Luciano Luiz Barsi