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Company Information/Capital Composition

Number of Shares (Units)	Current quarter 09/30/2014
Of Paid-in Capital	
Common	92,832,547
Preferred	84,751,880
Total	177,584,427
Treasury shares	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet - Assets

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2014	Prior year 12/31/2013
1	Total assets	822,329	887,436
1.01	Current assets	284,310	370,502
1.01.01	Cash and cash equivalents	100,406	27,874
1.01.01.01	Cash and banks	30,795	4,102
1.01.01.02	Short-term investments	69,611	23,772
1.01.03	Accounts receivable	59,143	171,648
1.01.03.01	Customers	59,143	171,648
1.01.04	Inventories	57,725	80,702
1.01.06	Taxes recoverable	14,269	25,195
1.01.06.01	Current taxes recoverable	14,269	25,195
1.01.07	Prepaid expenses	3,183	1,897
1.01.08	Other current assets	49,584	63,186
1.01.08.03	Other	49,584	63,186
1.01.08.03.01	Financial instruments	33,483	45,096
1.01.08.03.03	Receivables from related parties	8,524	9,414
1.01.08.03.04	Other accounts receivable	7,577	8,676
1.02	Noncurrent assets	538,019	516,934
1.02.01	Long-term receivables	77,933	24,436
1.02.01.06	Deferred taxes	3,025	0
1.02.01.06.01	Deferred income and social contribution taxes	3,025	0
1.02.01.08	Receivables from related parties	71,680	21,115
1.02.01.08.04	Receivables from other related parties	71,680	21,115
1.02.01.09	Other noncurrent assets	3,228	3,321
1.02.01.09.03	Taxes recoverable	592	859
1.02.01.09.04	Other	2,636	2,462
1.02.02	Investments	406,466	430,477
1.02.02.01	Investments	406,466	430,477
1.02.02.01.02	Investments in subsidiaries	406,276	430,287
1.02.02.01.04	Other investments	190	190
1.02.03	Property, plant and equipment	49,620	57,379
1.02.03.01	Property, plant and equipment in use	44,246	52,174
1.02.03.03	Construction in progress	5,374	5,205
1.02.04	Intangible assets	4,000	4,642
1.02.04.01	Intangible assets	4,000	4,642
1.02.04.01.02	Intangible assets	4,000	4,642

Individual financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2014	Prior year 12/31/2013
2	Total liabilities and equity	822,329	887,436
2.01	Current liabilities	388,782	591,581
2.01.01	Social and labor liabilities	15,839	18,149
2.01.01.01	Social security obligations	2,228	4,506
2.01.01.02	Labor obligations	13,611	13,643
2.01.02	Trade accounts payable	43,542	63,487
2.01.02.01	Domestic suppliers	41,229	61,758
2.01.02.02	Foreign suppliers	2,313	1,729
2.01.03	Tax liabilities	3,152	3,508
2.01.03.01	Federal tax liabilities	1,958	988
2.01.03.01.01	Income and social contribution taxes payable	308	675
2.01.03.01.02	Other taxes	1,650	313
2.01.03.02	State tax obligations	1,189	2,515
2.01.03.03	Municipal tax obligations	5	5
2.01.04	Loans and financing	207,877	381,968
2.01.04.01	Loans and financing	188,952	324,403
2.01.04.01.01	In local currency	88,503	136,867
2.01.04.01.02	In foreign currency	100,449	187,536
2.01.04.02	Debentures	18,925	57,565
2.01.05	Other liabilities	109,671	116,600
2.01.05.02	Other	109,671	116,600
2.01.05.02.01	Dividends and interest on equity payable	6	7
2.01.05.02.04	Payables to related parties	22,233	13,660
2.01.05.02.05	Foreign exchange payable	52,810	0
2.01.05.02.06	Derivative financial instruments	17,207	9,010
2.01.05.02.07	Advance on receivables	0	71,040
2.01.05.02.08	Other liabilities	17,415	22,883
2.01.06	Provisions	8,701	7,869
2.01.06.01	Tax, social security, labor and civil provisions	3,967	3,135
2.01.06.01.02	Social security and labor provisions	3,967	3,135
2.01.06.02	Other provisions	4,734	4,734
2.01.06.02.01	Provision for warranty	4,734	4,734
2.02	Noncurrent liabilities	336,908	149,862
2.02.01	Loans and financing	279,404	110,425
2.02.01.01	Loans and financing	165,177	110,425
2.02.01.01.01	In local currency	52,717	60,132
2.02.01.01.02	In foreign currency	112,460	50,293
2.02.01.02	Debentures	114,227	0
2.02.02	Other liabilities	57,504	35,593
2.02.02.02	Other	57,504	35,593
2.02.02.02.03	Taxes payable	1,186	1,444
2.02.02.02.04	Provision for capital deficiency	53,409	31,035
2.02.02.02.05	Other liabilities	2,909	3,114
2.02.03	Deferred taxes	0	3,456
2.02.03.01	Deferred income and social contribution taxes	0	3,456
2.02.04	Provisions	0	388

Individual financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2014	Prior year 12/31/2013
2.02.04.01	Tax, social security, labor and civil provisions	0	388
2.02.04.01.01	Tax provisions	0	388
2.03	Equity	96,639	145,993
2.03.01	Realized capital	324,876	257,797
2.03.02	Capital reserves	-73,891	-73,891
2.03.02.05	Treasury shares	-32,895	-32,895
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained earnings (accumulated losses)	-223,735	-99,659
2.03.06	Equity valuation adjustments	36,790	37,483
2.03.07	Cumulative translation adjustments	32,599	24,263

Individual financial statements / Income statement

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2014 to 09/30/2014	YTD 01/01/2014 to 09/30/2014	Same prior year period 07/01/2013 to 09/30/2013	Prior-year accrued 01/01/2013 to 09/30/2013
3.01	Revenue from sale of products and/or services	62,872	210,571	109,993	286,525
3.02	Cost of goods sold and/or services rendered	-51,707	-176,069	-83,894	-228,823
3.03	Gross profit	11,165	34,502	26,099	57,702
3.04	Operating income (expenses)	-77,365	-114,633	-11,354	-20,671
3.04.01	Selling expenses	-8,944	-25,178	-7,155	-21,265
3.04.02	General and administrative expenses	-9,495	-24,028	-7,606	-24,027
3.04.04	Other operating income	1,637	3,363	224	1,988
3.04.05	Other operating expenses	-9,766	-12,812	-218	-2,376
3.04.06	Equity pick-up	-50,797	-55,978	3,401	25,009
3.05	Income (loss) before financial income (expenses) and taxes	-66,200	-80,131	14,745	37,031
3.06	Financial income (expenses)	-28,189	-51,118	-18,142	-45,181
3.06.01	Financial income	37,006	92,261	32,922	69,589
3.06.02	Financial expenses	-65,195	-143,379	-51,064	-114,770
3.07	Income (loss) before income taxes	-94,389	-131,249	-3,397	-8,150
3.08	Income and social contribution taxes	-229	6,481	4,521	-1,927
3.08.02	Deferred	-229	6,481	4,521	-1,927
3.09	Net income (loss) from continuing operations	-94,618	-124,768	1,124	-10,077
3.11	Net income (loss) for the period	-94,618	-124,768	1,124	-10,077
3.99	Earnings (loss) per share – (Reais/Share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	ON	-0.53281	-0.70258	0.00795	-0.07126
3.99.01.02	PN	-0.53281	-0.70258	0.00795	-0.07126
3.99.02	Diluted earnings (loss) per share				
3.99.02.01	ON	-0.53281	-0.70258	0.00795	-0.07126
3.99.02.02	PN	-0.53281	-0.70258	0.00795	-0.07126

Individual financial statements / Statement of comprehensive income (loss)

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2014 to 09/30/2014	YTD 01/01/2014 to 09/30/2014	Same prior year period 07/01/2013 to 09/30/2013	Prior-year accrued 01/01/2013 to 09/30/2013
4.01	Net income (loss) for the period	-94,618	-124,768	1,124	-10,077
4.02	Other comprehensive income (loss)	20,089	8,336	958	15,513
4.02.01	Translation adjustments for the period	20,089	8,336	958	14,547
4.02.03	Adjustments of financial instruments	0	0	0	966
4.03	Comprehensive income (loss) for the period	-74,529	-116,432	2,082	5,436

Individual financial statements / Cash flow statement – indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2014 to 09/30/2014	Prior-year accrued 01/01/2013 to 09/30/2013
6.01	Net cash from operating activities	88,856	6,350
6.01.01	Cash from operations	-20,736	10,133
6.01.01.01	Income (loss) for the year before income and social contribution taxes	-131,249	-8,150
6.01.01.02	Depreciation and amortization	8,427	8,923
6.01.01.03	Cost of permanent assets written off	2,698	637
6.01.01.04	Allowance for doubtful accounts	-71	16
6.01.01.05	Equity pickup	55,978	-25,009
6.01.01.07	Provision for derivative financial instruments	19,200	-10,154
6.01.01.08	Provision for interest on loans and financing	23,744	42,302
6.01.01.09	Change in investment in subsidiaries	93	64
6.01.01.12	Provision for contingencies	444	1,504
6.01.02	Changes in assets and liabilities	109,592	-20,783
6.01.02.01	Decrease (increase) in customers	112,575	-35,892
6.01.02.02	(Increase) in inventories	22,977	9,582
6.01.02.03	Decrease (increase) in other accounts receivable	11,630	3,008
6.01.02.04	Increase in suppliers	-19,945	13,772
6.01.02.05	(Decrease) in accounts payable and provisions	-17,645	-11,253
6.01.03	Other	0	17,000
6.01.03.01	Profits and dividends received from subsidiaries	0	17,000
6.02	Net cash used in investing activities	-54,547	-32,722
6.02.01	Receivables from related companies	-50,565	-24,925
6.02.02	Other long-term receivables	93	568
6.02.03	In investments	-1,351	-1,265
6.02.04	In property, plant and equipment	-2,696	-6,612
6.02.05	In intangible assets	-28	-488
6.03	Net cash from financing activities	38,223	-9,504
6.03.01	Payment of interest on equity and dividends	0	-7,351
6.03.02	Loans raised	216,777	166,179
6.03.03	Loans repayment	-212,729	-142,228
6.03.05	Capital increase	67,079	0
6.03.06	Payment of interest on loans	-32,904	-26,104
6.05	Increase (decrease) in cash and cash equivalents	72,532	-35,876
6.05.01	Opening balance of cash and cash equivalents	27,874	101,560
6.05.02	Closing balance of cash and cash equivalents	100,406	65,684

Individual financial statements / Statement of changes in equity (SCE) - 01/01/2014 to 09/30/2014

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, options granted and treasury stock	Income reserves	Retained earnings/accumulated losses	Other comprehensive income/ losses	Equity
5.01	Opening balances	257,797	-73,891	0	-99,659	61,746	145.,993
5.03	Adjusted opening balances	257,797	-73,891	0	-99,659	61,746	145,993
5.04	Capital transactions with shareholders	67,079	0	0	0	0	67,079
5.04.01	Capital increase:	67,079	0	0	0	0	67,079
5.05	Total comprehensive income (loss)	0	0	0	-124,076	7,643	-116,433
5.05.01	Net income (loss) for the period	0	0	0	-124,768	0	-124,768
5.05.02	Other comprehensive income (loss)	0	0	0	692	7,643	8,335
5.05.02.04	Translation adjustments for the period	0	0	0	0	8,335	8,335
5.05.02.06	Realization of equity valuation adjustments	0	0	0	692	-692	0
5.07	Closing balances	324,876	-73,891	0	-223,735	69,389	96,639

Individual financial statements / Statement of changes in equity (SCE) - 01/01/2013 to 09/30/2013

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, options granted and treasury shares	Income reserve	Retained earnings/accumulated losses	Other comprehensive income/ losses	Equity
5.01	Opening balances	257,797	-73,891	321	-20,604	38,157	201,780
5.03	Adjusted opening balances	257,797	-73,891	321	-20,604	38,157	201,780
5.04	Capital transactions with shareholders	0	0	-321	0	0	-321
5.04.06	Dividends	0	0	-321	0	0	-321
5.05	Total comprehensive income (loss)	0	0	0	-8,959	14,395	5,436
5.05.01	Net income (loss) for the period	0	0	0	-10,077	0	-10,077
5.05.02	Other comprehensive income (loss)	0	0	0	1,118	14,395	15,513
5.05.02.01	Adjustments to financial instruments	0	0	0	0	966	966
5.05.02.04	Translation adjustments for the period	0	0	0	0	14,547	14,547
5.05.02.06	Realization of equity valuation adjustments	0	0	0	1,118	-1,118	0
5.07	Closing balances	257,797	-73,891	0	-29,563	52,552	206,895

Individual financial statements / Statement of value added

(In thousands of reais)

Account code	Account description	YTD 01/01/2014 to 09/30/2014	Prior-year accrued 01/01/2013 to 09/30/2013
7.01	Revenues	259,246	329,612
7.01.01	Sales of goods, products and services	255,811	327,640
7.01.02	Other revenues	3,364	1,988
7.01.04	Set up/reversal of allowance for doubtful accounts	71	-16
7.02	Inputs acquired from third parties	-185,803	-187,698
7.02.01	Cost of products, goods and services sold	-102,191	-105,373
7.02.02	Materials, energy, third-party services and others	-83,612	-82,325
7.03	Gross value added	73,443	141,914
7.04	Retentions	-8,427	-8,923
7.04.01	Depreciation, amortization and depletion	-8,427	-8,923
7.05	Net value added produced by the Company	65,016	132,991
7.06	Value added received in transfer	36,283	94,598
7.06.01	Equity pick-up	-55,978	25,009
7.06.02	Financial income	92,261	69,589
7.07	Total value added to be distributed	101,299	227,589
7.08	Distribution of value added	101,299	227,589
7.08.01	Personnel	61,328	72,824
7.08.01.01	Direct compensation	50,444	59,417
7.08.01.02	Benefits	6,857	8,897
7.08.01.03	Unemployment compensation fund (FGTS)	4,027	4,510
7.08.02	Taxes, charges and contributions	10,777	39,790
7.08.02.01	Federal	3,812	33,016
7.08.02.02	State	6,962	6,634
7.08.02.03	Municipal	3	140
7.08.03	Remuneration of third-party capital	153,962	125,052
7.08.03.01	Interest	143,379	114,770
7.08.03.02	Rents	4,817	4,602
7.08.03.03	Other	5,766	5,680
7.08.04	Remuneration of third-party capital	-124,768	-10,077
7.08.04.03	Retained earnings (accumulated losses) for the period	-124,768	-10,077

Consolidated financial statements / Balance sheet - Assets

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2014	Prior year 12/31/2013
1	Total assets	1,024,463	1,184,094
1.01	Current assets	634,728	782,672
1.01.01	Cash and cash equivalents	210,221	281,119
1.01.01.01	Cash and banks	85,511	206,664
1.01.01.02	Financial investments	124,710	74,455
1.01.03	Accounts receivable	118,551	161,660
1.01.03.01	Customers	118,551	161,660
1.01.04	Inventories	209,579	218,269
1.01.06	Taxes recoverable	26,606	35,785
1.01.06.01	Current taxes recoverable	26,606	35,785
1.01.07	Prepaid expenses	10,736	9,059
1.01.08	Other current assets	59,035	76,780
1.01.08.01	Noncurrent assets for sale	5,446	5,588
1.01.08.03	Other	53,589	71,192
1.01.08.03.01	Derivative financial instruments	33,518	45,212
1.01.08.03.02	Other accounts receivable	20,071	25,980
1.02	Noncurrent assets	389,735	401,422
1.02.01	Long-term receivables	52,482	50,814
1.02.01.06	Deferred taxes	45,841	44,364
1.02.01.06.01	Deferred income and social contribution taxes	45,841	44,364
1.02.01.09	Other noncurrent assets	6,641	6,450
1.02.01.09.03	Taxes recoverable	1,319	2,179
1.02.01.09.04	Other	5,322	4,271
1.02.02	Investments	13,144	14,543
1.02.02.01	Investments	13,144	14,543
1.02.02.01.01	Investments in affiliates	12,795	14,194
1.02.02.01.04	Other investments	349	349
1.02.03	Property, plant and equipment	257,753	268,484
1.02.03.01	Property, plant and equipment in use	244,836	233,962
1.02.03.03	Construction in progress	12,917	34,522
1.02.04	Intangible assets	66,356	67,581
1.02.04.01	Intangible assets	66,356	67,581

Consolidated financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2014	Prior year 12/31/2013
2	Total liabilities and equity	1,024,463	1,184,094
2.01	Current liabilities	530,354	737,474
2.01.01	Social and labor liabilities	27,773	29,768
2.01.01.01	Social security obligations	5,606	9,324
2.01.01.02	Labor obligations	22,167	20,444
2.01.02	Trade accounts payable	24,736	32,978
2.01.02.01	Domestic suppliers	15,878	19,571
2.01.02.02	Foreign suppliers	8,858	13,407
2.01.03	Tax liabilities	14,373	18,287
2.01.03.01	Federal tax liabilities	9,405	12,131
2.01.03.01.01	Income and social contribution taxes payable	6,928	10,992
2.01.03.01.02	Other taxes	2,477	1,139
2.01.03.02	State tax obligations	4,951	6,139
2.01.03.03	Municipal tax obligations	17	17
2.01.04	Loans and financing	259,844	446,095
2.01.04.01	Loans and financing	240,919	388,530
2.01.04.01.01	In local currency	135,918	178,136
2.01.04.01.02	In foreign currency	105,001	210,394
2.01.04.02	Debentures	18,925	57,565
2.01.05	Other liabilities	148,321	196,451
2.01.05.02	Other	148,321	196,451
2.01.05.02.01	Dividends and interest on equity payable	6	7
2.01.05.02.04	Derivative financial instruments	17,795	9,595
2.01.05.02.05	Foreign exchange payable	52,810	0
2.01.05.02.06	Advance on real estate credits	11,542	19,606
2.01.05.02.08	Advance on receivables	29,949	115,972
2.01.05.02.09	Other liabilities	36,219	51,271
2.01.06	Provisions	55,307	13,895
2.01.06.01	Tax, social security, labor and civil provisions	43,343	6,897
2.01.06.01.02	Social security and labor provisions	7,690	6,897
2.01.06.01.04	Civil provisions	35,653	0
2.01.06.02	Other provisions	11,964	6,998
2.01.06.02.01	Provision for warranty	11,964	6,998
2.02	Noncurrent liabilities	397,470	300,627
2.02.01	Loans and financing	380,039	273,151
2.02.01.01	Loans and financing	265,812	273,151
2.02.01.01.01	In local currency	98,623	134,273
2.02.01.01.02	In foreign currency	167,189	138,878
2.02.01.02	Debentures	114,227	0
2.02.02	Other liabilities	5,892	9,495
2.02.02.02	Other	5,892	9,495
2.02.02.02.04	Taxes payable	2,973	4,371
2.02.02.02.05	Other liabilities	2,919	5,124
2.02.03	Deferred taxes	4,859	12,872
2.02.03.01	Deferred income and social contribution taxes	4,859	12,872
2.02.04	Provisions	6,680	5,109

Consolidated financial statements / Balance sheet – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2014	Prior year 12/31/2013
2.02.04.01	Tax, social security, labor and civil provisions	6,680	5,109
2.02.04.01.01	Tax provisions	4,535	4,944
2.02.04.01.02	Social security and labor provisions	145	165
2.02.04.01.04	Civil provisions	2,000	0
2.03	Consolidated equity	96,639	145,993
2.03.01	Realized capital	324,876	257,797
2.03.02	Capital reserves	-73,891	-73,891
2.03.02.05	Treasury shares	-32,895	-32,895
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained earnings (accumulated losses)	-223,735	-99,659
2.03.06	Equity valuation adjustments	36,790	37,483
2.03.07	Cumulative translation adjustments	32,599	24,263

Consolidated financial statements / Income statement

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2014 to 09/30/2014	YTD 01/01/2014 to 09/30/2014	Same prior year period 07/01/2013 to 09/30/2013	Prior-year accrued 01/01/2013 to 09/30/2013
3.01	Revenue from sale of products and/or services	123,556	424,630	218,675	651,254
3.02	Cost of goods sold and/or services rendered	-105,233	-334,495	-150,900	-445,028
3.03	Gross profit	18,323	90,135	67,775	206,226
3.04	Operating income (expenses)	-86,169	-164,886	-44,766	-137,875
3.04.01	Selling expenses	-21,783	-65,224	-24,656	-76,631
3.04.02	General and administrative expenses	-18,875	-50,168	-17,742	-54,820
3.04.04	Other operating income	2,608	7,076	1,484	7,786
3.04.05	Other operating expenses	-47,735	-55,171	-3,859	-14,290
3.04.06	Equity pick-up	-384	-1,399	7	80
3.05	Income (loss) before financial income (expenses) and taxes	-67,846	-74,751	23,009	68,351
3.06	Financial income (expenses)	-30,265	-56,576	-21,387	-53,419
3.06.01	Financial income	39,666	102,725	37,402	81,444
3.06.02	Financial expenses	-69,931	-159,301	-58,789	-134,863
3.07	Income (loss) before income taxes	-98,111	-131,327	1,622	14,932
3.08	Income and social contribution taxes	3,493	6,559	-498	-25,009
3.08.01	Current	-332	-4,045	-5,166	-19,977
3.08.02	Deferred	3,825	10,604	4.668	-5,032
3.09	Net income (loss) from continuing operations	-94,618	-124,768	1,124	-10,077
3.11	Consolidated net income (loss) for the period	-94,618	-124,768	1,124	-10,077
3.11.01	Attributed to shareholders of parent company	-94,618	-124,768	1,124	-10,077
3.99	Earnings (loss) per share – (Reais/Share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	ON	-0.53281	-0.70258	0,00795	-0.07126
3.99.01.02	PN	-0.53281	-0.70258	0,00795	-0.07126
3.99.02	Diluted earnings (loss) per share				
3.99.02.01	ON	-0.53281	-0.70258	0,00795	-0.07126
3.99.02.02	PN	-0.53281	-0.70258	0,00795	-0.07126

Consolidated financial statements / Statement of comprehensive income (loss)

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2014 to 09/30/2014	YTD 01/01/2014 to 09/30/2014	Same prior year period 07/01/2013 to 09/30/2013	Prior-year accrued 01/01/2013 to 09/30/2013
4.01	Consolidated net income (loss) for the period	-94,618	-124,768	1,124	-10,077
4.02	Other comprehensive income (loss)	20,089	8,336	958	15,513
4.02.01	Translation adjustments for the period	20,089	8,336	958	14,547
4.02.03	Adjustments of financial instruments	0	0	0	966
4.03	Consolidated comprehensive income (loss) for the period	-74,529	-116,432	2,082	5,436
4.03.01	Attributed to shareholders of parent company	-74,529	-116,432	2,082	5,436

Consolidated financial statements / Cash flow statement – indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2014 to 09/30/2014	Prior-year accrued 01/01/2013 to 09/30/2013
6.01	Net cash from operating activities	-1,456	160,550
6.01.01	Cash from operations	-9,686	99,156
6.01.01.01	Income (loss) before income and social contribution taxes Capital	-131,327	14,932
6.01.01.02	Depreciation and amortization	24,911	26,195
6.01.01.03	Cost of permanent assets written off	3,288	2,215
6.01.01.05	Equity pickup	1,399	-80
6.01.01.06	Provision for derivative financial instruments	19,566	-9,335
6.01.01.07	Allowance for doubtful accounts	124	0
6.01.01.10	Provision for interest on loans and financing	36,336	58,354
6.01.01.16	Provision for inventory losses	0	3,097
6.01.01.17	Additional provision for loss	0	1,411
6.01.01.19	Provision for contingencies	36,017	2,367
6.01.02	Changes in assets and liabilities	12,384	78,941
6.01.02.01	Decrease (increase) in customers	42,984	-57,342
6.01.02.02	Decrease (increase) in inventories	8,336	58,427
6.01.02.03	Decrease (increase) in other accounts receivable	18,568	4,527
6.01.02.04	Increase (decrease) in suppliers	-8,242	-12,973
6.01.02.05	Increase (decrease) in accounts payable and provisions	-49,262	86,302
6.01.03	Other	-4,154	-17,547
6.01.03.01	Profits and dividends received from subsidiaries	0	262
6.01.03.02	Payment of income and social contribution taxes	-4,154	-17,809
6.02	Net cash used in investing activities	-12,758	-16,529
6.02.02	Other receivables	-190	4,153
6.02.04	In property, plant and equipment	-11,445	-19,393
6.02.05	In intangible assets	-1,123	-1,289
6.03	Net cash from financing activities	-56,684	3,004
6.03.01	Payment of interest on equity and dividends	0	-7,354
6.03.02	Loans raised	223,370	211,690
6.03.03	Payment of loans	-297,749	-161,190
6.03.05	Capital increase	67,079	0
6.03.07	Interest paid on real estate credit	-1,634	-2,657
6.03.10	Payment of interest on loans	-39,686	-30,862
6.03.11	Real estate credits	-8,064	-6,624
6.03.12	Other	0	1
6.05	Increase (decrease) in cash and cash equivalents	-70,898	147,025
6.05.01	Opening balance of cash and cash equivalents	281,119	180,781
6.05.02	Closing balance of cash and cash equivalents	210,221	327,806

Consolidated Financial Statements / Statements of Changes in Equity (SCE) - 01/01/2014 to 09/30/2014

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, options granted and treasury shares	Income reserve	Retained earnings/accumulated losses	Other comprehensive income/ losses	Equity	Non-controlling interest	Consolidated equity
5.01	Opening balances	257,797	-73,891	0	-99,659	61,746	145,993	0	145,993
5.03	Adjusted opening balances	257,797	-73,891	0	-99,659	61,746	145,993	0	145,993
5.04	Capital transactions with shareholders	67,079	0	0	0	0	67,079	0	67,079
5.04.01	Capital increase:	67,079	0	0	0	0	67,079	0	67,079
5.05	Total comprehensive income (loss)	0	0	0	-124,076	7,643	-116,433	0	-116,433
5.05.01	Net income (loss) for the period	0	0	0	-124,768	0	-124,768	0	-124,768
5.05.02	Other comprehensive income (loss)	0	0	0	692	7,643	8,335	0	8,335
5.05.02.04	Translation adjustments for the period	0	0	0	0	8,335	8,335	0	8,335
5.05.02.06	Realization of equity valuation adjustments	0	0	0	692	-692	0	0	0
5.07	Closing balances	324,876	-73,891	0	-223,735	69,389	96,639	0	96,639

Consolidated Financial Statements / Statements of Changes in Equity (SCE) - 01/01/2013 to 09/30/2013

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, options granted and treasury shares	Income reserve	Retained earnings/accumulated losses	Other comprehensive income/ losses	Equity	Non-controlling interest	Consolidated equity
5.01	Opening balances	257,797	-73,891	321	-20,604	38,157	201,780	0	201,780
5.03	Adjusted opening balances	257,797	-73,891	321	-20,604	38,157	201,780	0	201,780
5.04	Capital transactions with shareholders	0	0	-321	0	0	-321	0	-321
5.04.06	Dividends	0	0	-321	0	0	-321	0	-321
5.05	Total comprehensive income (loss)	0	0	0	-8,959	14,395	5,436	0	5,436
5.05.01	Net income (loss) for the period	0	0	0	-10,077	0	-10,077	0	-10,077
5.05.02	Other comprehensive income (loss)	0	0	0	1,118	14,395	15,513	0	15,513
5.05.02.01	Adjustments to financial instruments	0	0	0	0	966	966	0	966
5.05.02.04	Translation adjustments for the period	0	0	0	0	14,547	14,547	0	14,547
5.05.02.06	Realization of equity valuation adjustments	0	0	0	1,118	-1,118	0	0	0
5.07	Closing balances	257,797	-73,891	0	-29,563	52,552	206,895	0	206,895

Consolidated financial statements / Statement of value added

(In thousands of reais)

Account code	Account description	YTD 01/01/2014 to 09/30/2014	Prior-year accrued 01/01/2013 to 09/30/2013
7.01	Revenues	520,636	770,478
7.01.01	Sales of goods, products and services	513,683	762,920
7.01.02	Other revenues	7,077	7,558
7.01.04	Set up/reversal of allowance for doubtful accounts	-124	0
7.02	Inputs acquired from third parties	-386,759	-413,980
7.02.01	Cost of products, goods and services sold	-268,343	-265,931
7.02.02	Materials, energy, third-party services and others	-118,416	-148,049
7.03	Gross value added	133,877	356,498
7.04	Retentions	-24,911	-26,195
7.04.01	Depreciation, amortization and depletion	-24,911	-26,195
7.05	Net value added produced by the Company	108,966	330,303
7.06	Value added received in transfer	101,326	81,524
7.06.01	Equity pick-up	-1,399	80
7.06.02	Financial income	102,725	81,444
7.07	Total value added to be distributed	210,292	411,827
7.08	Distribution of value added	210,292	411,827
7.08.01	Personnel	114,507	150,180
7.08.01.01	Direct compensation	100,279	127,479
7.08.01.02	Benefits	7,769	15,810
7.08.01.03	Unemployment compensation fund (FGTS)	6,459	6,891
7.08.02	Taxes, charges and contributions	51,260	118,787
7.08.02.01	Federal	37,611	108,673
7.08.02.02	State	13,574	9,922
7.08.02.03	Municipal	75	192
7.08.03	Remuneration of third-party capital	169,293	152,937
7.08.03.01	Interest	159,301	134,862
7.08.03.02	Rents	947	8,838
7.08.03.03	Other	9,045	9,237
7.08.04	Remuneration of third-party capital	-124,768	-10,077
7.08.04.03	Retained earnings (accumulated losses) for the period	-124,768	-10,077

RELEASE

3Q14

Porto Alegre, November 13, 2014 - Forjas Taurus S.A. (**BM&FBOVESPA:** FJTA3, FJTA4), a company in the segments of (i) Defense and Security – as the largest weapon manufacturer in Latin America and one of the largest in the world; and of (ii) Metallurgy and Plastics – as market leader in the production of helmets for motorcyclists, and in the production of bulletproof vests, antiriot shields, plastic containers and forged and molded parts (M.I.M – Metal Injection Molding), informs hereby the results for the **3rd quarter of 2014 (3Q14) and the nine-month period of 2014)(9M14)**.

HIGHLIGHTS FOR THE 9 MONTHS OF 2014 (9M14)

The first nine months of 2014 were marked by certain corporate events which we deem important to allow better understanding of the market and the Company's current scenario. These events as well as the information that was provided to the market are described below on a grouped basis and in further details, with the related corporate documents, in item 3 herein:

I. Restatement of the Financial Statements ("FS") and subsequent measures by management;

- ✓ Restatement of Quarterly Information (ITR) for 2Q12, 3Q12 and FS for 2012;
- ✓ Restatement of Quarterly Information (ITR) for 1Q13, 2Q13, 3Q13; and
- ✓ Presentation of FS for 2013;
- ✓ Proposal of civil liability proceeding by management to be voted in the Special Meeting of November 25, 2014 at 11a.m.;

II. Capital Increase, Disposal/Purchase of Significant Ownership Interest and Controlling Interest;

- ✓ Capital increase through **private subscription of R$ 67 million**;
- ✓ Change in shareholding structure due to the dilution resulting from capital increase and significant disposals and purchases in the period;
- ✓ Approval of capital increase on August 20, 2014;
- ✓ Change in controlling interest, with a new controlling shareholder operating in the same Defense and Security industry; namely Companhia Brasileira de Cartuchos ("CBC"), which started to hold 52% of voting capital;

III. Debentures: Liquidation of the 1st issue, waiver of early maturity of 2nd and 3rd issues of nonconvertible debentures;

- ✓ Liquidation of 1st issue in April/14;
- ✓ 3rd issue of **nonconvertible debentures in the amount of R$ 100 million**, in June 2014; and
- ✓ Obtaining of waiver of early maturity of 2nd and 3rd issues, for noncompliance with financial ratios (covenants) and change in controlling interest, respectively, in September/14;

IV. CADE – Concentration Act related to TAURUS and CBC;

- ✓ Communication by CBC of its intention of purchasing Taurus shares on BM&FBOVESPA in May 2014;
- ✓ Filing of Concentration Act to be judged, owing to the acquisition of a company in the same industry, with horizontal overlap in relation to only two products manufactured by both companies and irrelevant in terms of billing of Taurus and CBC; namely bulletproof vests and 12 caliber rifles;
- ✓ Suspension of CBC's rights by CADE until the Concentration Act is judged, with the possibility of using the shareholding position as of the communication date (1.7% of common shares after capital increase);

V. Election of the Board of Directors and Appointment of the Statutory Committees;

- ✓ Resignation of Board Member on April 25, 2014;

✓ Election of Board of Directors through multiple vote process due to the resignation and increase from 7 to 9 board members on June 27, 2014;

✓ Appointment of the new statutory committee members in July 2014;

VI. Cancelation of Treasury Shares and Reverse Split of Shares

✓ Cancelation of treasury shares was approved by the Board of Directors in September 2014;

✓ Convening of the Special Meeting for November 25, 2014 was approved in order to: (i) decide about the Company's reverse share split in the proportion of 11 to 1; and (ii) amend Article 5 of its articles of incorporation in order to update capital composition due to the cancellation of treasury shares and the possible reverse share split.

In summary, Company management and the conduction of its operations were impacted in the 9M14 by events mainly related to the following:

Corporate Aspects: these significantly involved Company management, for instance, in the election of a new Board of Directors, several special meetings held in the period, generation and publication of corporate documents, preparation of several Significant News Releases, Communications to the Market and to Shareholders. In addition, there was natural demand for clarifications by inspection and regulatory agencies, such as CVM, BM&FBOVESPA and CADE, due to filing of the concentration act that is pending judgment; and

II. Operating Aspects: the need of replacing people in the operating area and to increase quality and certain market and unproductivity issues due to noncompliances, reduced the volumes produced which, even with the gradual and consistent recovery in the volume of weapon sales / man day in the 3Q14 and to date, have not yet reached an adequate level to meet increasing demand in the period, thus generating a sales backlog, especially for revolvers, of which the performance is below management's expectations, despite the various measures that have been taken in several areas.

In view of the perceived regularization in sales volume in the North American market, Company management estimates that the results from the operating actions implemented will arise within medium and long term, and recovery will start being felt at the end of 2014, however more consistently and continuously from 2015 onwards.

We comment below the main aspects about performance in the period under analysis.

Economic and Financial Highlights for 9M14

✓ **Consolidated net revenue of R$ 424.6 million in 9M14** was down 34.8% compared to 9M13, mainly due to the sharp decrease in exports to the USA (decrease of R$ 216.6 million), although **exports to other countries increased R$ 11.4 million,** up 37.5% in relation to the same prior year period;

✓ **Reasons for decrease in revenue from exports to the USA:** (i) general decrease in the demand for weapons by approximately 17.6%, in accordance with the National Instant Criminal Background Check System ("NICS"), of FBI statistics about consultations of criminal records, which allows measuring the intention for buying weapons ; (ii) large inventories held by retailers, which then purchased fewer weapons to reduce inventories and generate cash; (iii) competitors with aggressive weapon price discount policies; (iv) 6% increase in price of Company products at the end of last year, thus resulting in loss of market share; and (v) no important product launches to offset the loss and attract consumers to our brands;

✓ **Weak performance of one of the major players in the weapons market in the USA;** namely Sturm, Ruger & CO Inc., which posted in the 3Q14 43% decrease in revenue, 61% decrease in EBITDA and 76% decrease in profit (compared to 3Q13), thus reducing operating margins, with estimated 44% decrease in sales through independent distributors to retailers in the USA in the period;

✓ **Slowdown in the weapons market in the USA** after excellent demand in 2013, evidencing that the decrease in demand is cyclical and not a structural issue, which may recover at any time, and started giving signs of recovery in October/14, through the demand indicator (NICS), which was 5% up compared to October/13;

✓ **Exports of weapons to other countries was up 38.4%, doubling the percentage thereof of net revenue**, but which was not sufficient to offset the decrease in the North American market, highlighting sales to certain customers, particularly of pistols: Argentina, Chile, Singapore, Lebanon, Pakistan and El Salvador;

✓ **Exports to new countries:** Australia, Egypt, Djibouti and Honduras;

✓ **Total exports were down 45.6% to R$ 245 million in 9M14,** accounting for 58% of net revenue (69% in 9M13), due to the decrease in demand in the Company's main market (USA), even with exchange rate decrease of 8.1% in 9M14 compared to the same prior year period;

✓ **Consequently, there was decrease in the percentage of sales to the USA in relation to net revenue** from 64% in 9M13 to 48% in 9M14, while the percentage of revenue from exports to other countries doubled, to 10% (5% in 9M13), and that of revenue from sales in the domestic market increased from 31% in 9M13 to 42% in 9M14;

✓ **Revenue from weapon sales in the domestic market was up 8.3%,** the highlight being the increase in sales to the North region (+105.1%), South (+50.3%) and Mid-West region (+32.5%) in the public and private security areas;

✓ **The increase in weapon sales in Brazil** did not offset the 6.1% decrease in sales of helmets and of 43.6% in sales of other products, explained by the winding up of the forging to third parties business in November 2013, which resulted in 10.7% decrease in total net revenue from sales in the domestic market in 9M14 compared to same prior year period;

✓ **Operating expenses (general, selling and administrative expenses)** were down 12.2% in 9M14 compared to 9M13, due to the decrease in selling and administrative expenses;

✓ **Other net operating expenses** increased basically due to the provision for contingencies reclassified from possible to probable, the main proceeding being that of Hunter Douglas ("HD"), involving subsidiary TMFL as defendant, involving estimated probable cash outflow of R$ 35 million, in case of an agreement (excluded as nonrecurring expense in the calculation of EBITDA, among others);

✓ **Adjusted EBITDA** was negative of R$ 7.9 million in 9M14, significantly affected by the decrease in revenue, however it would be positive of **R$ 42 million**, if the various nonrecurring expenses in the period were not considered, such as: Labor indemnities, consulting, legal advisory, unproductivity and scrap;

✓ **Several measures are being taken** to increase production and sales, which are already showing signs of recovery in 3Q14 with new orders for 4Q14; in the areas of production (review of processes); implementation of *Sales & Operational Planning ("S&OP")*; *Supply Chain* (outsourcing of supply chain stages) – purchase of raw materials and logistic; ERP reimplementation; and improvements in internal controls and IT systems; among others;

✓ **Financial ratios (covenants*)*, net debt to consolidated adjusted EBITDA (for the last 12 months),** were agreed again in debenture holders' meetings (1st, 2nd and 3rd issues) as well as with banks from which the loans and financings were taken out, due to the restatement of the financial statements and the change in controlling interest, resulting from the capital contribution.

✓ **Total assets aggregated R$ 1,024.5 million** and equity totaled R$ 96.6 million at Sep/30/ 14; and

✓ **CAPEX in investments amounted to R$ 12.6 million in 9M14** focusing on modernization of industrial premises, down 39.2% compared to same prior year period;

HIGHLIGHTS FOR THE 3RD QUARTER OF 2014 (3Q14)

✓ **Consolidated net revenue of R$ 123.6 million was down 7.1% compared to 2Q14** due to: (i) 9.4% decrease in exports due to 19.9% decrease in exports to the USA, despite the 44.4% increase in exports to other countries;

(ii) gradual increase in production volume compared to 2Q14; and (iii) proportionally lower decrease of 4.2% in the domestic market;

- ✓ **Breakdown of net revenue in 3Q14:** 46% - domestic market; 40% - US market; and 14% - other countries;
- ✓ **Net revenue from exports of R$ 66.2 million,** or 54% of total net revenue in 3Q14 (compared to 67% in 3Q13);
- ✓ **Net revenue from the domestic market accounted for 46% of total net revenue, or R$57.4 million in 3Q14** (33% in 3Q13);
- ✓ **Revenue from the weapons segment amounted to R$ 86.2 million in 3Q14, compared to 94.1 million in 2Q14**, maintaining the percentage of around 70% of net revenue in 3Q14;
- ✓ **Revenue from helmets amounted to R$ 28.3 million in 3Q14, compared to R$ 30.3 million in 2Q14 and R$ 33.8 million in 3Q13,** maintaining the percentage of approximately 23% of net revenue in 2014, compared to 15% in 3Q13;
- ✓ **Consolidated gross profit of R$ 18.3 million** with decrease in gross margin, even with the decrease of R$ 1.6 million in cost of goods sold, not sufficient to offset the decrease of R$ 9.4 million in net revenue compared to 2Q14;
- ✓ **Gross profit from helmets amounted to R$ 7.7 million in 3Q14,** with gross margin of 27.3% compared to 32.7% in 2Q14, significantly lower than the 38.6% margin in 3Q13, when the market situation was much better;
- ✓ **Market share of helmets** was stable in relation to prior quarter, of around 45.6% in September/14, and lower than 46.7% in December 2013 due to the decrease in sales volume;
- ✓ **The ratio between motorcycle number plates and helmet sales**, for each motorcycle sold is on average of 1.5 helmets, only as a parameter to estimate the potential market;
- ✓ **Operating expenses (general, selling and administrative)** decreased 4.1% in 3Q14 compared to 3Q13 and increased 12.3% compared to 2Q14, due to the expenses with the special independent committee, sundry consulting and legal advisory services for the corporate events occurred, in addition to legal opinions about the adventitious civil liability proceeding of officers, a discussion that arouse with the restatement of the financial statements for 2012 and 2013 on March 28, 2014;
- ✓ **Consequently, considering the negative corporate aspects and of production and sales,** there was no positive cash generation from operations due to extraordinary costs and expenses;
- ✓ **In addition, under an updated lawyers' assessment** of legal proceedings, that of Hunter Douglas against subsidiary TMFL as defendant was considered probable, thus generating an additional provision in 3Q14 of around R$ 35 million, amount that is being negotiated in an agreement, not yet concluded;
- ✓ **Due to this probable agreement with Hunter Douglas and the weak operating performance,** the Board of Directors meeting of October 30, 2014 recommended a new capital contribution to the Company by shareholders;
- ✓ **Operating performance** was still affected by the aforementioned sales and production factors and the additional provision for contingencies, thus resulting in loss for the period;
- ✓ **Significant improvement** (i) in the weapons/man/year productivity index both for pistols and revolvers; (ii) in quality reflected in products compliance; and (iii) in production levels; all measured in Sep/14 and compared to Jun/14;
- ✓ **Seasonal increase in demand in the domestic market in 4Q14 and clear recovery in sales to the US,** with significant orders to be delivered as from the beginning of 2015; and
- ✓ **CAPEX increase by 25.7%,** destined to investments in modernization of industrial premises, of R$ 4.4 million in 3Q14 compared to R$ 5.1 million in 2Q14 and above R$ 3.5 million in 3Q13.

1– Economic and Financial Performance

1.1 – Main Economic and Financial Indicators

Consolidated amounts in millions of Brazilian reais, except where otherwise indicated

Ratios	3Q14	2Q14	3Q13	9M14	9M13	Variation %		
						9M14/9M13	3Q14/3Q13	3Q14/2Q14
Net revenue	**123,6**	**132,9**	**218,7**	**424,6**	**651,3**	**-34,8%**	**-43,5%**	**-7,1%**
Domestic market	57,4	59,9	73,0	179,6	201,1	-10,7%	-21,4%	-4,2%
Foreign market	66,2	73,1	145,7	245,0	450,2	-45,6%	-54,6%	-9,4%
COGS	105,2	106,8	150,9	334,5	445,0	-24,8%	-30,3%	-1,5%
Gross Profit	18,3	26,1	67,8	90,1	206,2	-56,3%	-73,0%	-29,8%
Gross Margin - %	**14,8%**	**19,6%**	**31,0%**	**21,2%**	**31,7%**	**-10,4 p.p.**	**-16,2 p.p.**	**-4,8 p.p.**
Operating Expenses	-86,2	-37,5	-44,8	-164,9	-137,9	19,6%	92,5%	129,5%
Operating Profit (EBIT)	-67,8	-11,4	23,0	-74,8	68,4	-209,4%	-394,9%	493,0%
EBIT Margin - %	**-54,9%**	**-8,6%**	**10,5%**	**-17,6%**	**10,5%**	**-28,1 p.p.**	**-65,4 p.p.**	**-46,3 p.p.**
Net Financial Income	-30,3	-16,4	-21,4	-56,6	-53,4	5,9%	41,5%	84,2%
Depreciation and amortization (1)	8,6	8,2	8,5	24,9	26,2	-4,9%	1,5%	5,5%
Net Income - Continuing Operations	-94,6	-25,6	1,1	-124,8	-10,1	1138,1%	-8518,0%	269,5%
Net Income Margin - Cont. Operations	**-76,6%**	**-19,3%**	**0,5%**	**-29,4%**	**-1,5%**	**-27,8 p.p.**	**-77,1 p.p.**	**-57,3 p.p.**
Net Income - Consolidated	-94,6	-25,6	1,1	-124,8	-10,1	1138,1%	-8518,0%	269,5%
Net Income Margin - Consolidated	**-76,6%**	**-19,3%**	**0,5%**	**-29,4%**	**-1,5%**	**-27,8 p.p.**	**-77,1 p.p.**	**-57,3 p.p.**
Adjusted EBITDA (2)	-20,3	-2,0	35,6	-7,9	112,6	-107,0%	-157,1%	937,0%
Adjusted EBITDA Margin - %	**-16,4%**	**-1,5%**	**16,3%**	**-1,9%**	**17,3%**	**-19,2 p.p.**	**-32,7 p.p.**	**-14,9 p.p.**
Total Assets	1.024,5	1.091,1	1.261,7	1.024,5	1.261,7	-18,8%	-18,8%	-6,1%
Equity	96,6	104,1	206,9	96,6	206,9	-53,3%	-53,3%	-7,2%
Investments (CAPEX)	4,4	5,1	3,5	12,6	20,7	-39,2%	27,4%	-12,4%

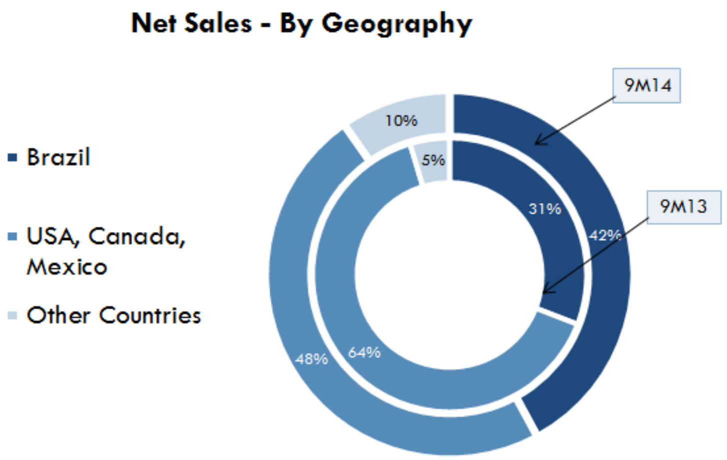
(1) Depreciation and amortization: these amounts include total depreciation and amortization based on cash flow for ITR

(2) Adjusted EBITDA: Earnings before interest, tax, depreciation and amortization and net earnings from non-recurring operations. The computing process was developed acording the CVM nº 527 instruction of October 04, 2012.

1.2 – Consolidated net revenue

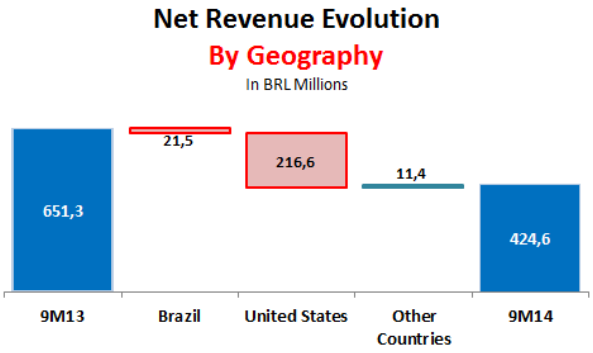
Total consolidated net revenue for 3Q14 amounted to R$ 123.6 million, down 7.1% compared to R$ 132.9 million in 2Q14, and R$ 218.7 million in 3Q13 (down 43.5%). This performance in the quarter is mainly explained by the 9.4% decrease in exports and 4,2% decrease in the domestic market.

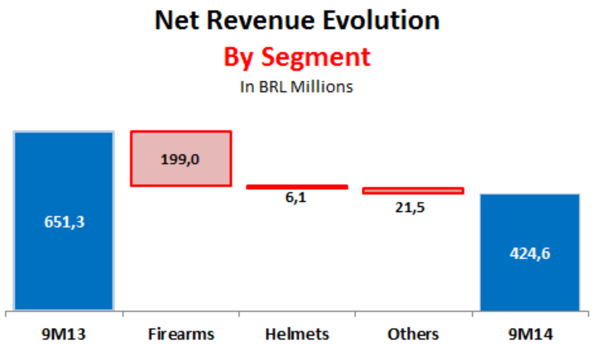
With this significant change between markets, the percentage of revenue in 3Q14 was of 46% - domestic market (33% in 3Q13), 40% - exports to US (62% in 3Q13) and 14% - exports to other countries (5% in 3Q14). We set out below the accumulated percentages through to September 2013 and 2014:



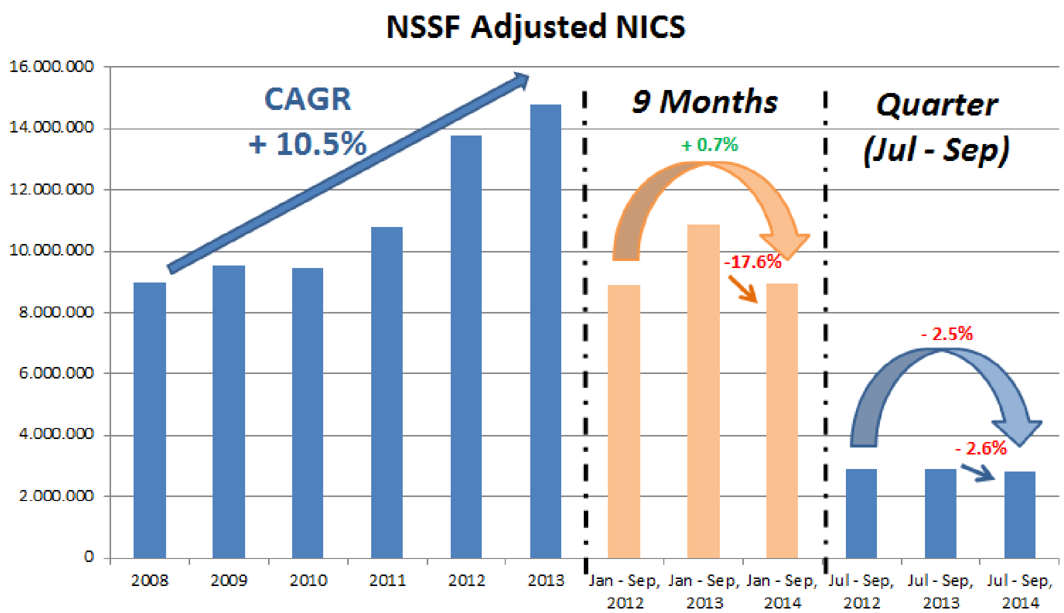
In the 9M14, net revenue of R$ 424.6 million comprised 48% of exports to USA (64% in 9M13, 42% - domestic market (31% in 9M13) and exports to other countries doubled from 5% to 10%, with exports to new countries and increase in demand in markets already supplied by the Company.

The difference between R$ 226.7 million to R$ 651.3 million in 9M13, is evidenced in the graphs below on evolution of consolidated net revenue by geographic area and by segment, basically originating in weapon exports to the US. In analyzing weapon exports to other countries, there was significant increase from 63.7% in 3Q14 compared to 3Q13, 43.5% compared to 2Q14 and 38.4% in 9M14 compared to 9M13.



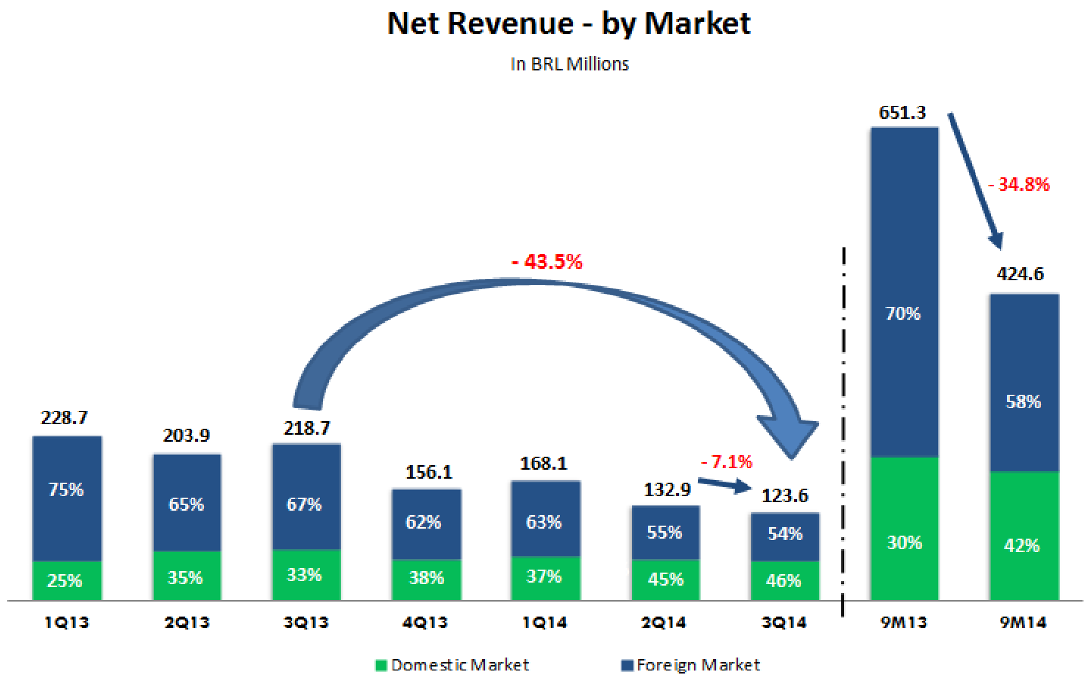


Consumption in the US market that was increasing on average 10.5% every year from 2008 to 2013, according to the *National Instant Criminal Background System* – NICBS of FBI, which measures the intention of purchasing weapons and defense products in the retail market, gives still unfavorable signs, with a 17.6% decrease in 9M14 compared to 9M13, however there was a 0.7% increase compared to 9M12. The decrease of 2.6% in 3Q14 compared to 3Q13 was quite similar to the 2.5% decrease compared to 3Q12, i.e. there are signs of a proportionally lower decrease in the recent period, returning to levels similar to those of 2012, since the exception was the atypical year of 2013, when consumption was extremely high.



Source: NSSF

We illustrate below the Company's net revenue, by market, in millions of reais, for the quarters under analysis, evidencing the aforementioned comments:



1.3 - Segment information

The table below sets out consolidated financial highlights by segment:

Comparative Nine months - Year over Year

	Net Revenue					Gross Income			Gross Margin			Income before taxes		
	9M14	Part. %	9M13	Part. %	Var.	9M14	9M13	Var.	9M14	9M13	Var.p.p	9M14	9M13	Var.
Firearms	304.3	71.7%	503.3	77.3%	-39.5%	50.6	164.9	-69.3%	16.6%	32.8%	-16.1	(109.7)	19.1	NS
Helmets	91.2	21.5%	97.3	14.9%	-6.3%	29.3	36.8	-20.6%	32.1%	37.9%	-5.8	18.2	22.5	-19%
Others	29.2	6.9%	50.7	7.8%	-42.4%	10.3	4.5	NS	35.2%	8.8%	26.4	(39.8)	(26.7)	49%
Total	424.6	100.0%	651.3	100.0%	-34.8%	90.1	206.2	-56.3%	21.2%	31.7%	-10.4	(131.3)	14.9	NS

Comparative Quarter - Year over Year

	Net Revenue					Gross Income			Gross Margin			Income before taxes		
	3Q14	Part. %	3Q13	Part. %	Var.	3Q14	3Q13	Var.	3Q14	3Q13	Var.p.p	3Q14	3Q13	Var.
Firearms	86.2	69.7%	170.0	77.8%	-49.3%	5.6	56.4	-90.0%	6.5%	33.2%	-26.6	(65.6)	5.0	NS
Helmets	28.3	22.9%	33.8	15.4%	-16.3%	7.7	13.0	-40.8%	27.3%	38.6%	-11.3	4.4	7.1	-38%
Others	9.1	7.4%	14.9	6.8%	-38.5%	5.0	(1.7)	NS	54.2%	-11.5%	65.7	(36.9)	(10.5)	NS
Total	123.6	100.0%	218.7	100.0%	-43.5%	18.3	67.8	-73.0%	14.8%	31.0%	-16.2	(98.1)	1.6	NS

Comparative Quarter - Current Quarter x Previous Quarter

	Net Revenue					Gross Income			Gross Margin			Income before taxes		
	3Q14	Part. %	2Q14	Part. %	Var.	3Q14	2Q14	Var.	3Q14	2Q14	Var.p.p	3Q14	2Q14	Var.
Firearms	86.2	69.7%	94.1	70.8%	-8.4%	5.6	14.8	-61.8%	6.5%	15.7%	-9.2	(65.6)	(31.7)	107%
Helmets	28.3	22.9%	30.3	22.8%	-6.8%	7.7	9.9	-22.1%	27.3%	32.7%	-5.4	4.4	6.6	-33%
Others	9.1	7.4%	8.6	6.4%	6.7%	5.0	1.4	NS	54.2%	16.4%	37.9	(36.9)	(2.7)	NS
Total	123.6	100.0%	132.9	100.0%	-7.1%	18.3	26.1	-29.8%	14.8%	19.6%	-4.8	(98.1)	(27.9)	NS

(i) Weapons – operations conducted by Forjas Taurus S.A. and Taurus Holdings, Inc. (USA);

(ii) Helmets for motorcyclists – operations conducted by Taurus Blindagens Ltda., Taurus Helmets Indústria Plástica Ltda. and Taurus Blindagens Nordeste Ltda.;

(iii) Others- segments of forging (until 2013),MIM, containers, anti-riot shields, motorcycle trucks, boilermaking, bulletproof vests and plastic products.

I. Defense and Security Segment (Weapons)

The Company's main segment; namely of Defense and Security, accounted for 71.7% of consolidated net revenue in 9M14. Weapon sales in 9M14 totaled R$ 304.3 million, 39.5% down compared to 9M13 (R$ 503.3 million, or 77.3% of total consolidated net revenue), explained by the slowdown in the weapons market in the US, to which exports were down 51.8%.

This segment includes hand guns (revolvers and pistols), long guns (rifles and carbines) for hunting and sports shooting and guns for military and police use (pistols, carbines, submachine guns, rifles and grenade launchers). The strategy of acquisitions and commercial partnerships for the last two years allowed managing several weapon makes: in the domestic market we use Taurus, Rossi and Gamo (only as products distributor); in the international market we use Taurus, Rossi, Heritage and DiamondBack, the latter being exclusively distributed globally by Taurus.

In 9M14, weapon sales were as follows: 65.9% to USA, 20.5% to Brazil and 13.6% to other countries, compared to 82.6%, 11.4% and 6.0% respectively in 3Q13.

Only in exports to the USA there was decrease of R$ 215.3 million, although exports to other countries increased 38.4%, or an increase of R$ 11.5 million, aggregating R$ 41.5 million in 9M14.

There was also recovery in sales in the domestic market, being up 8.3%, totaling R$ 62.4 million in 9M14, compared to R$ 57.6 million in 9M13, particularly in the North, South and Mid-West regions.

In the 3Q14, weapon sales totaled R$ 86.2 million, distributed as follows: 55.6% to the USA, 24.6% to Brazil and 19.8% to other countries, compared to 79.4%, 14.5% and 6.1%, respectively in 3Q13.

Gross margin was of 16.6% in 9M14, compared to 32.8% in 9M13, due to the following: (i) decrease in sales volume to the USA; (ii) increase in labor cost after a long negotiation of collective salary raise of metallurgic workers, of around 7.5%, paid in September, October and November, depending on the plants' location in Rio Grande do Sul, however with retroactive effect to May/14; and (iii) still certain unproductivity, for being a gradual recovery process, with minimum noncompliance level.

II. Metallurgy and Plastics Segment

This segment accounted for 28.3% of net revenue in 9M14 (22.7% in 9M13), including the operations of Polimetal in the São Leopoldo unit (in the Rio Grande do Sul state) of M.I.M.- Metal Injection Molding, as well as the activities of the helmet for motorcyclists plants (in the Paraná and Bahia states) and production of bulletproof vests, anti-riot shields and plastic containers (in the Paraná state).

(i) Helmets for motorcyclists

Sales of motorcyclist helmets accounted for 21.5% of net revenue, totaling R$ 91.2 million in 9M14, down 6.3% compared to 9M13. Gross profit amounted to R$ 29.3 million with gross margin of 32.1% in 9M14 (R$ 36.8 million and 37.9% in 9M13).

There was 9% decrease in physical sales of motorcyclist helmets in 9M14, higher than the 5.3% decrease in sales of motorcycles in Brazil. There was also 7.6% decrease in 3Q14 compared to 3Q13, being stable in relation to 2Q14, owing to restriction to credit to class C, D and E consumers, who represent the main consumers of our products.

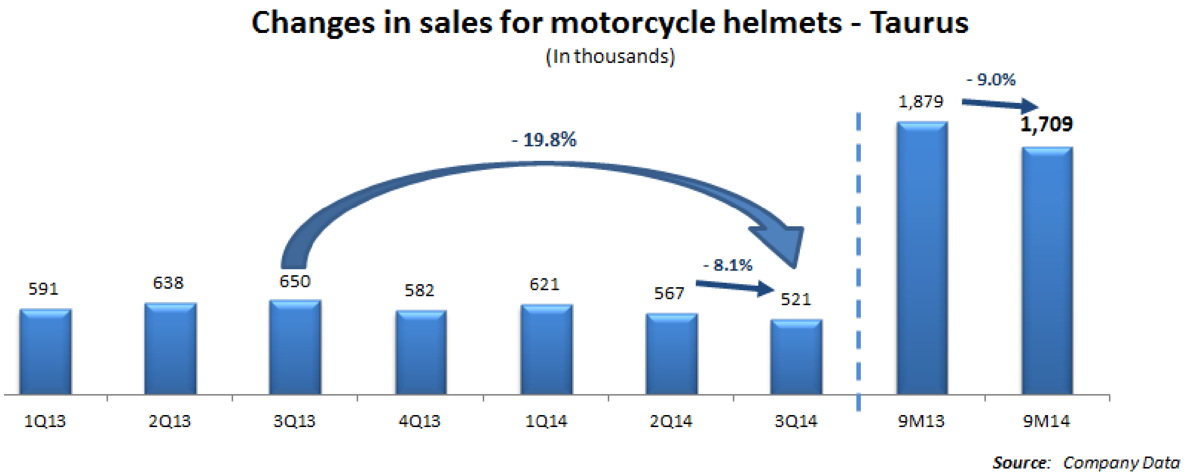
There was 8.1% decrease in sales volume in 3Q14 compared to 2Q14 and 19.8% decrease compared to 3Q13, with a total of 521 thousand helmets sold, while motorcycle sales decreased 7.6% in the market compared to 3Q13, being stable in relation to 2Q14.

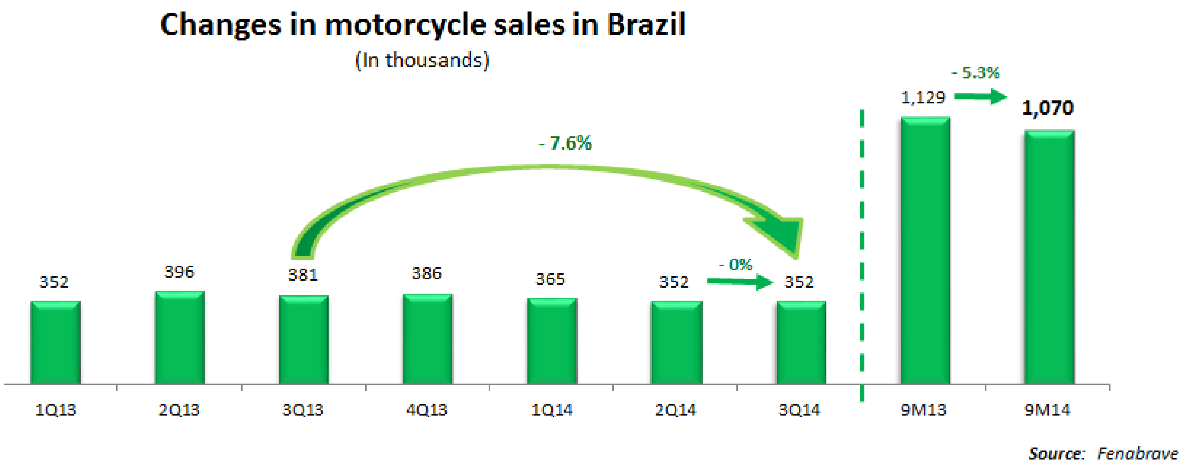
Gross profit from helmets was lower, with gross margin of 27.3% in 3Q14 compared to 38.6% in 3Q13, lower than the 32.7% for 2Q14, when motorcycle sales were kindled due to abundant offer of credit to consumers at lower interest rates with more favorable general consumption conditions, such as financing with lower down payments.

The Company started to import a more sophisticated line of helmets with the Taurus mark and the Italian CABERG mark, in addition to another line with the TAURUS mark to also operate in the premium market and expand the products portfolio, thus contributing to future increase in margins. Helmets with the San Marino mark were redesigned and re-launched, with successful sales.

Gross profit amounted to R$ 7.7 million in 3Q14, R$13 million in 3Q13 and R$ 9.9 million in 2Q14.

We illustrate below evolution of motorcycle sales and helmet for motorcyclists sales in Brazil by Taurus:





(ii) Other products from the Metallurgy and Plastics segment

Consolidated net revenue of other products totaled R$ 29.2 million, accounting for 6.9% of net revenue in 9M14, down 42.4% compared to R$ 50.7 million, which represented 7.8% of revenue in 9M13. The variety of products in this sub-segment (bulletproof vests, antiriot shields, plastic containers and the forging and metallurgy areas (M.I.M.) for third parties impairs comparison, since sales volumes frequently vary depending on the orders.

1.4 – Gross profit and gross margin

Consolidated gross profit totaled R$ 90.1 million in 9M14, down 56.3% compared to R$ 206.2 million in 9M13, with gross margin of 21.2% (compared to 31.7% in 9M13).

The factors that most influenced were: (i) decrease in volume and price of exports to the USA, leading to revenue decrease by 34.8%, which was not offset by the 24.8% decrease in cost of goods sold; (ii) unproductivity related to certain products owing to noncompliance thereof, thus generating decrease in the quantity produced; (ii) consequent increase in unit production cost; (iii) 4.8% decrease in inventories and of 34.7% in work in progress compared to the balance at December 31, 2013, for domestic market demand and of other countries; (iv) dismissals and outsourcing process; (v) prepayment of 6% salary raise in August/14, retroactive to May/14 at the weapons plant of Porto Alegre and to July/14 at the São Leopoldo plant, with the difference of 7.5% payable in November/14 and of 7.2% in October, respectively, in addition to 8% salary raise in September/14 at the Paraná units; and (vi) write-off of weapon components scrap at Polimetal.

In the 3Q14, gross profit totaled R$ 18.3 million with gross margin of 14.8%, lower than 19.6% for 2Q14 and 31% for 3Q13, mainly due to the margin in the USA, affected by the decrease in observable prices, in order to increase sales, reduce product inventories and preserve the commercial relationships with distributors, given the high competition.

1.5 - Operating Expenses

In 9M14, operating expenses totaled R$ 164.9 million, up 19.6% compared to 9M13, an increase of R$ 27 million, basically due to the increase in other operating expenses (see details in item 1.5.2.).

In 3Q14, operating expenses amounted to R$ 86.2 million, compared to R$ 37.5 million in 2Q14, an increase of R$ 41.4 million compared to operating expenses of R$ 44.8 million in 3Q13, due to other nonrecurring operating expenses related to tax, social security, labor and civil provisions for the period.

1.5.1. Selling, general and administrative expenses

Selling, general and administrative expenses totaled R$ 115.4 million in 9M14, down 12.2% compared to R$ 131.4 million in 9M13, due to the 14.9% decrease in selling expenses and of 8.5% in administrative expenses.

Selling, general and administrative expenses totaled R$ 40.7 million in 3Q14, down 4.1% compared to R$ 42.4 million in 3Q13, due to the 11.7% decrease in selling expenses; and a 6.4% increase in general and administrative expenses, due to nonrecurring expenses related to consulting and law firms due to the corporate aspects explained heretofore.

1.5.2. Other operating income (expenses)

Net operating expenses for 9M14 amounted to R$ 48.1 million, compared to R$ 6.4 million in 9M13, due to the increase in provisions for contingencies occurred at September 30, 2014 owing to the reclassification of certain proceedings from probable to possible losses.

In 3Q14 there were also other net operating expenses of R$ 45.1 million, compared to R$ 2.4 million in 3Q13, a difference of R$ 42.7 million in the period, which represents nonrecurring expenses.

This difference is explained by additional provisions for contingencies, as described in Note 20 to the ITR form, based on the updated assessment of risk of loss by the outside legal advisors as of September 30, 2014. The main proceeding assessed as involving probable loss was that of Hunter Douglas NV ("HD"), against Wotan Máquinas Ltda., related to collection originating in the loan agreement financing exports entered into in 2001. Subsidiary Taurus Máquinas-Ferramenta Ltda. ("TMFL") is defendant in the case due to the rent of industrial premises to Wotan Máquinas Ltda. in 2004, requiring set up of provision in the amount of R$ 35.54 million in 3Q14. The Company has already communicated this risk to the market in 4Q13 upon not prevailing in the lower court decision that was handed down.

We highlight that the provisions represent non-recurring expenses and may be largely reversed if not used, thus not necessarily representing cash outflow. This case will probably be resolved through an agreement with HD, within the limit of the provisioned amount, which shall entail cash outflow, reason why the Company's management recommended a new capital contribution in the Board Meeting of October 30, 2014, for an amount compatible with that estimated to result from the negotiation in progress.

The Company filed several proceedings for the recognition of several tax credits, of which the amounts will be recognized based on the realization thereof. In addition, owing to the in-court reorganization of SML applied for in July 2014, the Company took the necessary legal measures to qualify as unsecured creditor.

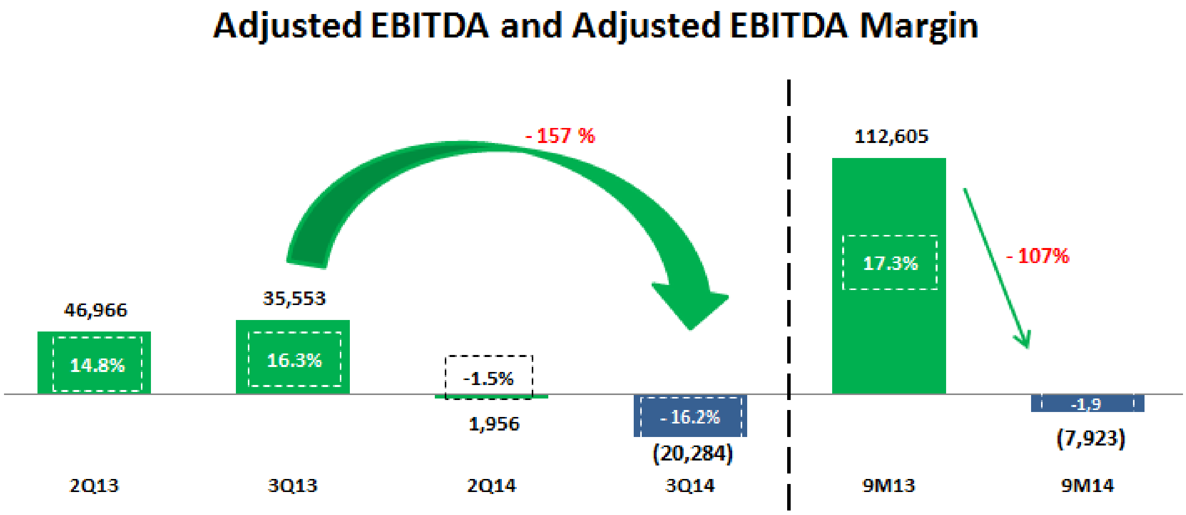
1.6 – Adjusted EBITDA and adjusted EBITDA Margin

Adjusted consolidated cash generation in 9M14 was negative of 7.9 million, with negative margin of 1.9% of net revenue, compared to adjusted EBITDA of R$ 112.6 million in 9M13 and adjusted EBITDA margin of 17.3%.

The difference of R$ 120.5 million in cumulative EBITDA for 9M14 compared to 9M13 is due to revenue decrease of 34.8% (-R$ 226.7 million) and in production and sales volume, thus resulting in decrease in gross margins of weapons and helmets, with 56.3% decrease in gross profit, or a decrease of R$ 116.1 million, as well as due to the increase in operating expenses, eliminating those that are nonrecurring.

Adjusted EBITDA for 3Q14 was negative of R$ 20.3 million, with negative margin of 16.2%, compared to adjusted EBITDA of R$ 35.6 million in 3Q13 and margin of 16.3%, due to the 43.5% decrease in revenue and in sales volume and the 73% decrease in gross profit.

The graph below sets out the changes in each period.



In thousands of reais

The table below sets out the calculation methodology for adjusted EBITDA, in accordance with CVM Rule No. 527/12:

CONSOLIDATED EBITDA
In thousands of BRL

PERIOD	9M13	9M14
= NET PROFIT (LOSS)	(10,077)	(124,768)
(+) IR/CSLL	25,009	(6,559)
(+) Net Financial Expenses	134,863	159,301
(-) Net Interest Income	(81,444)	(102,725)
(+) Depreciation/Amortization	26,195	24,911
= EBITDA CVM Reg. 527/12	94,546	(49,840)
(+) Loss of Taurus Máquinas-Ferramenta Ltda. (1)	18,059	41,917
= ADJUSTED EBITDA	112,605	(7,923)

(1) *Company management considers the result of subsidiary Taurus Máquinas-Ferramenta Ltda. as nonrecurring considering the disposal of its operations.*

1.7 – Financial income (expenses)

In 9M14, net financial expenses amounted to R$56.6 million, up 5.9% compared to R$53.4 million in 9M13.

Net financial expenses in 9M14 are mainly due to the following: (i) 2.6% increase in financial charges due to the increase in the basic interest rate; (ii) net exchange loss, however down 40.4% compared to prior year, since the dollar rate was up 9.91% at Sep/30/14 compared to Sep/30/13, due to the net result from asset and liability positions; and (iii) net exchange loss on swap operations (net gain in 9M13).

In 3Q14, net financial expenses amounted to R$ 30.3 million compared to R$ 21.4 million in 3Q13 and R$ 16.4 million in 2Q14, with an exchange rate increase of 11.3% at Sep/30/14 compared to Jun/30/ 14.

Approximately 54% of the Company´s exposure in loans and financing is related to the US dollar and largely to hedge operations. Also approximately 60% of net revenue results from exports with exchange gain.

1.8 – Net income (loss)

Net loss for 9M14 amounted to R$ 124.8 million representing negative net margin of 29.4%, due to (i) the decrease in revenue resulting from the decrease in sales volume and price of products; (ii) the decrease in costs proportionally lower than the decrease in revenue; (iii) due to the sharp decrease in gross profit and margins; and (iv) the increase in provisions for contingencies in other operating expenses.

This result was affected by loss of R$ 94.6 million in 3Q14, when the provision for contingencies related to HD was posted and due to loss of R$ 25.6 million for 2Q14, in both cases also due to the aforementioned operating problems.

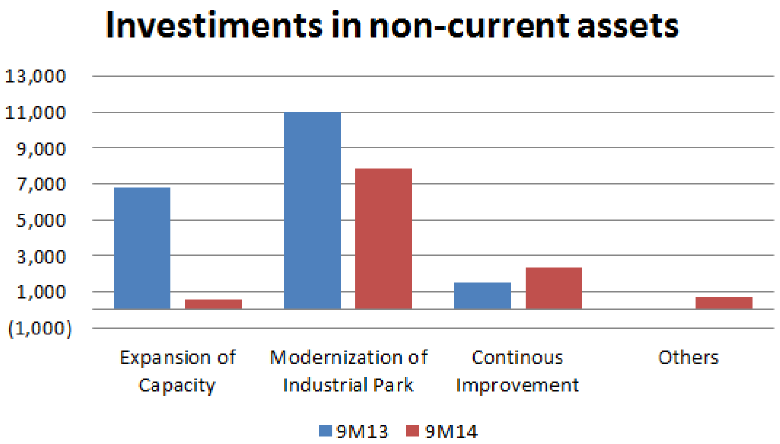
1.9 – Consolidated investments – *CAPEX – Capital Expenditures*

In 9M14, CAPEX totaled R$ 12.6 million compared to R$ 20.7 million, down 39.2% compared to 9M13, basically in modernization of industrial premises. Depreciation and amortization totaled R$ 24.9 million in 9M14, compared to R$ 26.2 million in 9M13.

Consolidated investments in 3Q14 totaled R$ 4.45 million, up 27.4% compared to 3Q13 and down 12.4% compared to 2Q14, with depreciation and amortization of R$ 8.6 million and R$ 8.5 million, respectively.

The Company´s capital budget of R$ 55 million proposed by management in 2014 was approved by the ordinary and special meetings of April 30, 2014, with realization of 23% thereof in 9M14, with potential carry-over to 2015, due to the reduction in expenses as a result of the performance for the period.

The graph below shows investments in PP&E in 9M14 and 9M13:



1.10 – Financial position

Cash and cash equivalents and short-term investments totaled R$ 210.2 million at Sep/30 /14, down 27% compared to R$ 286.1 million at Jun/30/14 and down 25% compared to R$ 281.1 million at Dec/31/13. Short-term investments earn from 98% to 103% of CDI at Sep/30/14, and are made with first tier banks.

Consolidated Gross indebtedness of Taurus totaled R$ 718.5 million at Sep/30/14, down 17% compared to R$ 861.4 million at Sep/30 /13 and down 12% compared to Dec/31/13, under a policy to reduce excess cash in order to settle liabilities subject to higher interest rates.

Consolidated working capital was also reduced, to R$260 million at Sep/30/14, down 11% compared to Dec/31/13.

In 9M14, there was capital increase through private subscription on BM&FBOVESPA, totaling R$ 67 million (see details in **Item 3 – CORPORATE EVENTS IN 9M14** of this report, sub item: **II. Capital increase, Disposal/Acquisition of Relevant Interest and Controlling Interest**), with the following cash inflow schedule:

- **06/30/14:** R$ 21.5million, of the capital increase after the end of the period for exercising right of first refusal;
- **07/11/14:** R$ 38.5 million, after the first apportionment of remaining shares;
- **07/21/14:** R$ 7 million, after 2nd apportionment of remaining shares;

In this period, there was also realization of 3rd issue of nonconvertible debentures in the amount of R$ 100 million, of which the cash inflow also took place at Jun/30/14 (see details in **Item 3 – CORPORATE EVENTS IN 9M14** herein, sub item: **III. Debentures: Liquidation of 1st Issue, waiver of early maturity of 2nd and 3rd Issues of nonconvertible debentures**).

The funds are mainly destined to: (i) reduce working capital needs; (ii) investments to modernize industrial premises; and (iii) finance exports.

The balance of short-term loans and financing totaled R$ 240.9 million at Sep/30/14, down 14% compared to Jun/30/14 and down 38% compared to Dec/31/13, accounting for 47% of the debt.

The balance of long-term loans and financing totaled R$ 265.8 million at Sep/30/14, down 14.8% compared to Jun/30/14 and down 3% compared to Dec/31/13, accounting for 53% of the debt**.**

Breakdown of debt by currency is 50% in foreign currency and 50% in domestic currency, being partially covered by hedge operations.

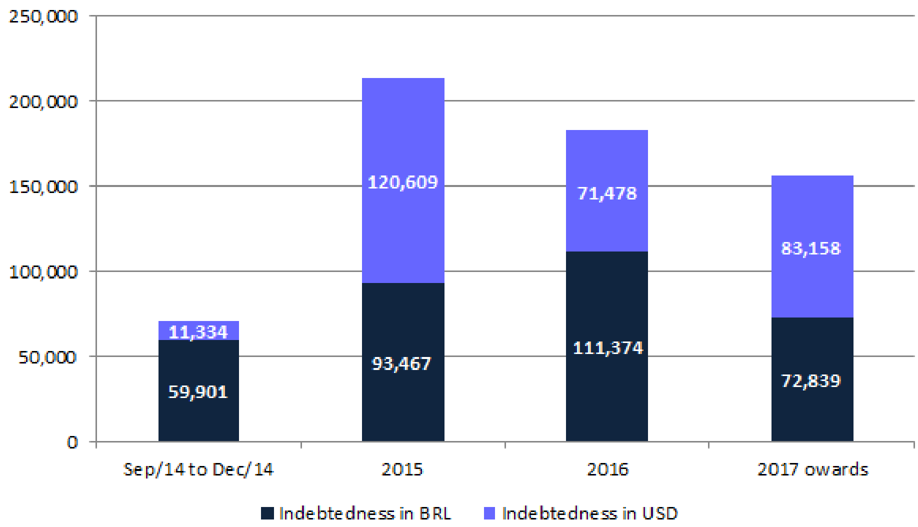
Net indebtedness at Sep/30/14 totaled R$ 508.2 million, down 3% compared to net debt of R$ 522.5 million at Jun/30/14 and down 6% compared to R$ 538.1 million at Dec/31/13. The decrease in the Company´s net indebtedness is mainly due to the inflow of new funds from the capital increase.

Debentures totaled R$ 133.2 million at Sep/30/14, adding the 2nd and 3rd issues. From 2010 to 2014, Taurus issued three debenture series of R$ 103 million, R$ 50 million and R$ 100 million, respectively:

- The 1st issue, in April 2010 bearing DI + 4.1%, was liquidated in April 2014 (balance of R$ 15.7 million);
- The 2nd issue, in August 2011 bearing DI + 2.8%, still has 9 remaining quarterly installments, started in August 2013 and the balance of R$ 31.2 million at Sep/30/14; and
- The 3rd issue in June 25, 2014 bearing DI + 3.25% and market covenants, measured annually. The total period is of three years, with grace period of two years, in connection with the process of extending debt payment term, with balance of R$ 102.0 million at Sep/30/14.

Information on the debenture holders' meetings held in the period and their waiver of early maturity (waivers obtained for noncompliance with covenants and change in controlling interest due to capital increase) are detailed in **Item 3**, **sub item III** herein.

The graph below sets out the consolidated debt maturity schedule.



See below balance changes at Sep/30/14 compared to Jun/30/14, Dec/31/13 and Sep/30/13, with the main accounts related to the Company´s financial position, as well as the main ratios related to the covenants, impaired in the comparison due to negative annual adjusted EBITDA in the period:

In millions BRL

	09/30/2014	06/30/2014	12/31/2013	09/30/2013	Var. Sep/14 x Jun/14	Var. Sep/14 x Dec/13	Var. Sep/14 x Sep/13
Short term indebtedness	240.9	280.5	388.5	367.3	-14%	-38%	-34%
Long term indebtedness	265.8	288.4	273.2	302.8	-8%	-3%	-12%
Exchange Serves	52.8	65.5	0.0	0.0	-19%	-	-
Debentures	133.2	133.3	57.6	77.1	0%	131%	73%
Antecipation Mortages	11.5	14.3	19.6	22.1	-20%	-41%	-48%
Advance on Receivables	29.9	39.3	116.0	124.6	-24%	-74%	-76%
Derivatives	-15.7	-12.8	-35.6	-32.5	23%	-56%	-52%
Gross Indetbetedness	**718.5**	**808.6**	**819.2**	**861.4**	-11%	-12%	-17%
(-) Cash available and financial investments	210.2	286.1	281.1	327.8	-27%	-25%	-36%
Net Indebtedness	**508.2**	**522.5**	**538.1**	**533.6**	-3%	-6%	-5%
Adjusted EBITDA	-20.5	35.3	100.0	124.2	-158%	-121%	-117%
Net Indebtedness/Adjusted EBITDA	**-24.78x**	**14.79x**	**5.38x**	**4.30x**			
Adjusted EBITDA/Financial Expenses Net	**-0.27x**	**0.52x**	**1.36x**	**1.85x**			

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2. Capital market

Performance of shares of Forjas Taurus S.A. -BM&FBOVESPA

The Company has been listed at Level 2 of BM&FBovespa since Jul/07/11 and as a listed company for more than 30 years. As shown in **Item 3 – CORPORATE EVENTS IN 9M14** herein, several corporate events led to amendments to certain articles of the Company's articles of incorporation, as well as changes in shareholding structure due to capital increase, which led to change in controlling interest, as under:

Shareholders	Before capital increase Basis: Jul/2014			After capital increase: Basis: Oct/2014		
	Total	ON	PN	Total	ON	PN
CBC	6.0%	**15.6%**	0.9%	27.9%	**52.5%**	0.9%
ESTIMAPAR	12.8%	**37.3%**	0.1%	12.1%	**23.2%**	0.0%
PREVI	26.8%	**15.3%**	32.7%	19.4%	**7.3%**	32.7%
FIGI	3.5%	**10.1%**	0.0%	2.5%	**4.8%**	0.0%
OTHER	50.9%	**21.7%**	66.3%	38.1%	**12.2%**	66.4%

The table below shows the recent evolution of the main aspects related to liquidity, such as number of trades, financial volume and quantity of traded shares, as well as the market value, based on certain information about Taurus shares on BM&FBovespa in 2014 and 2013, of which the price was significantly affected by the various corporate events that were thoroughly divulged in the media, thus not living up to the expectations of Company management and the Market:

TAURUS® MARCA DE QUALIDADE, TECNOLOGIA E SEGURANÇA	3Q14 (Jul/14 to Sep/14)	2Q14 (Apr/14 to Jun/14)	2013 (Jan/13 to Dec/13)	3Q14 x 2Q14	3Q14 x 2013
1. Stock Price					
ON - FJTA3*	R$ 0.85	R$ 1.32	R$ 2.66	-36%	-68%
PN - FJTA4*	R$ 0.49	R$ 0.92	R$ 2.28	-47%	-79%
IBOVESPA*	54,116	53,168	51,507	2%	5%
* last quotation					
2. Market Cap - in thousands of BRL					
ON - FJTA3	R$ 78,908	R$ 62,222	R$ 125,386	27%	-37%
PN - FJTA4	R$ 41,528	R$ 86,733	R$ 214,947	-52%	-81%
TOTAL	R$ 120,436	R$ 148,955	R$ 340,333	-19%	-65%
3. Liquidity Indicators					
ON - FJTA3					
Trades*	12	13	9	-8%	22%
Financial Volume*	14,699	441,846	29,640	-97%	-50%
Shares traded*	15,574	256,916	10,067	-94%	55%
* period average					
PN - FJTA4					
Trades*	199	168	233	18%	-14%
Financial Volume*	423,197	360,750	540,736	17%	-22%
Shares traded*	660,840	299,809	220,992	120%	199%
* period average					

The Company's capital, after approval of capital increase in the Special Meeting of Aug/28/14 and before the next Special Meeting of Nov/25/14 comprises the following shares:

Common shares: 95,659,753 = **50.6%** of total capital

Preferred shares: 94,360,781 = **49.4%** of total capital

Total issued shares: 190,020,534 = **100.0%** of total capital

The Special Meeting of Nov/25/14 to be held at 9a.m. at the Company's head office will decide, through voting, the following management's proposal:

1. Reverse split of common and preferred shares on a 11:1 basis;
2. Cancelling of 2,827,206 common and 9,608,901 preferred shares issued by the Company and held in treasury, without reducing the amount of capital, as approved in the Board of Directors' Meeting held on Aug/12/14; and
3. New wording of article 5 of the Company's articles of incorporation considering the reverse split of shares and cancellation of treasury shares, with Company capital amounting to R$ 324,876,395.25, divided into the following registered book entry shares with no nominal value:

Common shares: 8,439,322 = **52.3%** of total capital

Preferred shares: 7,704,716 = **47.7%** of total capital

Total issued shares: 16,144,038 = **100.0%** of total capital

3 – CORPORATE EVENTS IN 9M14

I. Restatement of the Financial Statements (“FS”) and subsequent measures by management:

Mar/28/14 – Board of Directors Meeting: The Board of Directors approved the FS (voluntarily restated) of 2012/13 (normal presentation), recommended approval of the FS in the Ordinary and Special meeting of Apr/30/14 and set up the Independent Special Committee (“CEI”), to recommend to the Board of Directors applicable measures after restatement of the FS;

Mar/28/14 – MATERIAL NEWS RELEASE: disclosure and voluntary restatement of the Quarterly Information (“ITR”) of 2012 (2Q12 and 3Q12) and 2013 (1Q13, 2Q13 and 3Q13) and FS of 2012 and presentation of FS for 2013. With the restatement of the FS, the related review and audit reports were reissued, no longer containing qualification or adverse opinion;

Apr/10/14 – COMMUNICATION TO THE MARKET: setting up of the Special Independent Committee (“CEI”) with 3 independent members, with the appointment of José Estevam de Almeida Prado as Coordinator, Iran Siqueira Lima and Luíz Spínola in the Board of Directors Meeting of Apr/9/14, establishing a term of 90 days for preparation of the CEI report;

Apr/30/14 – Ordinary and Special Meeting: the present shareholders decided by majority voting to remove from the meeting agenda the items referring to Company management accounts for 2013 and 2012, to be discussed in a new General Meeting to be held within up to 90 (ninety) days from the present date; and approved by majority voting, with abstention of those that were legally impeded, the financial statements, the independent auditor’s report on the financial statements, the Supervisory Board Report and other documents referring to the year ended December 31, 2013;

May/05/14 – CONVENING NOTICE AND VOTING MANUAL: for the Special Meeting of Jun/27/14 to analyze the recommendations of the Special Independent Committee (CEI) and approve management’s accounts in the FS of 2012 and 2013;

Jun/11/14 – COMMUNICATION TO THE MARKET: that the Board of Directors evaluated the conclusions in CEI’s report on Jun/10/14, recommended by unanimous voting to the Special Meeting of Jun/27/14 the approval of the proposal of filing by the Company of a civil liability proceeding, based on article 159 of Law No. 6404/76;

Jun/12/14 – COMMUNICATION TO THE MARKET: representation of management’s proposal to the Special Meeting of Jun/27/14 to CVM, in order to include CEI’s report;

Jun/16/14 – Board of Directors Meeting: giving continuity to the analysis of the recommendations in CEI report started on Jun/10/14, the Board of Directors decided to (i) authorize the Executive Board to hire specialized legal advisors to recommend applicable measures *(a) due to the acts of the person mentioned in letter h) item 178 of CEI report; and (b) due to the noncompliance with the obligations related to the involved independent audits;* (ii) recommend to the Special Meeting of Jun/27/14, (*a) to approve filing of the civil liability proceeding by the Company, based on article 159 of Law No. 6404/76 against the persons listed in letters a) to g) Item 178 of CEI report; (b) not to approve management’s accounts for 2012, listed in item 178 of CEI report; and (c) to approve management’s accounts for 2013, as per the conclusion in CEI report.*

Jun/27/14 – Special Meeting: the shareholders decided to approve the suggestions of the Board of Directors to suspend filing of the proceeding based on article 159 of Law No. 6404/76 against the persons listed in letters a) to g) Item 178 of CEI report, authorizing the Executive Board to retain legal advisors to analyze CEI report and to decide on whether to recommend or not the civil liability proceeding, as well as to suspend the analysis of management’s accounts for 2012/13, until presentation of the report from the legal advisors;

Aug/14/14 – COMMUNICATION TO THE MARKET: suspension of filing of civil liability proceeding against former management members and hiring of legal advisors (i) Rosman, Penalva, Souza Leão e Franco Advogados to evaluate the recommendation of the suspended liability proceeding for items 6.1, 6.2, 6.3 and letter (H) item 178 of CEI report of the minutes of the Special Meeting of Jun/27/14; and (ii) Souto Correa, Cesa, Lummertz & Amaral Advogados to evaluate the applicable measures against the independent auditors involved, with deadline for preparation of the report until Sep/15/14;

Sep/23/14 – Board of Directors Meeting: it approved convening the Special Meeting for Nov/25/14 at 11 a.m. (i) to examine, discuss and vote the Company's management accounts for the years ended Dec/31/12; (ii) and Dec/31/13; (iii) to decide about adventitious filing of the civil liability proceeding, on the terms of article 159 of Law No. 6404/76, against the current and former management members and the Company's supervisory board members, based on CEI report and the legal report of Rosman, Penalva, Souza Leão, Franco e Advogados; and (iv) if filing of the referred to civil liability proceeding is approved against the current members of the Company's board of directors and, on the terms of articles 159, paragraph 2 and 141, paragraph 3 of Law No. 6404/1976, to elect new Board of Directors members;

Sep/24/14 – CONVENING NOTICE AND MANAGEMENT'S PROPOSAL: for the Special Meeting of Nov/25/14, which will carry a voting in connection with the same matter proposed by the Board of Directors meeting of Sep/23/14, containing in Attachment C of the Voting Manual (the Management's Proposal) and the legal report from Rosman, Penalva, Souza Leão, Franco e Advogados.

II. Capital Increase, Disposal/Purchase of Significant Ownership Interest and Controlling Interest

Apr/10/14 – Board of Directors Meeting: the majority of the Board of Directors members (4 out of 7) decided for **not convening a Special Meeting** to address the matters proposed by the shareholder and Chairman Luis Fernando Costa Estima ("LFCE"), holder of 16.05% of the Company's shares, not recommending (i)capital increase on the proposed terms; (ii) nor the reduction of Board of Directors remuneration under the proposed conditions; supported by the Executive Board, which was not against capitalization, but which suggested a detailed economic evaluation study by an independent specialized company, to determine the correct issue price, following the best market price to avoid any imbalance in the market;

Apr/11/14 – CONVENING NOTICE: Special meeting convened by shareholder LFCE based on article 123, sole paragraph, "c", of Law No. 6404/76, to (i) examine, discuss and vote a proposal to increase Company capital, through private subscription, of up to R$200.91 million, through issue of up to 48,528,020 common ("ON") and 97,056,038 preferred shares ("PN"), all book-entry shares with unit price of R$1.38; and (ii) carry a voting in connection with the proposed reduction of compensation of the Company's board of directors' members;

Apr/14/14 – MATERIAL NEWS RELEASE: about the request in the Board of Directors' meeting of Apr/10/14 by shareholder and chairman LFCE, holding 16.05% of capital, together with Estimapar Investimentos e Participações Ltda. ("Estimapar"); about convening of the Special Meeting of Apr/11/14; about the justification of capital increase of 3 board members enclosed with the shareholder's proposal of a Special Meeting; and about the intended sale of 1,200 thousand common shares of LFCE in the coming 35 days on BM&FBOVESPA;

Apr/29/14 – Special Meeting: it decided to (i) approve capital increase through private subscription, in the amount of R$ 201 million; through issue of up to 48,528,020 common and 97,056,038 preferred registered book-entry shares with no par value, with issue price of R$1.38 per share, with minimum partial subscription of R$ 50 million; (ii) authorize the Company's executive board to prepare all the documents and adopt all the necessary measures to increase capital; and (iii) approve reduction of the Company's board of directors compensation, which started to be of R$5 thousand per month each;

Apr/29/14 – MATERIAL NEWS RELEASE: it informed that the Special Meeting of said date approved capital increase proposed by shareholder LFCE, together with Estimapar;

May/05/14- MESSAGE TO SHAREHOLDERS: it provides details about the capital increase approved by the Special Meeting of Apr/29/14;

May/06/14 – COMMUNICATION TO THE MARKET: shareholder LFCE communicated to the Company the disposal in up to 10 days of 3,800 thousand common shares ("ON") on BM&FBOVESPA, representing 8.58% of common shares issued by the Company, held by him (with no treasury shares);

May/28/14: beginning of the 30 day-period of right of first refusal (shares became subscription ex-rights on the date), which could be freely assigned on the terms of article 171, paragraph 6, of Law No. 6404/76;

May/29/14 – COMMUNICATION TO THE MARKET: shareholder LFCE communicated to the Company within 5 days, on the terms of article 11, paragraph 4, of CVM Ruling No. 358/02, the following operations on BM&FBovespa, with Company shares held by him: (i) he disposed on May/23/14, of 100 thousand common shares, for R$ 1.70 each; (ii) rented on May/26/14, 421,215 common shares; (iii) rented on May/27/14, 500 thousand common shares; (iv) disposed on May/27/14, 3,700 thousand shares for R$ 1.85 per share; (v) acquired on May/27/14, 300 thousand common shares for R$ 1.83 each; (vi) converted common shares of individual LFCE, into capital stock of legal entity Estimapar Investimentos e Participações Ltda. ("Estimapar"), CNPJ/MF nº 08.899.708/0001-38, in which he holds 99.99% ownership interest, as per the amendment to its articles of organization filed on Apr/15/14 with the Commercial Registry; (vii) after the aforesaid transactions, LFCE started to hold 15.54% of common shares and 0.06% of preferred shares, while Estimapar started to hold 38.03% of common shares of the Company (always without computing treasury shares);

Jun/03/14 – COMMUNICATION TO THE MARKET: in which shareholder LFCE communicated to the Company the intention of acquiring in the next 5 days, on BM&FBOVESPA, up to 750 thousand common shares issued by the Company, together with the related subscription rights, of up to 750 thousand common shares, in connection with the capital contribution process, including right to subscribe to remaining shares, as provided for in the communication to the Company's shareholders published on May/05/14;

Jun/27/14: end of the term for exercising right of first refusal;

Jul/03/14- MESSAGE TO SHAREHOLDERS: about capital increase, end of the right of first refusal on Jun/27/14, subscribed amounts, beginning of the 1st apportionment of remaining shares and proportion of rights;

Jul/08/14 – COMMUNICATION TO THE MARKET: shareholder GRANDPRIX INVESTIMENTOS communicated that it disposed of significant preferred shareholdings ("PN"), which then were lower than 5% of preferred capital stock, in accordance with article 12 of CVM Ruling No. 358/02;

Jul/11/14- MESSAGE TO SHAREHOLDERS: end of the 1st apportionment of remaining shares of capital contribution and beginning of the 2nd period for the apportionment of remaining shares until Jul/18/14;

Jul/14/14 – MATERIAL NEWS RELEASE: acquisition of significant shareholding of CBC after the end of the 1st apportionment of remaining shares. In the letter sent to the Company, CBC informed that it "*still intends to participate in the Company's management and to subscribe to new shares not subscribed in the second apportionment of remaining shares in connection with the approved Company capital increase process*";

Jul/21/14- MESSAGE TO SHAREHOLDERS: end of the 2nd apportionment of remaining shares in connection with the capital increase process and presentation of the updated shareholding position considering future approval thereof. This communication was restated on Jul/23/14 in order to include information about the possibility of review of subscriptions for having been partial;

Jul/21/14 – MATERIAL NEWS RELEASE: acquisition of significant shareholding of CBC after the end of the 2nd apportionment of remaining shares. Before approval of capital increase, Taurus informed that, considering the shares previously held, the shares subscribed upon exercising right of first refusal and in the 1st and 2nd apportionment of remaining shares, CBC started to hold 52.51% of common shares, 0.93% of preferred shares and 27.90% of total shares (not considering treasury shares), thus holding the majority of the Company's voting capital;

Jul/31/14- MESSAGE TO SHAREHOLDERS: about the end of the period for review of share subscriptions and the updated shareholding position considering future approval of capital increase. After the two apportionments of remaining shares and the review of share subscriptions, 48,522,214 common and 85,703 preferred shares were subscribed. Subscribed shares totaled R$ 67,078,925.46, in excess of the minimum limit of R$ 50 million for the capital increase;

Aug/04/14 – BOARD OF DIRECTOR'S MEETING, CONVENING NOTICE AND MANAGEMENT'S PROPOSAL: Board of Directors members unanimously approved convening of a special meeting, with a notice and proposal disclosed on the same day, to be held on Aug/20/14, in order to decide about: (i) approval of capital increase; and (ii) amendment, due to the referred to capital increase, to article 5 of the articles of incorporation;

Aug/20/14 – Special Meeting: total amount of R$ 67,078,925.46 of subscribed shares, in excess of the minimum limit of R$ 50 million established for the capital increase, was approved by majority voting of present shareholders, together with Company capital increase that had been approved in the Special Meeting of Apr/29/14, with the consequent issue of 48,522,214 common and 85,703 preferred shares, all registered book-entry with no par value. In addition to the approval, amendment to article 5 of the articles of incorporation of the Company was also decided in order to reflect the new shareholding structure.

Aug/22/14 – REFERENCE FORM: the Company timely restated the Reference Form ("FRE") to keep the market apprised of approval of capital increase and its new shareholding structure due to this operation;

Sep/08/14 – COMMUNICATION TO THE MARKET: shareholder PREVI communicated to the Company, according to Article 12 of CVM Ruling No. 358/02, that due to the capital increase approved by the Special Meeting of Aug/20/14, that it held 7.3% of common and 32.71% of preferred shares and 19.43% of total capital (without treasury shares);

Oct/30/14 – Board of Directors Meeting: due to the developments of the judicial proceeding filed by Hunter Douglas NV against subsidiary TMFL and another party, the Board of Directors approved the recommendation of increasing Company capital, owing to the negotiations that are in progress to reach an agreement, for an amount aligned with that which comes to be agreed to settle the proceeding.

III. Debentures: Liquidation of the 1st issue, waiver of early maturity of 2nd and 3rd issue of nonconvertible debentures;

Apr/15/14: liquidation of the balance of R$ 15.7 million, related to **1st debenture issue**, at the rate of DI + 4.1%;

Jun/03/14 – General Debenture Holders' Meeting: the General Debenture Holders' Meeting ("AGDEB") decided for waiving early maturity of **2nd issue**, due to the noncompliance with financial ratios (covenants), of which the rate is DI + 2.8%, issued in 2011, with 9 remaining quarterly installments, started in August 2013 (balance of R$ 31.2 million at Sep/30/14);

Jun/12/14 – Board of Directors Meeting: the Board of Directors approved by unanimous voting and without any restrictions or abstentions, the **3rd debenture issue** of R$100 million, represented by 10 thousand unsecured debentures not convertible into shares;

Jun/12/14 – MATERIAL NEWS RELEASE: communication of debenture issue;

Jun/25/14: 3rd issue at the rate of DI + 3.25% and financial market covenants measured annually**.** Term of 3 years, with grace period of 2 years, as part of the debt payment term extension process (balance of R$ 103.7 million at Sep/30/14);

Sep/30/14 – General Debenture Holders' Meeting: approved by unanimous voting and without remarks the waiver of early maturity of the **2nd issue** due to noncompliance with financial ratios (covenants) and of the **3rd issue** due to the change in controlling interest of Issuer as a consequence of the capital increase approved by the Special Meeting of Aug/20/14.

IV. CADE – Concentration Act related to TAURUS and CBC

May/12/14: communication from Companhia Brasileira de Cartuchos ("CBC") to CADE about its intention of acquiring on BM&FBOVESPA common shares of TAURUS, filing Concentration Act No. 08700.003843/2014-96 with CADE;

Jun/23/14 – MATERIAL NEWS RELEASE: informed that Official Letter No. 2457/14 was received from Cade communicating to the Company the dismissal of the application for exercising the rights of common shares of Taurus held by CBC, in excess of the position held on 05/12/14, for purposes of voting in the Special Meeting of Jun/27/14; allowing exercise of rights of 2.5% common shares and 0.2% of preferred shares, positions held before the communication of May/12/14; repealing the need of application for preliminary injunction required by shareholder PREVI on Jun/16/14; restriction that is valid until the Concentration Act of TAURUS and CBC is judged by CADE;

Sep/04/14: Official Letter No. 3992/14 from Cade requesting additional information to the Company about the concentration act under analysis referring to acquisition of Taurus shares by CBC, which was fulfilled within the defined deadline of 09/24/14;

Oct/24/14: the public version of the Company's reply to Cade Official Letter No. 3992/14 was made available on CADE's site;

Nov/13/14: the Company continues waiting for judgment of the Concentration Act of TAURUS and CBC, in order to be able to analyze the potential synergy gains and value added with the recent changes in shareholdings.

V. Election of the Board of Directors and Appointment of the Statutory Committees

Apr/28/14 – MATERIAL NEWS RELEASE: informing about: 1. Letter of resignation of Board Member Fernando José Soares Estima dated Apr/25/14; 2. Correspondence from shareholder LFCE, holding 16.05% interest together with Estimar, also due to the resignation a new election of board members shall be made in the Special Meeting of Apr/29/14, strictly following article 141, paragraph 30 of Law No. 6404/76; 3. List with the names of applicants; 4. Understanding by the Company, supported by legal advisors, that election of new Board members may not take place in the Special Meeting of Apr/29/14 or in the Ordinary and Special Meeting of Apr/30/14, since the matter was not included in the agenda; 5. A Board of Directors meeting was convened by shareholder and chairman LFCE, to analyze a new application for convening a Special Meeting on May/13/14 (an impossible date owing to the required legal terms), warning that he will do so should it not take place in 8 days, based on article 123 sole paragraph, letter "c", of Law No. 6404/76;

Apr/28/14 – MATERIAL NEWS RELEASE: formal consultation to CVM to obtain understanding about the possibility of electing Board members in the Special Meeting of Apr/29/14 and in the Ordinary and Special Meeting convened for Apr/30/14, obtaining reply through CVM/SEP/GEA-4 Official Letter No 108/14, that there shall be no inclusion in the agenda of election of Board members, following the procedures provided for by article 124 of Law No. 6404/76;

May/05/14 – CONVENING NOTICE AND MANAGEMENT'S PROPOSAL: The Board of Directors' Meeting of May/02/14 approved by majority voting convening of the Special Meeting on Jun/27/14, with 2 groups of meeting agenda items: I - Items proposed by the Board of Directors by majority voting (i) get to know CEI recommendations; and (ii) examine, discuss and carry a voting in order to approve management's accounts for 2012 and 2013; and II – Items proposed by shareholder LFCE on Apr/25/14, on the terms of article 123 sole paragraph, letter "c", of Law No. 6404/76: (i) amendment to article 20 and 29 of the articles of incorporation changing from 7 to 9 Board members; and (ii) elect Board of Directors members;

May/06/14 – COMMUNICATION TO THE MARKET: receipt of correspondence on May/05/14, from shareholder LFCE holding 16.05% interest in the Company together with Estimapar Investimentos e Participações Ltda. ("ESTIMAPAR"), considering abusive the convening of a Special Meeting more than 60 days after the request made on Apr/25/14, based on article 123 of Law No. 6404/76, which proposed a Special Meeting for May/ 21/14, with the same agenda. The Company clarified that the request of shareholder was met, by convening of the Special Meeting on Jun/27/14;

May/07/14 – CONVENING NOTICE: publication of the notice convening a Special Meeting on May/21/14 by shareholder LFCE, on the terms of article 123, sole paragraph, letter "c", of Law No. 6404/76 with the following agenda: (i) amendment to article 20 and 29 of the articles of incorporation changing from 7 to 9 Board members; and (ii) elect Board of Directors members;

May/09/14 – COMMUNICATION TO THE MARKET: clarifications to BMF&FBOVESPA Official Letter GAE/1.707 of May/ 08/14, about the request of presentation of management's proposal, informing that the amendment to the Company's articles of incorporation (change from 7 to 9 Board members) and the election of Board members, item II of the Notice of May/05/14, took place in response to the request of shareholder LFCE, with registration of management's proposal with the list of applicants to the board of directors, received from said shareholder;

May/09/14 – COMMUNICATION TO THE MARKET: clarification to BMF&FBOVESPA Official Letter GAE/1708 of May08/14 about which board members indicated by shareholder LFCE in the proposal are independent;

May/16/14- MESSAGE TO SHAREHOLDERS: about the request of adoption of multiple vote process for the Special Meeting of May/21/14, of shareholder with 12.45% of common shares, with indication of applicants and from shareholder with 14.38% of common shares, without indication of applicants;

May/21/14 – Special Meeting: non-realization of the Special Meeting proposed by shareholder LFCE and Estimapar (holding company in which he holds 99.99% interest), holders of 16.05% interest in the Company, due to CVM's decision that convening thereof was irregular, due to the direct and inseparable relation with the matters proposed on the terms of article 124, paragraph 5, item II of Law No. 6404/76, in addition to the injunction received on this date, suspending realization of the meeting;

May/21/14 – MATERIAL NEWS RELEASE: non-realization of the Special Meeting of May/21/14, due to CVM/SEP/GEA-4 Official Letter No. 150 dated May/20/14 received with unanimous CVM decision referring to the Special Meeting proposed by shareholder LFCE, acknowledging irregular convening thereof, infringing article 123, sole paragraph, letter "c", of Law No. 6404/76;

Jun/23/14- MESSAGE TO SHAREHOLDERS: about adoption of multiple vote process for the Special Meeting of Jun/27/14, of shareholder with 15.3% of common shares, without identification of applicants;

Jun/27/14 – Special Meeting: Election of Board of Directors members through multiple vote process and amendment to the articles of incorporation increasing the number of members from 7 to 9 and reducing compensation of Board members;

Jul/17/14 – Board of Directors Meeting: to inaugurate the Board elected in the Special Meeting of Jun/27/14, with 9 members, election of Board Chairman and Vice Chairman and indication of the members of the 3 Statutory Committees;

Jul/18/14 – COMMUNICATION TO THE MARKET: about the inauguration of the Board elected in the Special Meeting of Jun/27/14, with 9 members, election of Board Chairman and Vice Chairman and indication of the members of the 3 Statutory Committees.

Cancelation of Treasury Shares and Reverse Split of Shares

Aug/12/14 – Board of Directors Meeting: the Board of Directors approved cancellation of treasury shares, being 2,827,206 common and 9,608,901 preferred shares, with no par value, without capital reduction, with ex-treasury shares remaining with BM&FBOVESPA on Aug/13/14;

Sep/23/14 – Board of Directors Meeting: the Board of Directors decided to convene a Special Meeting on Nov/25/14, at 9 a.m. at the Company's head office, with the following agenda: (i) reverse split of common and preferred shares on the basis of 11:1; (ii) amendment to wording of article 5 of the articles of incorporation, in order to adjust the quantity of shares due to the reverse split of shares and the cancellation of treasury shares, without capital reduction; (iii) amendment to article 1 and 20 of the articles of incorporation to (a) include the wording of the new regulation about listing of Issuers and Admission to Securities Trading of BM&FBOVESPA; and (b) lack of requirement of board members being shareholders, by operation of enactment of Law No. 12431/2011; and (iv) Consolidation of the Articles of Incorporation;

Sep/24/14 – CONVENING NOTICE: for the Special Meeting of Nov/25/14 at 9 a.m., with the agenda indicated in the Board of Directors meeting of Sep/23/14.

1. Operations

Forjas Taurus S.A. (“Company”) is a Brazilian stock corporation, with its registered office in Porto Alegre (RS), and its activities include the manufacture and sale of revolvers, military and civilian pistols, ammunition and investing in other companies. The subsidiary companies produce and sell civilian pistols, glasses, metal parts to order, bullet proof vests, motorbike helmets, injected plastic products, tools for civil construction, mechanical, gardening and similar products, the purchase, sale and rental of own and third party real estate.

At September 30, 2014, the Company and its subsidiaries operated with six industrial plants, three of which are located in the state of Rio Grande do Sul, one in the state of Paraná, one in the state of Bahia and one located in the United States of America.

Sales made by the Company and its subsidiaries are directed mainly to private customers in the foreign market, particularly those located in North America, and also public bodies in the domestic market, mainly the state, civil and military police. Sales made by the Company and its subsidiaries are not subject to restrictions and there is no significant concentration that implies significant dependence on government bodies or any other single client. Given the specific characteristics of the weapons and ammunitions market, the Company and its subsidiaries are supervised and follow the rules issued by the national and foreign security bodies for part of their operations.

The Company’s shares, ON (FJTA3) and PN (FJTA4), have been listed on Bovespa since March 1982.

The Company posted loss and reduced cash generation in the year ended December 31, 2013 and the period ended September 30, 2014. Management has been implementing measures for restructuring its operations, focusing on the improvement of operating efficiency, the increase of productivity, recovery of profit margins and improvement of financial ratios.

Several actions are being taken to increase sales and production, recovering the Company’s cash generation, which presented recovery in the 3Q14 with new orders for the 4Q14. Among these actions, we highlight projects in the production areas (review of processes); the implementation of Sales & Operational Planning (“S&OP”); Supply Chain (outsourcing in the whole supply chain) – purchase of raw materials and logistic; ERP reimplementation; and improvement of internal controls and IT systems, among others.

1. **Operations** (Continued)

There was a recent capital contribution of R$ 67 million and extension of debt payment term, with the 3rd debenture issuance of R$ 100 million, with term of 3 years and grace period of 2 years, thus allowing comfortable working capital management within medium term, including a policy for reducing the high Company cash level, which was maintained at such level lest there were any market liquidity problems, due to the macroeconomic uncertainties in the period under analysis. Financial ratios (*covenants*), net debt to consolidated adjusted EBITDA (for the last 12 months), were agreed again in debenture holders' meetings (2nd and 3rd issues) as well as with banks from which the loans and financings were taken out, due to the restatement of the financial statements and the change in controlling interest, resulting from the capital contribution, provided for in the indentures.

In summary, Company management was impacts in the 9 months of 2014 by events related to:

a) Corporate aspects: that significantly involved Company management, the election of a new Board of Directors, several special meetings held in the period, generation and publishing of corporate documents, preparation of several material news releases, communications to the market and shareholders and the natural demand for additional clarifications, by inspecting and regulatory bodies, such as CVM, BM&FBOVESPA, in addition to the Council for Economic Defense ("CADE"), since the concentration act in progress, resulting from change in the controlling interest, involves two companies in the Defense and Security industry (weapons, accessories and ammunition); and

Operating aspects: the need of replacing people in the operating area and to increase quality and punctual market and unproductivity issues due to noncompliance, reduced the volumes produced which, even with the gradual and consistent recovery in the volume of weapons / man day in the 3Q14 and to date, have not yet reached an adequate level to meet increasing demand in the period, thus generating a sales backlog, especially for revolvers, of which the performance is below management's expectations, despite the various measures that have been taken in several areas.

In view of the perceived regularization in sales volume in the North American market, Company management forecasts that the results of these operating actions already implemented may take place within medium to long term, with recovery as from the 4Q14, however more consistently and continuously as from 2015 onwards.

2. Basis of consolidation

	Country	Investment interest 09-30-2014	12-31-2013
Taurus Blindagens Ltda.*	Brazil	**100.00%**	100.00%
Taurus Blindagens Nordeste Ltda.*	Brazil	**100.00%**	100.00%
Taurus Holdings, Inc.	USA	**100.00%**	100.00%
Taurus Security Ltda.	Brazil	**100.00%**	100.00%
Taurus Máquinas-Ferramenta Ltda.*	Brazil	**100.00%**	100.00%
Taurus Investimentos Imobiliários Ltda.*	Brazil	**100.00%**	100.00%
Famastil Taurus Ferramentas S.A.**	Brazil	**35.00%**	35.00%
Taurus Helmets Indústria Plástica Ltda.*	Brazil	**100.00%**	100.00%
Polimetal Metalurgia e Plásticos Ltda.	Brazil	**100.00%**	100.00%

(*) The investments reported represent the percentage interest held by the investing Company directly or indirectly in the capital of the subsidiary companies.
(**) Not consolidated.

3. Basis for preparation

a) Statement of compliance (with International Financial Reporting Standards - IFRS and CPC rules)

These financial statements include the consolidated financial statements prepared in accordance with 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) and the individual financial statements of the Company prepared in accordance with BR GAAP.

The Company's individual financial statements were prepared in accordance with BR GAAP and, in the case of the Company, these practices differ from IFRS applicable to separate financial statements, since the investments held in subsidiaries and associated companies are valued using the equity method in BR GAAP, whilst for purposes of IFRS they are valued at cost or fair value.

The authorization for conclusion of this quarterly information was granted in the board meeting held on November 05, 2014.

b) Basis for measurement

The individual and consolidated financial statements were prepared on a historical cost basis, except for the following material items recognized in the balance sheets: derivative financial instruments stated at fair value and financial instruments stated at fair value through profit or loss.

c) Functional and reporting currency

The individual and consolidated financial statements are presented in Brazilian Reais, which is the functional currency of the Company and its subsidiaries located in Brazil. The functional currency of the subsidiary Taurus Holdings, Inc., located in the United States, is the US dollar.

3. **Basis for preparation** (Continued)

d) Use of estimates and judgments

The preparation of the individual and consolidated financial statements in accordance with IFRS and CPC pronouncements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Actual results may differ from the amounts estimated.

Estimates and assumptions are reviewed periodically. Reviews with respect to accounting estimates are recognized in the period estimates are revised and in any future periods affected.

Information on key judgments referring to accounting policies adopted that affect the amounts recognized in the individual and consolidated financial statements and information about uncertainties, assumptions and estimates is included in the following notes: 13 – Deferred tax assets and liabilities, 20 – Provision for tax, social security, labor and civil contingencies and 21 – Financial instruments.

4. Significant accounting practices

The calculation policies and method adopted in this quarterly information are the same as those adopted for preparation of the annual financial statements for the year ended December 31, 2013, described in Note 4 therein, except for the following accounting practices:

a) New accounting standards with initial adoption as from January 1, 2014.

(i) Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27): These amendments introduce a consolidation exception for entities that meet the definition of 'investment entity' in IFRS 10. Under this exception, investment entities are required to measure their investments in subsidiaries at fair value through profit or loss. The Company did not identify impacts on its interim financial information from such amendments since none of its entities fit into the definition of investment entity.

(ii) IAS 32 – Offsetting of Financial Assets and Financial Liabilities – Amendment to IAS 32 - These amendments clarify the meaning of "currently has a legally enforceable right to set-off the amounts recognized" and the criteria that would cause settlement mechanisms that are not simultaneous (such as clearing house systems) to qualify for such offsetting. The Company did not identify impacts on its interim financial information from such amendments.

4. **Significant accounting practices** (Continued)

a) New accounting standards with initial adoption as from January 1, 2014 (Continued)

(iii) IFRIC 21 Levies: IFRIC 21 provides guidance on when to recognize a liability for a tax or levy when the obligating event occurs. For a levy that is triggered upon reaching a given metric, the interpretation indicates that no liability should be recognized before the specified metric is reached. The Company did not identify impacts on its interim financial information from such amendment.

(iv) IAS 39 - Renovation of Derivatives and Continuation of Hedge Accounting - Amendment to IAS 39 - This amendment introduces a relief regarding discontinuance of hedge accounting where a derivative, which is designated as hedging instrument, is novated if specific conditions are met. The Company did not renew its derivatives during the period of application of the amendment.

b) Accounting standards issued by IASB, but that were not in force until the date of this quarterly information and not adopted early by the Company.

(i) Amendment to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations: In May 2014, IASB issued an amendment to IFRS 11 that provides guidance about accounting for acquisitions of interests in joint operations in which the activity is a business. An entity shall apply this amendment prospectively to annual periods beginning on or after January 1, 2016, early adoption thereof being allowed. The amendments to this standard will impact the individual and consolidated financial statements of the Company only when and if an acquisition of interest in a joint operation takes place in which the activity is a business.

(ii) Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Depreciation and Amortization Methods: in May 2014, IASB issued amendments to IAS 16 and IAS 38 that clarify acceptable depreciation and amortization methods. An entity shall apply this amendment prospectively to annual periods beginning on or after January 1, 2016, early adoption thereof being allowed. The Company believes that the amendments to the standards will not impact its individual or consolidate financial statements.

4. **Significant accounting practices** (Continued)

(b) Accounting standards issued by IASB, but that were not in force until the date of this quarterly information and not adopted early by the Company (Continued)

(iii) IFRS 15 Revenue from Contracts with Customers: in May 2014, IASB issued the new IFRS 15 that establishes principles to report useful information for users of the financial statements about the nature, quality, timing and uncertainty of revenue and cash flows resulting from contracts of an entity with customers. An entity shall apply this amendment prospectively to annual periods beginning on or after January 1, 2017, early adoption thereof being allowed. The Company is evaluating the effects from application of this new standard.

(iv) Annual Improvements to IFRS - 2012-2014 Cycle: IASB uses the annual improvements process to make necessary amendments to IFRS that are not urgent whenever these amendments do not include any other project. In presenting the amendments in the form of a sole document instead of a series of separate amendments, IASB has the objective of facilitating the burden of changes for all those involved. The Annual Improvements – 2012-2014 Cycle bring a series of amendments to IFRS in response to issues raised during the cycle 2012-2014 referring to annual improvements. These amendments result from the proposals in the *Exposure Draft* (ED) *Proposed amendments to IFRS*, *Annual Improvements to* IFRSs 2012–2014 *Cycle*, published in December 2013. These amendments are effective January 1, 2016.

(v) Amendment to IFRS 10 and IAS 28 – Sale or Contribution of assets between an investor and its associate or joint venture: the amendments address an inconsistency recognized between the requirements in IFRS 10 and those in IAS 28 (2011), in treating sale or contribution of assets between an investor and its associate or joint venture. The main consequence from the amendments is that an integral gain or loss is recognized when the transaction involves a business (whether it is held in a subsidiary or not). A partial gain or loss is recognized when the transaction involves assets that do not represent a business, even if these assets re held in a subsidiary. The amendments are effective for years beginning on or after January 1, 2016.

4. **Significant accounting practices** (Continued)

(b) Accounting standards issued by IASB, but that were not in force until the date of this quarterly information and not adopted early by the Company (Continued)

(vi) Amendment to IAS 27 – Equity method in separate financial statements: The International Accounting Standards Board (IASB) published amendments to IAS 27 that deal with application of the Equity Method in Separate Financial Statements *(Amendments to* IAS 27). The amendments to IAS 27 will allow that entities use the equity method to account for investments in joint ventures and affiliates in their separate financial statements. The amendments will contribute for certain jurisdictions to start adopting IFRS for separate financial statements, thus reducing the costs of compliance without reducing information available to investors. The amendments are effective January 1, 2016.

(vii) IFRS 9 Financial Instruments: The International Accounting Standards Board (IASB) concluded the final element of its comprehensive response to the financial crisis issuing IFRS 9 Financial Instruments.The package of improvements introduced by IFRS 9 includes a logic model for classification and measurement, a sole model for determining expected impairment loss of financial assets with a substantially new prospective approach for hedge accounting. The new standard will be effective January 1, 2018, early adoption thereof being allowed.

The Company intends to adopt such standards when they become effective, disclosing and recognizing the impacts on the interim financial information that may take place upon such adoption.

The Brazilian Financial Accounting Standards Board - FASB (“CPC”) has not yet issued the related pronouncements and amendments related to the new amended international financial reporting standards presented above. As a consequence of the commitment from the Brazilian FASB (CPC) and CVM to keep an updated set of standards issued based on the amendments made by IASB, it is expected that these pronouncements and amendments will be issued by the Brazilian FASB (CPC) and approved by the CVM until the date of their mandatory application.

There are no other standards and interpretations issued and not yet adopted that may, in the opinion of management, have significant impact on the Company’s disclosed net income or equity.

5. Determination of fair value

Several of the Company's policies and disclosures require that fair values be measured, for both financial and nonfinancial assets and liabilities. The fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, additional information on the assumptions adopted for measuring the fair values is disclosed in the specific note to that asset or liability.

(i) *Trade accounts receivable and other receivables*

The fair value of accounts receivable and other receivables is estimated as the present value of future cash flows, discounted using the market interest rate on the reporting date.

(ii) *Derivative financial instruments*

The fair value of future foreign exchange contracts is based on the listed market price, when available. If a listed market price is not available, the fair value is estimated discounting the difference between the contractual forward price and the current forward price for the remaining period of the contract using a risk free interest rate (based on public securities). The fair value of interest rate swap contracts is based on brokers' quotations. These quotations are tested for reasonableness by means of discounted estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument calculated at the measurement date. The fair values reflect the credit risk of the instrument and include adjustments to consider the credit risk of the Company and counterparties when appropriate.

(iii) *Non-derivative financial liabilities*

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 the market interest rate determined at the reporting date of the financial statements. For liability components of convertible debt instruments, the market interest rate is determined by reference to similar liabilities that do not have conversion options. For finance leases, the interest rate is determined by reference to similar leasing contracts.

6. Financial risk management

The Company is exposed to the following risks from the use of financial instruments: credit risk, liquidity risk, market risk and operational risk.

This note presents information on the Company's exposure to each of the aforementioned risks, the objectives of the Company, its policies and processes for measuring and managing risk, and management of the Company's capital. Additional quantitative disclosures, including sensitivity analyses, are disclosed in Note 21.

(i) Risk management structure

The risk management policies are established to identify and analyze the risks faced by the Company, to define appropriate risk limits and controls and to monitor risks and adherence to limits. The risk management systems and policies are revised frequently to reflect any changes in market conditions and the Company's activities. The Company, based on its rules, training procedures and management, aims to develop a disciplined and constructive control environment, where all of the employees understand their roles and obligations.

Management accompanies compliance with the Company's risk management procedures and policies and revises the adequacy of the risk management structure in relation to the risks faced by the Company.

(ii) Credit risk

Credit risk is the risk of financial losses for the Company in the event a customer or counterparty to a financial instrument fails to comply with its contractual obligations, and refers mainly to trade accounts receivable and investment securities. In relation to financial institutions, the Company and its subsidiaries only carry out operations with financial institutions considered by management as involving low risk.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each client. The Company and its subsidiaries adopt the practice to analyze the financial situation of its counterparties, and also define credit limits and permanently accompany outstanding balances. The Company's sales income is not concentrated with a single client, and there is no concentration of credit risk.

6. **Financial risk management** (Continued)

(iii) Trade accounts receivable and other receivables

The Company established a credit policy where the credit worthiness of every new client is analyzed individually before the Company's standard payment and delivery terms and conditions are offered. This analysis includes external evaluations, when available, and in some cases references from banking institutions. Purchase limits are established for each client, which represent the maximum amount available without prior approval being required, with these limits revised quarterly. Clients that fail to comply with the credit limit established can only operate with the Company based on advance payments. For public bodies Company management individually evaluates the ability to pay and the bid requirements for making the sales. The Company does not have customers that individually represent more than 5% of sales.

For purposes of monitoring credit risk from customers, the customers are grouped based on their credit characteristics, including whether they are individuals or corporate entities, retailers or public entities, their geographical location, industry and the existence of any prior financial difficulties.

The Company establishes a provision for impairment losses which represents its estimate of losses incurred from trade accounts receivable, other receivables and investments.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will face difficulties in fulfilling its obligations associated with its financial liabilities which are liquidated with cash payments or with other financial assets. The Company's approach for liquidity management is to guarantee, as far as possible, that it always has sufficient liquidity to fulfill its obligations that fall due, under normal and stress conditions, without causing unacceptable losses or risks that would adversely affect the Company's reputation.

Typically, the Company ensures that it has sufficient cash to meet its expected operating expenses for approximately 60 days, including fulfilling financial obligations; this does not include the potential impact from extreme circumstances that cannot be reasonably forecast, such as natural disasters. In addition, the Company has approved credit lines, but not yet contracted, from the largest banks that operate in Brazil, for approximately R$ 200 million, at market rates and terms.

Subsidiary Taurus Holdings, Inc. has a credit line of USD 75 million and, at September 30, 2014, it had used USD 23 million.

6. **Financial risk management** (Continued)

(v) Market risk

Market risk is the risk that variation in market prices, such as foreign exchange rates and interest rates, will affect the Company's results. The objective of market risk management is to manage and control exposures to market risks, within acceptable parameters and, at the same time, optimize return.

The Company uses derivative financial instruments and also fulfills its financial obligations to manage market risks. All of these operations are undertaken within the guidelines established by Management.

(vi) Currency risk

The Company is subject to foreign currency risk from sales, purchases and loans denominated in a currency different from the respective functional currencies of the Company's entities, which in the majority of cases is the Real (R$), but also the US dollar (USD). The main currency in which these transactions are denominated is the Real (R$).

In general, the Company aims to protect its expected exposure to foreign currencies in relation to sales forecast for the next six months. The Company uses futures contracts to obtain protection against exchange risk, the majority of which mature in less than one year from the date of the financial statements. When necessary, the futures contracts are renewed when they mature.

In relation to other monetary assets and liabilities denominated in foreign currencies, the Company aims to ensure that its net exposure is maintained at an acceptable level, buying and selling foreign currency at spot interest rates, when necessary, to deal with short term instabilities.

(vii) Interest rate risk

The Company adopts a policy to guarantee that approximately 30% of its exposure to changes in interest rates for loans is based on a fixed rate.

6. **Financial risk management** (Continued)

(viii) Operational risk

Operational risk is the risk of direct or indirect losses arising from a variety of causes related to proceedings, personnel, technology and infrastructure and external factors, except credit, market and liquidity risks, as those due to legal and regulatory requirements and generally accepted standards for business conduct. Operational risks arise from all of the Company's operations.

The Company's objective is to administer operational risk to avoid financial losses occurring and damage to its reputation, and to ensure efficient costs and to avoid control procedures that restrict initiative and creativity.

Top management is assigned the responsibility to develop and implement controls to deal with operational risks within each business unit. This responsibility is supported by the Company's general standards developed to administer operational risks in the following areas: Requirements for adequate segregation of duties, including independent authorization of operations; Requirements to reconcile and monitor operations; Compliance with regulatory and legal requirements; Documentation of controls and procedures; Requirements for the periodic evaluation of operational risks faced and adequate controls and procedures to deal with the risks identified; Requirements to report operating losses and the corrective actions proposed; Development of contingency plans; professional training and development; ethical and commercial standards; mitigating risks, including insurance when effective.

Compliance with the Company's rules is supported by a program involving the periodic analyses of the responsibilities of internal audit. The results of the internal audit analyses are discussed with management from the related business unit, and a summary is sent to the Company's top management.

(ix) Capital management

Management's policy is to maintain a solid capital base to maintain investor, creditor and market confidence and ensure the future development of the business. Management monitors the returns on capital, which the Company defines as results from operating activities divided by total equity, excluding non-redeemable preferred shares and non-controlling interests. Management also monitors the level of dividends for the common and preferred shareholders.

6. **Financial risk management** (Continued)

(ix) Capital risk management (Continued)

The Company's consolidated liabilities in relation to adjusted capital at the end of the period are presented below:

	09-30-2014	**12-31-2013**
Total liabilities	**927,824**	1,038,101
Less: Cash and cash equivalents	**(210,221)**	(281,119)
Net debt (A)	**717,603**	756,982
Total equity (B)	**96,639**	145,993
Net debt to equity ratio at September 30, 2014 and December 31, 2013 (A/B)	**7.43**	5.19

There were no changes in the Company's approach to managing capital during the period. Neither the Company nor its subsidiaries or associated companies are subject to capital requirements imposed externally. The entity manages its capital requirements in an aggregated manner.

7. Operating segments

The Company has three reportable segments, as described below, which are its strategic business units. The strategic business units offer different products and services and are administered separately, since they require different technologies and marketing strategies. For each one of the strategic business units, management analyzes the internal reports at least every quarter. The following summary describes the operations of each one of the Company's reportable segments:

Weapons – the weapons production process, since it refers mainly to a metallurgical industry, is based on the following basic stages: forging (based on flat sheets), machining (based on flat steel sheets and milling, drilling, lathes, broaching machines, etc.), MIM – *Metal Injection Molding*, assembly (manual), finishing (basically polishing), surface thermal treatment and final assembly (necessary adjustments); these operations are undertaken by Forjas Taurus S.A. and Taurus Holdings, Inc. and its subsidiaries.

Helmets – the helmet production process is based on the following stages: injection (based on ABS – Acrylonitrile Butadiene Styrene), painting and finishing (based on injected parts, using manual and automated painting processes), sewing (based on cloth, sponge and polycarbonate sheets, using cutting and sewing machines) and final assembly; these operations are undertaken by Taurus Blindagens Ltda., Taurus Blindagens Nordeste Ltda. and Taurus Helmets Indústria Plástica Ltda.

Machinery – this refers to developing, manufacturing and selling operating machinery and related components; these operations used to be undertaken by Taurus Máquinas-Ferramenta Ltda. and its subsidiary SM Metalurgia Ltda. These operations were disposed of in June 2012 through sale of SM Metalurgia Ltda. and its current operations are limited to rendering of services in connection with technical assistance and guarantee contracts.

Other – result from the forging segment, line decommissioned at the end of 2013, and MIM – Metal *Injection Molding* for third parties (Polimetal Metalurgia e Plásticos Ltda.); bulletproof vests and plastic products (Taurus Blindagens Ltda.). These also include other operations such as the manufacture and sale of glasses, anti-riot shields and providing services. Under CPC 22, there is disclosure of segments of which the percentage is above 10%.

Information on the results of each reportable segment is included below. Performance is evaluated based on the profit of the segment before income tax and social contribution, as included in the internal management reports which are analyzed by Company management. The segment's profit is used to evaluate performance, since Management understands that this information is more relevant in evaluating the results of certain segments in relation to other entities that operate in these industries. The pricing of transactions between segments is determined based on market terms.

7. Operating segments (Continued)

The reconciliation of income, profits and losses, assets, liabilities and other material items for reportable segments is presented below:

	Weapons		Helmets		Machinery		Other		Total	
	09-30-2014	**09-30-2013**	**09-30-2014**	**09-30-2013**	**09-30-2014**	**09-30-2013**	**09-30-2014**	**09-30-2013**	**09-30-2014**	**09-30-2013**
External income	**304,259**	503,278	**91,180**	97,260	**332**	3,874	**28,859**	46,842	**424,630**	651,254
Inter-segment income	**29,622**	59,907	**30**	204	**-**	-	**11,566**	11,949	**41,218**	72,060
Cost of sales	**(253,641)**	(338,335)	**(61,927)**	(60,438)	**(410)**	(3,637)	**(18,517)**	(42,618)	**(334,495)**	(445,028)
Gross profit (loss)	**80,240**	224,850	**29,283**	37,026	**(78)**	237	**21,908**	16,173	**131,353**	278,286
Selling expenses	**(47,801)**	(51,875)	**(14,352)**	(13,836)	**(917)**	(7,473)	**(2,078)**	(3,370)	**(65,148)**	(76,554)
General and administrative expenses	**(40,119)**	(43,682)	**(1,885)**	(2,434)	**(2,566)**	(2,840)	**(649)**	(736)	**(45,219)**	(49,692)
Depreciation and amortization	**(5,627)**	(3,917)	**(144)**	(140)	**-**	-	**(1,111)**	(1,148)	**(6,882)**	(5,205)
Other operating income (expenses), net	**(9,362)**	309	**1,888**	2,824	**(38,650)**	(7,316)	**(114)**	(2,321)	**(46,238)**	(6,504)
Equity pick-up	**-**	-	**-**	-	**-**	-	**(1,399)**	80	**(1,399)**	80
	(102,909)	(99,165)	**(14,493)**	(13,586)	**(42,133)**	(17,629)	**(5,351)**	(7,495)	**(164,886)**	(137,875)
Operating profit (loss)	**(22,669)**	125,685	**14,790**	23,440	**(42,211)**	(17,392)	**16,557**	8,678	**(33,533)**	140,411
Financial income	**92,059**	69,594	**6,529**	5,106	**3,227**	3,618	**910**	3,126	**102,725**	81,444
Financial expenses	**(149,482)**	(116,228)	**(3,089)**	(5,862)	**(2,933)**	(3,784)	**(3,797)**	(8,989)	**(159,301)**	(134,863)
Financial income (expenses), net	**(57,423)**	(46,634)	**3,440**	(756)	**294**	(166)	**(2,887)**	(5,863)	**(56,576)**	(53,419)
Profit (loss) per reportable segment before income and social contribution taxes	**(80,092)**	79,051	**18,230**	22684	**(41,917)**	(17,558)	**13,670**	2,815	**(90,109)**	86,992
Elimination of inter-segment income	**(29,622)**	(59,907)	**(30)**	(204)	**-**	-	**(11,566)**	(11,949)	**(41,218)**	(72,060)
Income (loss) before income and social contribution taxes	**(109,714)**	19,144	**18,200**	22,480	**(41,917)**	(17,558)	**2,104**	(9,134)	**(131,327)**	14,932
Income and social contribution taxes	**10,566**	(19,496)	**(3,122)**	(4,338)	**-**	(432)	**(885)**	(743)	**6,559**	(25,009)
Net income (loss) for the period	**(99,148)**	(352)	**15,078**	18,142	**(41,917)**	(17,990)	**1,219**	(9,877)	**(124,768)**	(10,077)
Assets of reportable segments	**584,520**	802,955	**159,453**	177,627	**3,017**	13,898	**277,473**	267,211	**1,024,463**	1,261,691
Liabilities of reportable segments	**766,054**	854,916	**46,161**	77,311	**(9,072)**	49,905	**124,681**	72,664	**927,824**	1,054,796

7. **Operating segments** (Continued)

Geographic segments

For purposes of presenting information for geographic segments, segment income is based on the geographic location of client.

	Weapons	
	09-30-2014	**09-30-2013**
Domestic market		
Southeast	**16,634**	19,800
South	**13,432**	8,939
Northeast	**13,741**	16,831
North	**7,535**	3,674
Mid-West	**11,019**	8,317
	62,361	57,561
Foreign market		
USA	**200,374**	415,712
South Africa	**675**	1,751
Bangladesh	**1,771**	2,633
Germany	**817**	1,630
Argentina	**1,542**	434
Australia	**2,214**	-
Chile	**1,219**	560
Singapore	**1,450**	1,163
Colombia	**-**	3,687
Philippines	**2,889**	4,035
Haiti	**-**	2,980
Lebanon	**1,051**	436
Pakistan	**1,674**	1,373
Paraguay	**2,684**	3,674
Peru	**866**	917
Dominican Republic	**584**	1,932
Honduras	**1,138**	-
Egypt	**9,683**	-
El Salvador	**1,192**	281
Djibouti	**2,845**	-
Other countries	**7,230**	2,519
	241,898	445,717
	304,259	503,278

7. **Operating segments** (Continued)

Geographic segments (Continued)

	Helmets	
	09-30-2014	**09-30-2013**
Domestic market		
Southeast	**25,556**	23,440
South	**4,417**	4,659
Northeast	**27,114**	30,434
North	**19,105**	22,229
Mid-West	**14,740**	16,128
	90,932	96,890
Foreign market		
Paraguay	**248**	342
Bolivia	**-**	28
	248	370
	91,180	97,260

The sales made by the Group's other segments are concentrated on the domestic market and are spread throughout Brazil.

Sales made by the Company and its subsidiaries are not subject to restrictions and there is no significant concentration that implies significant dependence on government bodies or any other single client.

There are no significant non-cash items, excepting depreciation and amortization, to be reported in the information per segment.

8. Assets and liabilities held for sale and discontinued operations

a) Disposal of asset TMFL – Taurus Máquinas-Ferramenta Ltda.

In September 2013, the Company renegotiated the sales price and payment conditions, adjusting the overall value of the Contract related to disposal of subsidiary SM Metalurgia Ltda., from R$115,350 to R$ 57,520, payable as follows:

(a) 1st installment, in the amount of R$ 1,960, duly restated by Long-Term Interest Rate (TJLP) and increased by interest of 1.8% p.a., shall be paid by Renill Participações Ltda., through SM Metalurgia Ltda., with the supply of parts used in the rendering of warranty services for machines manufactured by TMFL, as well as supply of parts and components to any company of the Taurus Group;

(b) Two installments in the amount of R$ 2,055 each, duly restated by TJLP and increased by interest of 1.8% p.a., one maturing on 06/30/2014 (not received to date) and another on 12/30/2014; and

8. Assets and liabilities held for sale and discontinued operations (Continued)

a) Disposal of asset TMFL – Taurus Máquinas-Ferramenta Ltda. (Continued)

(c) Balance in 14 twice-annual installments, maturing as from 06/30/2015,duly restated by TJLP and increased by interest of 1.8% p.a., in the amount of R$3,675 each.

Restatement by TJLP and interest of 1.8% p.a. shall be applied since the date of execution of the Contract for Purchase and Sale of Units of Interest and Other Covenants, namely June 2012.

The Company recorded an additional provision for loss at September 30, 2014 in the amount of R$66,217 due to the following: i) it believes that there has been deterioration of the credit conditions; ii) it has not yet concluded full formalization of guarantees of the operation; iii) since buyer is a limited liability company there is no updated information available to evaluate its current financial situation.

At September 30, 2014 and December 31, 2013, the balance receivable for sale of the operations of TMFL was recorded as follows:

	09-30-2014	12-31-2013
Renegotiated value	**57,520**	57,520
Amortization	**(873)**	-
Contractual monetary restatement	**9,570**	6,052
Balance receivable	**66,217**	63,572
Additional provision for loss	**(66,217)**	(62,991)
Total *	**-**	581

(*) Amount recorded in other accounts receivable in current assets.

b) Project for Production Line Decommissioning and of Rendering of Forging Services to Third Parties

At the end of 2013, Company management, aligned with the structural changes in the strategies of focusing on higher value added segments, decided to decommission the production line and forging services to third parties of subsidiary Polimetal. The machines and equipment were made available for sale and recorded in a specific account in the financial statements as “noncurrent assets for sale”. The balance at September 30, 2014 totals R$ 5,446 (R$5,588 at December 31, 2013), represented by the lower of book and fair value less costs to sell. Revenues from forging services to third parties represent less than 5% of Company sales. The other industrial activities of Polimetal continue being normally carried out.

9. Cash and cash equivalents

	Consolidated		Company	
	09-30-2014	12-31-2013	09-30-2014	12-31-2013
Cash balance	**6,267**	1,226	**5,526**	1,165
Demand deposits	**79,244**	205,438	**25,269**	2,937
Short-term investments	**124,710**	74,455	**69,611**	23,772
Cash and cash equivalents	**210,221**	281,119	**100,406**	27,874

Short-term investments are remunerated at rates that vary between 98% and 103% of CDI at September 30, 2014 (98% to 104% of CDI at December 31, 2013) and are made with top line banks.

10. Trade accounts receivable

	Consolidated		Company	
	09-30-2014	12-31-2013	09-30-2014	12-31-2013
Customers – domestic	**78,752**	75,930	**30,144**	17,534
Customers – domestic related parties (Note 22)	**-**	-	**7,305**	3,088
Customers - foreign	**55,418**	103,884	**14,569**	6,406
Customers – foreign related parties (Note 22)	**-**	-	**10,680**	148,215
	134,170	179,814	**62,698**	175,243
Allowance for doubtful accounts- domestic	**(11,480)**	(14,853)	**(2,559)**	(3,589)
Allowance for doubtful accounts- foreign	**(4,139)**	(3,301)	**(996)**	(6)
	(15,619)	(18,154)	**(3,555)**	(3,595)
Total	**118,551**	161,660	**59,143**	171,648

The Company's exposure to credit and currency risk as well as to impairment of trade accounts and other accounts receivable, including accounts receivable aging, are disclosed in Note 21. Changes in the allowance for doubtful accounts are as follows:

Changes in the allowance for doubtful accounts:

	Consolidated	Company
Balance at December 31, 2013	(18,154)	(3,595)
Additions	**(722)**	**-**
Reversal of the allowance for doubtful accounts	**598**	**71**
Realization of allowance for doubtful accounts	**2,834**	**-**
Exchange fluctuation	**(175)**	**(31)**
Balance at September 30, 2014	**(15,619)**	**(3,555)**

11. Inventories

	Consolidated		Company	
	09-30-2014	**12-31-2013**	**09-30-2014**	**12-31-2013**
Finished products	**129,700**	131,359	**26,512**	35,946
Work in progress	**26,111**	39,997	**11,409**	25,980
Raw materials	**45,231**	40,083	**16,420**	13,575
Ancillary and maintenance materials	**8,768**	7,350	**3,384**	5,201
Provision for inventory losses	**(231)**	(520)	**-**	-
Total	**209,579**	218,269	**57,725**	80,702

Changes in the provision for inventory losses are as follows:

	Consolidated
Balance at December 31, 2013	(520)
Provisions used in the year	**289**
Balance at September 30, 2014	**(231)**

12. Taxes recoverable

	Consolidated		Company	
	09-30-2014	**12-31-2013**	**09-30-2014**	**12-31-2013**
ICMS	**7,590**	6,742	**1,158**	1,260
IPI	**999**	1,242	**299**	328
PIS	**997**	3,910	**913**	3,636
COFINS	**5,406**	19,075	**4,981**	17,536
Income and social contribution taxes	**12,933**	6,995	**7,510**	3,294
Total	**27,925**	37,964	**14,861**	26,054
Current	**26,606**	35,785	**14,269**	25,195
Noncurrent	**1,319**	2,179	**592**	859

State VAT (ICMS)

The balance consists of credits calculated from trade operations and purchases of fixed asset items generated at the Company's and its subsidiaries' production and commercial units.

PIS and COFINS

The balance consists of credits originated in non-cumulative PIS and COFINS levy, calculated mainly on the purchases of fixed asset items, which are offset in successive monthly installments, in accordance with legislation. The balance also comprises PIS and COFINS credits arising from the Reintegra Tax Incentive – Law No. 12546/2011, in force until December 31, 2013. Credits from the favorable decision to the companies, referring to the legal proceeding filed in 2005 claiming the unenforceability of PIS and COFINS taxes under Law No. 9718/98 and subsequent amendments are also recognized.

12. Taxes recoverable (Continued)

Federal VAT (IPI)

The balance refers mainly to amounts originating in trade operations.

Income and social contribution taxes

These refer to withholding tax on short-term investments and prepayments of income and social contribution taxes realizable through offset against federal taxes and contributions payable.

13. Deferred tax assets and liabilities

The recorded recoverable amount refers to deferred income tax asset and liability that the entity has the right to offset and intends to do on a net basis.

Deferred tax assets and liabilities were calculated as follows:

		Consolidated
	09-30-2014	**12-31-2013**
On temporary asset differences and income and social contribution tax losses		
Provision for sales commissions	**1,282**	586
Present value adjustment	**770**	432
Provision for labor claims	**1,851**	2,094
Provision for losses on insurance claims	**782**	782
Allowance for doubtful accounts	**1,775**	2,677
Provision for product warranty	**3,714**	2,775
Provision for contingencies	**1,617**	842
Adjustment of deferred revenues	**80**	1,183
Derivative financial instruments	**6,061**	3,338
Income and social contribution tax losses	**46,432**	42,665
Inventories – unrealized profits	**4,503**	5,433
Other items	**1,588**	2,111
	70,455	64,918
On temporary liability differences		
Equity valuation adjustment	**(1,770)**	(3,097)
Depreciation base difference	**(7,141)**	(7,772)
Goodwill allocation	**(7,835)**	(6,058)
Loan charges	**(1,315)**	(1,155)
Present value adjustment	**(20)**	-
Derivative financial instruments	**(11,392)**	(15,344)
	(29,473)	(33,426)
Total asset (liability) balance, net	**40,982**	31,492
Classified in noncurrent assets	**45,841**	44,364
Classified in noncurrent liabilities	**(4,859)**	(12,872)

13. Deferred tax assets and liabilities (Continued)

	Company	
	09-30-2014	**12-31-2013**
On temporary asset differences and income and social contribution tax losses		
Provision for sales commissions	**1,244**	547
Present value adjustment	**369**	342
Provision for labor claims	**1,113**	1,390
Provision for losses on insurance claims	**782**	782
Allowance for doubtful accounts	**459**	598
Provision for product warranty	**1,609**	1,217
Adjustment of deferred revenues	**80**	-
Derivative financial instruments	**5,850**	3,064
Income and social contribution tax losses	**7,000**	7,000
Other items	**138**	1,183
	18,644	16,123
On temporary liability differences		
Equity valuation adjustment	**(1,204)**	(1,454)
Depreciation base difference	**(1,746)**	(1,663)
Loan charges	**(1,285)**	(1,128)
Derivative financial instruments	**(11,384)**	(15,334)
	(15,619)	(19,579)
Total asset (liability) balance, net	**3,025**	(3,456)
Classified in noncurrent assets (liabilities)	**3,025**	(3,456)

Changes in deferred taxes:

	Consolidated	**Company**
Opening balance of deferred taxes, net	31,492	(3,,56)
Posted to P&L (Note 26)	10,604	6,481
Allocated to consolidation goodwill	(1,777)	-
Effect from exchange variation	663	-
Closing balance of deferred taxes, net	40,982	3,025

As part of the corporate restructuring occurred on July 4, 2011, for using the market economic and strategic benefits for new segments, Company management considered existence of accumulated income and social contribution tax losses recorded by subsidiary Polimetal Metalurgia e Plásticos Ltda. for recording deferred tax asset. The recording was made when it became probable that there will be sufficient taxable income in the future to offset such losses. The evaluation of existence of future taxable income was based on the operating activity to be performed by the subsidiary in the new "Polimetal" segment, which started to account for a significant portion of the Group's operations.

The subsidiary posted income and social contribution tax losses in 2013 and 2012. The studies of future results evidence that there will be future taxable income for use of such credits, consequently, the Company recorded deferred asset until the realizable amount according to its study of future taxable income.

13. Deferred tax assets and liabilities (Continued)

The projections indicate that the balance of tax credits recorded by Forjas Taurus S.A. and the subsidiaries Polimetal Metalurgia e Plásticos Ltda. and Taurus Holdings Inc. will be absorbed by taxable income estimated for the next 10 years, as set out below:

	Consolidated		Company	
Year	**Total**	**Ownership %**	**Total**	**Ownership %**
2015	8,886	19.14%	-	-
2016	3,545	7.63%	-	-
2017	5,408	11.65%	1,415	20.21%
2018	7,850	16.91%	3,356	47.94%
2019	7,563	16.29%	2,229	31.85%
2020	6,686	14.40%	-	-
2021 to 2024	6,494	13.98%	-	-
Total	46,432	100.00%	7,000	100.00%

The amount of income and social contribution tax losses on which deferred taxes are not recorded totaled R$354,780 - Consolidated (R$265,947 in 2013) and R$78,973 – Company (R$14,677 in 2013).

The main balances of income and social contribution tax losses refer to subsidiary Taurus Máquinas-Ferramenta Ltda. The tax credits arising from income and social contribution tax losses not recognized by this subsidiary totaled R$ 74,992 (R$ 72,585 in 2013). Income and social contribution taxes on the balance of income and social contribution tax losses will be recognized as there is evidence that realization thereof is probable in the foreseeable future.

14. Advance on real estate credits

On August 11, 2008, subsidiary Taurus Investimentos Imobiliários Ltda. agreed several contracts with CIBRASEC – Companhia Brasileira de Securitização, aimed at promoting the securitization of real estate receivables, arising from hire contracts agreed for a period of 7 (seven) years with the Company and its subsidiaries, for the amount of approximately R$ 51,000, net of R$ 2,272 related to the commission for structuring the operation.

To represent the real estate credits arising from the aforementioned hire contracts, the Company issued Real Estate Credit Notes – CCI, and assigned them, onerously, to CIBRASEC – Companhia Brasileira de Securitização, which used them as the basis for issuing two series of Certificates of Real Estate Receivables – CRI. The terms and maturity dates for these certificates are fixed monthly, with the first falling due on September 15, 2008 and the last on August 17, 2015. At September 30, 2014, the total restated balance was R$ 11,542. At December 31, 2013, the balance was R$19,606, also classified in current liabilities due to the noncompliance with the *covenants*. The amount reclassified to current liabilities for noncompliance with *covenants* totals R$8,548 in 2013.

15. Investments - Equity interest in subsidiaries and affiliates

	Taurus Blindagens Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Holdings, Inc.	Taurus Security Ltda. (1)	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-Ferramenta Ltda.(1)	Famastil Taurus Ferramentas S.A. (2)	Company 09-30-2014	Company 12-31-2013
Current assets	63,921	24,048	221,896	60	6,210	80,585	3,869	69,444		
Noncurrent assets	103,875	16,489	72,398	241	68,045	278,753	1,161	34,147		
Current liabilities	19,036	6,671	38,481	3	27,389	83,206	55,569	33,820		
Noncurrent liabilities	13,523	8,482	59,587	547	21,372	81,654	49,055	39,543		
Capital	80,209	9,400	747	100	39,917	210,000	233,000	20,000		
Equity	135,237	25,384	196,226	(249)	25,494	194,478	(99,594)	30,228		
Net revenue	56,378	18,168	201,966	-	8,697	38,475	332	67,277		
Net income (loss) for the period	13,570	3,669	(5,108)	-	(4,029)	(28,047)	(41,917)	(3,375)		
Number of shares/units of interest	648	1	302,505	100,000	21,414,136	209,999,999	124,368,143	-		
Direct ownership interest (%)	0.01%	0.10%	100%	100%	75.74%	100%	53.38%	-		
Opening balances	1	22	186,699	-	20,464	220,886	-	2,215	**430,287**	296,369
Capital payment (4)	**-**	**-**	**-**	**-**	**1,351**	**-**	**-**	**-**	**1,351**	126,054
Equity pickup (3)	**-**	**3**	**(1,482)**	**-**	**(3,096)**	**(29,029)**	**(22,374)**	**-**	**(55,978)**	(488)
Loss on investments	**-**	**-**	**-**	**-**	**(93)**	**-**	**-**	**-**	**(93)**	(106)
Exchange variation on investments	**-**	**-**	**8,335**	**-**	**-**	**-**	**-**	**-**	**8,335**	23,879
Dividends received	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(17,000)
Reclassified to provision for capital deficiency (1)	**-**	**-**	**-**	**-**	**-**	**-**	**22,374**	**-**	**22,374**	1,579
Closing balances (3)	**1**	**25**	**193,552**	**-**	**18,626**	**191,857**	**-**	**2,215**	**406,276**	430,287

(1) Capital deficiency of the subsidiary Taurus Security Ltda. in the amount of R$ 249 and of subsidiary Taurus Máquinas-Ferramenta Ltda. in the amount of R$53,160 is recorded in “Other accounts payable” in current liabilities.

(2) On December 20, 2011, the investment in subsidiary Famastil Taurus Ferramentas S.A. was transferred to subsidiary Polimetal Metalurgia e Plásticos Ltda. as part of the corporate restructuring occurred in 2011. The amount of R$ 2.215 refers to goodwill on the investment in Famastil Taurus Ferramentas S.A. which remains with Forjas Taurus S.A.

(3) For purposes of determining the investment amounts, equity and net income of each investee is adjusted by unrealized profits in transactions among the companies.

(4) Capital increase in subsidiary Taurus Investimentos Imobiliários Ltda. amounting to R$ 1,351 was made in cash.

15. Investments - Equity interest in subsidiaries and affiliates (Continued)

The consolidated financial statements of Taurus Holdings, Inc., an overseas subsidiary, reported total assets of R$ 294,293 at September 30, 2014 (R$ 491,169 in 2013) and current and noncurrent liabilities of R$ 98,068 at September 30, 2014 (R$ 298,170 in 2013). Taurus Holdings, Inc., located in the State of Florida, United States, is the parent company of Taurus International Manufacturing Inc., Braztech International L.C. and other subsidiaries also located in North America, operating mainly in the resale of weapons imported from Forjas Taurus S.A., aimed at the wholesale market. Total consolidated revenue of Taurus Holdings, Inc. at September 30, 2014 amounted to R$ 201,966 (R$ 415,712 at September 30, 2013) and net loss to R$ 5,108 at September 30, 2014 (net income of R$ 25,845 at September 30, 2013).

The Company has investments in affiliate Famastil Taurus Ferramentas S.A. that are not consolidated. The balances at September 30, 2014 are as follows:

	Consolidated
	Famastil Taurus Ferramentas S.A.
Current assets	69,444
Noncurrent assets	34,147
Current liabilities	33,820
Noncurrent liabilities	39,543
Capital	20,000
Equity	30,228
Net revenue	67,277
Net income (loss) for the period	(3,375)
Number of shares/units of interest	7,000,000
Direct ownership interest (%)	35%
Opening balances (1)	14,194
Equity pickup	**(1,399)**
Closing balances (1)	**12,795**

(1) Includes goodwill paid on the acquisition of investment of R$2,215.

16. Property, plant and equipment

								Consolidated
	Land, buildings and premises	**Machinery and equipment**	**Casts and tooling**	**Furniture and computers**	**Vehicles**	**Construction in progress**	**Advances to suppliers**	**Total**
Cost or deemed cost								
Balance at December 31, 2013	114,910	190,724	48,165	18,523	3,312	28,473	6,049	410,156
Additions	1,048	2,688	44	655	251	6,765	(6)	11,445
Disposals	-	(2,389)	-	(147)	(267)	(2)	(116)	(2,921)
Transfers of assets under construction	9,569	8,126	2,517	330	173	(15,085)	(5,630)	-
Transfers from other groups	7,045	553	412	(158)	-	(7,535)	-	317
Effect from exchange variation	1,804	1,318	-	213	9	-	-	3,344
Balance at September 30, 2014	**134,376**	**201,020**	**51,138**	**19,416**	**3,478**	**12,616**	**297**	**422,341**
Depreciation								
Balance at December 31, 2013	15,365	83,174	29,110	11,615	2,408	-	-	141,672
Depreciation in the period	2,752	13,211	5,125	1,647	444	-	-	23,179
Disposals	-	(1,222)	-	(117)	(108)	-	-	(1,447)
Transfers from other groups	(91)	143	9	(89)	-	-	-	(28)
Effect from exchange variation	319	708	-	179	6	-	-	1,212
Balance at September 30, 2014	**18,345**	**96,014**	**34,244**	**13,235**	**2,750**	**-**	**-**	**164,588**
Book value								
At December 31, 2013	99,545	107,550	19,055	6,908	904	28,473	6,049	268,484
At September 30, 2014	**116,031**	**105,006**	**16,894**	**6,181**	**728**	**12,616**	**297**	**257,753**

16. Property, plant and equipment (Continued)

								Company
	Land, buildings and premises	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	Construction in progress	Advances to suppliers	Total
Cost or deemed cost								
Balance at December 31, 2013	3,140	62,977	24,225	8,121	1,857	5,199	6	105,525
Additions	1	19	39	59	239	2,345	(6)	2,696
Disposals	-	(4,415)	-	(100)	(225)	-	-	(4,740)
Transfers from other groups	-	30	19	(54)	-	-		(5)
Transfers of assets under construction	-	1,010	774	213	173	(2,170)	-	-
Balance at September 30, 2014	**3,141**	**59,621**	**25,057**	**8,239**	**2,044**	**5,374**	**-**	**103,476**
Depreciation								
Balance at December 31, 2013	734	27,399	14,100	4,667	1,246	-	-	48,146
Depreciation in the period	232	3,913	2,722	621	264	-	-	7,752
Disposals	-	(1,885)	-	(68)	(89)	-	-	(2,042)
Balance at September 30, 2014	**966**	**29,427**	**16,822**	**5,220**	**1,421**	**-**	**-**	**53,856**
Book value								
At December 31, 2013	2,406	35,578	10,125	3,454	611	5,199	6	57,379
At September 30, 2014	**2,175**	**30,194**	**8,235**	**3,019**	**623**	**5,374**	**-**	**49,620**

Construction in progress

The balance of assets under construction of R$5,374 – Company and R$ 12,620 – Consolidated at September 30, 2014 (R$ 5,199 and R$28,473 at December 31, 2013, respectively) refers to machinery and equipment, premises and installations still in the phase of being implemented, construction in progress and interest capitalization. The amount of interest capitalized in the nine-month period of 2014 was R$476 – Company and R$563 – Consolidated (R$ 536 and R$ 598, respectively in the same 2013 period). These assets will become operational in 2014 and 2015.

Guarantee

Loans raised by the Company from financial institutions are guaranteed by its assets. Although a significant portion of fixed assets is used to guarantee loans and financings, historically the Company has settled its liabilities within the established contractual terms thus it was never necessary to enforce such guarantees. At September 30, 2014, guarantees provided by the Company amounted to R$63,881 (R$82,090 at December 31, 2013).

17. Intangible assets

	Goodwill	Trademarks and patents	Development of products	Systems implementation	Other intangible assets	Total
						Consolidated
Cost						
Balance at December 31, 2013	39,855	11,378	12,445	2,544	10,657	76,879
Acquisitions	-	-	1,095	28	-	1,123
Write-offs	-	-	(1,814)	-	-	(1,814)
Transfers from other groups	-	-	-	38	-	38
Effect from exchange variation	335	342	128	-	383	1,188
Balance at September 30, 2014	**40,190**	**11,720**	**11,854**	**2,610**	**11,040**	**77,414**
Balance at December 31, 2013	-	185	5,614	1,672	1,827	9,298
Amortization for the period	-	70	535	285	842	1,732
Transfers from other groups	-	-	-	28	-	28
Balance at September 30, 2014	**-**	**255**	**6,149**	**1,985**	**2,669**	**11,058**
Book value						
At December 31, 2013	39,855	11,193	6,831	872	8,830	67,581
At September 30, 2014	**40,190**	**11,465**	**5,705**	**625**	**8,371**	**66,356**

	Trademarks and patents	Development of products	Systems implementation	Total
				Company
Cost				
Balance at December 31, 2013	238	9,385	1,055	10,678
Additions	-	-	28	28
Transfers from other groups	-	-	5	5
Balance at September 30, 2014	**238**	**9,385**	**1,088**	**10,711**
Balance at December 31, 2013	-	5,614	422	6,036
Amortization for the period	-	514	161	675
Balance at September 30, 2014	**-**	**6,128**	**583**	**6,711**
Book value				
At December 31, 2013	238	3,771	633	4,642
At September 30, 2014	**238**	**3,257**	**505**	**4,000**

Goodwill is allocated to the Group's operational divisions, as follows:

Cash generating unit	**09-30-2014**	**12-31-2013**
Forjas Taurus S.A.	**21,194**	21,194
Taurus Holdings, Inc.	**10,457**	10,122
Taurus Blindagens Ltda.	**6,823**	6,823
Taurus Helmets Indústria Plástica Ltda.	**1,045**	1,045
Famastil Taurus Ferramentas S.A.	**544**	544
Polimetal Metalurgia e Plásticos Ltda.	**127**	127
Total	**40,190**	39,855

The impairment testing of the aforementioned CGUs is performed annually based on the fair value less selling expenses, which is estimated based on discounted cash flows. Management estimates quarterly if there are changes in assumptions that could indicate the need of setting up a provision for impairment. At September 30, 2014 no such indication was identified. The assumptions adopted by the Company are disclosed in the annual financial statements for the year ended December 31, 2013.

18. Loans and financing

	Consolidated		Company	
	09-30-2014	12-31-2013	09-30-2014	12-31-2013
Current liabilities				
Guaranteed bank loans				
Working capital	**87,319**	133,257	**87,319**	133,257
Discount of receivables	**-**	85	**-**	-
FINAME	**2,367**	3,249	**913**	1,686
FINEP	**9,412**	9,946	**192**	1,919
BNDES	**79**	5	**79**	5
FNE	**1,448**	1,457	**-**	-
BNDES Progeren	**35,293**	30,136	**-**	-
Working capital USD	**89,359**	176,931	**88,199**	161,001
Financing for acquisition of fixed assets	**-**	196	**-**	196
Investment in USD	**902**	1,104	**-**	-
FINIMP	**14,740**	32,164	**12,250**	26,339
	240,919	388,530	**188,952**	324,403
Noncurrent liabilities				
Guaranteed bank loans				
Working capital	**40,825**	52,500	**40,825**	52,500
FINAME	**4,893**	6,504	**1,897**	2,427
FINEP	**25,244**	28,401	**-**	-
BNDES	**9,995**	5,206	**9,995**	5,205
FNE	**5,954**	7,004	**-**	-
BNDES Progeren	**11,712**	34,658	**-**	-
Working capital USD	**151,011**	121,801	**112,038**	49,688
Investment in USD	**15,756**	16,141	**-**	-
FINIMP	**422**	936	**422**	605
	265,812	273,151	**165,177**	110,425
	506,731	661,681	**354,129**	434,828

18. Loans and financing (Continued)

Terms and schedule for debt amortization

The terms and conditions for loans outstanding were as follows:

							Consolidated
					09-30-2014		12-31-2013
	Curre ncy	Nominal interest rate	Year of maturity	Face value	Book value	Face value	Book value
Guaranteed bank loans							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	187,000	**128,144**	162,000	185,757
Discount of receivables	R$	15.36% p.a.	2014	-	**-**	566	85
FINAME	R$	TJLP + 4.40 to 5.40% p.a.	2014	-	**-**	3,625	96
FINAME	R$	2.50 to 8.70% p.a.	2021	17,675	**7,260**	15,479	9,657
FINEP	R$	TJLP + 0.16 p.a.	2014	11,645	**192**	11,645	1,919
FINEP	R$	4,00 to 5.25% p.a.	2020	58,672	**34,464**	58,672	36,428
BNDES	R$	3.50% p.a.	2020	9,995	**10,074**	5,205	5,210
BNDES Progeren	R$	TJLP + 4.40 to 4.50% p.a.	2016	63,977	**47,005**	63,977	64,796
FNE	R$	9.50% p.a.	2019	9,806	**7,402**	9,806	8,461
Working capital	USD	*Libor* + 1.55 to 5.60% p.a.	2017	115,300	**115,240**	55,697	149,530
Working capital	USD	3.05 to 5,20% p.a.	2016	76,995	**99,173**	63,849	127,389
Working capital	USD	80 to 90% of CDI	2016	10,619	**25,957**	29,135	21,812
Financing for acquisition of fixed	R$	15.52% p.a.	2017	-	**-**	824	196
Investments	USD	5.33% p.a.	2017	6,035	**13,083**	6,035	12,889
Investments	USD	*Libor* + 2.25% p.a.	2017	1,731	**3,232**	1,731	3,886
FINIMP	USD	*Libor* + 2.23 to 4.41% p.a.	2016	7,055	**15,162**	13,937	33,100
Dell financing	USD	Cost 0%	2016	201	**343**	201	470
Total liabilities subject to interest					**506,731**		661,681

							Company
					09-30-2014		12-31-2013
	Curre ncy	Nominal interest rate	Year of maturity	Face value	Book value	Face value	Book value
Guaranteed bank loans							
Working capital	R$	CDI + 2.42 to 3.00%	2018	187,000	**128,144**	162,000	185,757
FINAME	R$	TJLP + 4.40 p.a.	2014	-	**-**	1,117	42
FINAME	R$	2.50 to 5.50% p.a.	2021	11,464	**2,810**	8,798	4071
FINEP	R$	TJLP + 0.16 p.a.	2014	11,645	**192**	11,645	1,918
BNDES	R$	3.50% p.a.	2020	9,995	**10,074**	5,205	5,210
Working capital	USD	*Libor* + 3.41 to 5.60%	2017	40,300	**76,617**	30,000	64,077
Working capital	USD	3.05 to 3.91% p.a.	2016	73,849	**97,663**	63,849	124,801
Working capital	USD	85 to 90% of CDI	2016	10,619	**25,957**	29,135	21,812
Financing for acquisition of fixed	R$	15.52% p.a.	2017	-	**-**	824	196
FINIMP	USD	*Libor* + 2.23 to 4.41% p.a.	2016	6,047	**12,672**	11,578	26,944
Total liabilities subject to interest					**354,129**		434,828

18. Loans and financing (Continued)

Maturity dates of noncurrent liabilities:

	Consolidated		Company	
Year of maturity	**09-30-2014**	**12-31-2013**	**09-30-2014**	**12-31-2013**
2015	**38,450**	100,576	**26,567**	57,871
2016	**108,241**	43,643	**87,336**	23,258
2017	**82,791**	100,411	**35,384**	20,607
2018 onwards	**36,330**	28,521	**15,890**	8,689
	265,812	273,151	**165,177**	110,425

The loans and financing are guaranteed by promissory notes, chattel mortgages for machinery and equipment and real estate mortgages. The sureties granted by the parent company and the sureties granted by the Company to its subsidiaries are reported in Note 22 – Related parties.

The loan and financing contracts agreed between the Company and its subsidiaries include covenants that limit certain corporate alterations, as under: change in direct or indirect controlling interest in the Company, reduction of capital of the Company and/or its subsidiary, distribution of dividends, payment of interest on equity or any other payments to shareholders of the Company and/or its controlling company in case of delay to fulfill any obligation, reduction of Company capital. In addition to these points, they require maintenance of certain financial ratios: indebtedness (net financial debt/EBITDA) lower than 3.25; interest coverage index (EBITDA/net financial expenses) equal to or higher than 2.75. If such restrictions are not met, creditors may claim accelerated maturity. The aforementioned ratios are calculated annually, at the end of each year.

19. Debentures

On June 8, 2010, September 6, 2011 and June 25, 2014, the Company entered into a private instrument of public indenture for 1st, 2nd and 3rd issue of debentures not convertible into shares in the total amount of R$ 103,000, R$ 50,000 and R$ 100,000, respectively.

The issues were made in a single series, corresponding to 10,300 debentures for the 1st issue and 200 debentures for the 2nd issue and 10,000 debentures for the 3rd issue, distributed on the secondary market through the National Debenture system, with restrictions on the placing allocated exclusively to qualified investors.

The 1st issue was fully settled on April 15, 2014. For the 2nd issue, the unit nominal value will be paid in 13 quarterly installments, with a grace period of 2 years, beginning on August 23, 2013. For the 3rd issue, the unit nominal value will be paid in 3 semi-annual installments, with grace period of 2 years, beginning on June 25, 2016. Interest is charged on the amount, calculated based on the compound capitalization system, equivalent to the accumulated variation in the average daily rates for DI – Interbank deposits, plus interest as detailed below:

						09-30-2014
	Index	**Current**	**Noncurrent**	**Transaction costs incurred**	**Transaction costs appropriated**	**Transaction costs to appropriate**
Debentures						
2nd issue	DI rate + 2.8%	**15,801**	**15,385**	**884**	**884**	**-**
3rd issue	DI rate + 3.25%	**3,124**	**98,842**	**1,947**	**158**	**1,789**
		18,925	**114,227**	**2,831**	**1,042**	**1,789**

					12-31-2013
	Index	**Current**	**Transaction costs incurred**	**Transaction costs appropriated**	**Transaction costs to appropriate**
Debentures					
1st issue	DI rate + 4.1%	15,008	1,424	1,335	89
2nd issue	DI rate + 2.8%	42,557	856	598	258
		57,565	2,280	1,933	347

The effective interest rate of the 2nd issue is 14.53% p.a. and of the 3rd issue is 14.68% p.a. Measurement of the effective rate was based on contractual index rate in force on the reporting date. The 2nd issue of debentures is guaranteed by personal security of the subsidiaries Forjas Taurus S.A. in Brazil. The 3rd issue of debentures does not involve the requirement of guarantee.

19. **Debentures** (Continued)

The instrument provides for accelerated maturity of all obligations subject matter of the indenture in certain circumstances, which include: change in the direct or indirect control of the Company, capital reduction in the Company and/or its parent company, dividend distribution, payment of interest on equity or other payments made to shareholders by the Company and/or its parent in the event of delays with any of its obligations related to the debentures, decrease in the Company's capital and/or that of Polimetal (1), making by the Company or by the guarantors of any type of sale or transfer of assets that has an impact equal to or higher than 15% of the Company's consolidated assets or equal to or higher than 20% of consolidated gross revenue of the Company (2), undertaking, by the Company or its subsidiaries, of financing, advance or loan operations, in the position of creditors, with any of its direct or indirect controlling companies, except for the exclusive purpose of refinancing obligations agreed prior to the issuing of the debentures, the granting, by the Company or its subsidiaries, of bonds or any type of guarantee for the financial operations of direct or indirect controlling companies for amounts in excess of those existing at the date of issuing the debentures, maintaining minimum financial ratios (net debt/EBITDA) equal to or less than 3.25x (3rd issue) and 3x (2nd issue) and EBITDA/net financial expenses equal to or higher than 2.75x (3rd issue), where: net debt is equal to total debts (including sureties and guarantees) less cash, EBITDA is equal to profit before taxes, interest, depreciation and amortization in the previous 12 months and net financial expenses refer to total financial income less financial expenses for the previous 12 months, adjusted for non-recurring items.

(1) The occurrence of such events may be approved by the titleholders of at least 2/3 of the outstanding debentures, without the obligations maturing in advance.

(2) The occurrence of such events may be approved by the titleholders of at least 75% of the outstanding debentures, without the obligations maturing in advance.

Management from the Company and its subsidiaries monitors these indices on a systematic and constant basis, to ensure that the terms are met. The contract for the 2nd issue establishes that the ratios be met quarterly and, the contract for the 3rd issue that they be met annually. These ratios were not met in the current quarter.

On September 30, 2014, the general debenture holders' meetings of 2nd and 3rd issues were held, in which the Company obtained creditors' waiver for the noncompliance with the financial ratios of 2nd issue and due to the change in the controlling interest of Forjas Taurus, as provided for by the 3rd issue.

20. Tax, social security, labor and civil provisions

The Company, based on the opinion of its legal advisors and the analysis of judicial proceedings pending judgment, set up a provision for contingencies for an amount considered sufficient to cover estimated losses on proceedings pending judgment involving probable unfavorable outcome. The amounts of the provision are recorded in the group of other accounts payable. Breakdown of contingencies is as under:

				Consolidated
			09-30-2014	**12-31-2013**
	Provision	**Judicial deposit (1)**	**Net**	**Net**
Labor	**9,835**	**3,925**	**5,910**	4,179
Civil	**35,653**	**-**	**35,653**	
Tax				
Federal	**4,535**	**466**	**4,069**	4,099
State	**-**	**762**	**(762)**	(338)
	50,023	**5,153**	**44,870**	7,940
Classified in current liabilities	**43,343**			
Classified in noncurrent liabilities	**6,680**			

				Company
			09-30-2014	**12-31-2013**
	Provision	**Judicial deposit (1)**	**Net**	**Net**
Labor and civil	**3,967**	**1,480**	**2,487**	1,830
Tax				
Federal	**-**	**423**	**(423)**	(423)
State	**-**	**724**	**(724)**	(338)
	3,967	**2,627**	**1,340**	1,069
Classified in current liabilities	**3,967**			

(1) Recorded in other accounts receivable under noncurrent assets.

20. Tax, social security, labor and civil provisions (Continued)

Changes in provisions are as follows:

	Consolidated		
	Civil and labor	Tax	Total
Balance at December 31, 2013	7,062	4,944	12,006
Provisions made in the period	37,295	-	37,295
Provisions used in the period	(731)	-	(731)
Reclassification	2,000	-	2,000
Provision write down	(138)	(409)	(547)
Balance at September 30, 2014	**45,488**	**4,535**	**50,023**

	Company		
	Civil and labor	Tax	Total
Balance at December 31, 2013	3,135	388	3,523
Provisions made in the period	942	-	942
Provision write down	(110)	(388)	(498)
Balance at September 30, 2014	**3,967**	**-**	**3,967**

The Company and its subsidiaries have other proceedings that have been assessed by the legal advisors as involving possible or remote unfavorable outcome, for the amount of approximately R$ 22,915 - Company and R$48,580 – Consolidated (R$ 21,840 and R$65,368, respectively at December 31, 2013) for which no provision has been recorded, given that accounting practices adopted in Brazil do not require this.

In the period ended September 30, 2014 there were developments in connection with the civil proceeding filed by Hunter Douglas NV, which made the Company reassess the chances of loss, which started to be classified as probable. In this scenario, the amount of R$ 35,540 was provisioned, considered to be by management the best estimate of the loss at this point, owing to the negotiations seeking an agreement with the counterparty. This is a civil proceeding filed by Hunter Douglas NV against Wotan Máquinas Ltda., in connection with the collection originating in the loan agreement financing exports executed by the parties in 2001, in which subsidiary Taurus Máquinas-Ferramenta Ltda. is joint defendant due to rent of industrial facilities to Wotan Máquinas Ltda. in 2004. The updated case amount is of R$ 63,088.

The Company filed several proceedings for the recognition of several tax credits, of which the amounts will be recognized based on the realization thereof.

21. Financial instruments

i) Derivative financial instruments

The Company and its subsidiaries Taurus Blindagens Ltda. and Taurus Helmets Indústria Plástica Ltda. undertake operations with derivative financial instruments. Administration of these instruments is by means of operating strategies and internal controls aimed at ensuring liquidity, profitability and security. The contracting of financial instruments for hedging purposes is made based on a periodic analysis of the exposure to risk that management intends to cover (currency, interest rate, etc.). The control policy consists of permanently accompanying the terms contracted compared to the existing market terms.

We summarize below our positions with derivative instruments:

	Consolidated		Company	
	09-30-2014	12-31-2013	09-30-2014	12-31-2013
Derivative financial instruments assets	**33,518**	45,212	**33,483**	45,096
Derivative financial instruments liabilities	**(17,795)**	(9,595)	**(17,207)**	(9,010)
	15,723	35,617	**16,276**	36,086

All of the operations involving financial instruments are recognized in the Company's financial statements, as presented in the table below, which details the derivatives outstanding, organized by maturity date, counterparty, notional value and fair values:

			09-30-2014		12-31-2013	
Instrument	Counterparty	Contract currency with respect to notional value	Notional – in thousands	Fair value	Notional – in thousands	Fair value
Swap Fixed x Libor						
Taurus Holdings, Inc.	TD Bank	US dollars - USD	**5,711**	**(588)**	5,711	(585)
Swap Fixed x CDI						
Forjas Taurus S.A.	Banco Itaú BBA	Reais – BRL	**37,356**	**126**	37,356	440
Taurus Blindagens Ltda.	Banco Itaú BBA	Reais – BRL	**9,652**	**22**	9,652	80
Taurus Helmets Ltda.	Banco Itaú BBA	Reais – BRL	**4,355**	**13**	4,355	36
***Swap Interest + E.V.* USD x CDI + R$**						
Forjas Taurus S.A.	Banco Itaú BBA	Reais – BRL	**100,000**	**25,885**	100,000	40,964
Forjas Taurus S.A.	Banco Citibank	Reais – BRL	**-**	**-**	30,391	3,692
Forjas Taurus S.A.	Banco Pine	Reais – BRL	**40,000**	**(5,385)**	40,000	(7,617)
Forjas Taurus S.A.	Banco Santander	Reais – BRL	**23,200**	**(96)**	-	-
Non-deliverable forward (exports)						
Forjas Taurus S.A.	Banco Pine	US dollars - USD	**29,801**	**(11,548)**	-	-
Forjas Taurus S.A.	Bes Investimentos	US dollars - USD	**7,500**	**(131)**	20,000	(1,393)
***Non-deliverable forward* (import)**						
Forjas Taurus S.A.	Banco ABC	US dollars - USD	**1,100**	**(47)**	-	-
Forjas Taurus S.A.	Bes Investimentos	US dollars - USD	**20,000**	**3,518**	-	-
Forjas Taurus S.A.	Banco Pine	US dollars - USD	**44,481**	**3,954**	-	-
				15,723		35,617

21. Financial instruments (Continued)

i) Derivatives (Continued)

The fair value does not represent the obligation for immediate disbursement or receiving of cash, given that this effect will only occur on the contractual dates or maturity dates of each operation, when the results are determined, depending on the case and the market conditions on these dates. It should be noted that all of the contracts outstanding at September 30, 2014 refer to operations on the over the counter market, registered with the CETIP, without any type of guarantee margin or accelerated maturity clause forced by Mark to Market (MtM) variations.

We set out below descriptions of each of the derivatives in force and the hedging instruments.

Swap Fixed x *Libor*

The Company has conventional currency swap position from fixed rate to *Libor* rate for the purpose of fixing the flow for debt payments tied to a fixed rate, to a post fixed rate on the domestic market.

Swap Fixed x CDI

The Company has conventional fixed rate swap positions related to the Certificates of Real Estate credits - CRI (Note 14) aimed at linking the interest rate exposure to a post fixed rate on the domestic market.

Swap Libor + E.V. USD x CDI + R$

The Company has conventional swap positions *Libor* 6m x CDI for the purpose of fixing the flow for debt payments tied to a post fixed rate, to a post fixed rate on the domestic market.

Non-deliverable forward (exports)

In accordance with the Company's export policies, derivative financial instruments were taken out to hedge a percentage of export revenue highly susceptive to variations in exchange rate to the US dollar.

Non-deliverable forward (imports)

The Company took out NDF transactions for *hedge* against the foreign exchange effects on the financial flow of loans and financing in foreign currency.

21. Financial instruments (Continued)

i) Derivatives (Continued)

Swap Interest + E.V. USD x CDI + R$

The Company has conventional swap positions for Interbank Deposits (DI) *versus* US dollar, for the purpose of linking the debt in Reais, tied to the DI, to a debt fixed in dollars. Within this context, the Company has conventional swap positions in dollars *versus* DI, for the purpose of linking the debt in dollars to a debt in Reais tied to the DI. These *swaps* are tied to debts with respect to values, terms and cash flows.

ii) Risks

a) *Credit risk*

Exposure to credit risk

The carrying values of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date for the financial statements was as follows:

	Consolidated	
	Book value	
	09-30-2014	**12-31-2013**
Financial assets held to maturity		
Trade accounts receivable	**134,170**	179,814
Other loans and receivables	**19,345**	20,691
Cash and cash equivalents	**210,221**	281,119
Foreign exchange forward and interest rate swap contracts used for asset hedging	**33,518**	45,212
Total	**397,254**	526,836

	Company	
	Book value	
	09-30-2014	**12-31-2013**
Financial assets held to maturity		
Trade accounts receivable	**62,698**	175,243
Other loans and receivables	**15,375**	16,905
Cash and cash equivalents	**100,406**	27,874
Foreign exchange forward and interest rate swap contracts used for asset hedging	**33,483**	45,096
Total	**211,962**	265,118

21. Financial instruments (Continued)

ii) Risks (Continued)

a) *Credit risk (Continued)*

Exposure to credit risk (Continued)

The maximum exposure to credit risk for trade accounts receivable at the reporting date by geographic region is as follows:

	Consolidated		Company	
	Book value		Book value	
	09-30-2014	12-31-2013	09-30-2014	12-31-2013
Domestic-trade accounts receivable	**78,752**	84,788	**37,449**	20,622
United States – trade accounts receivable	**39,004**	79,346	**10,680**	142,465
Other	**16,414**	15,680	**14,569**	12,156
Total	**134,170**	179,814	**62,698**	175,243

The maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty was as follows:

	Consolidated		Company	
	Book value		Book value	
	09-30-2014	12-31-2013	09-30-2014	12-31-2013
Customers – public bodies	**41,068**	33,745	**36,775**	27,971
Customers - distributors	**84,282**	135,153	**24,285**	146,276
End customers	**8,820**	10,916	**1,638**	996
Total	**134,170**	179,814	**62,698**	175,243

Impairment losses

The maturity of loans and receivables granted at the balance sheet date was:

				Consolidated
	Gross	Gross	*Impairment*	*Impairment*
	09-30-2014	12-31-2013	09-30-2014	12-31-2013
Falling due	**99,754**	158,818	**-**	-
Overdue between 0-30 days	**11,088**	990	**-**	-
Overdue between 31-360 days[1]	**8,527**	2,813	**(886)**	(1,883)
Overdue for more than one year	**14,801**	17,193	**(14,733)**	(16,271)
Total	**134,170**	179,814	**(15,619)**	(18,154)

(1) *A significant portion of overdue amounts refers to sales to public bodies with average payment delay of up to 90 days, considered usual by Company management for public sector customers.*

21. **Financial instruments** (Continued)

ii) Risks (Continued)

a) *Credit risk (Continued)*

Impairment losses (Continued)

				Company
	Gross	**Gross**	***Impairment***	***Impairment***
	09-30-2014	**12-31-2013**	**09-30-2014**	**12-31-2013**
Falling due	**48,388**	169,540	**-**	-
Overdue between 0-30 days	**3,992**	569	**-**	-
Overdue between 31-360 days[1]	**6,110**	1,603	**(486)**	(399)
Overdue for more than one year	**4,208**	3,531	**(3,069)**	(3,196)
Total	**62,698**	175,243	**(3,555)**	(3,595)

(1) *A significant portion of overdue amounts refers to sales to public bodies with average payment delay of up to 90 days, considered usual by Company management for public sector customers.*

Based on historic default rates, the Company believes that no provision for impairment losses is necessary in relation to trade accounts receivable not overdue or overdue by up to 30 days; a significant part of the balance, which includes the amount due by the Company's most important clients, refers to clients that have a good history of payment with the Company.

The other amounts receivable refer to sundry receivables maturing within up to one year and with low credit risk.

b) *Liquidity risk*

Presented below are the contractual maturities of financial liabilities, including payments of estimated interest, excluding the impact of currency negotiation agreements at the net position. The position considers short-term portions due to noncompliance with covenants.

21. Financial instruments (Continued)

ii) Risks (Continued)

b) *Liquidity risk (Continued)*

	Consolidated 09-30-2014					
	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities						
Trade accounts payable	**24,736**	**24,736**	**24,736**	**-**	**-**	**-**
Guaranteed bank loans	**506,731**	**577,323**	**252,618**	**35,256**	**260,657**	**28,792**
Debentures	**133,152**	**191,050**	**20,832**	**3,376**	**166,842**	**-**
Certificates of real estate receivables	**11,542**	**12,804**	**12,804**	**-**	**-**	**-**
Foreign exchange payable	**52,810**	**54,812**	**54,812**	**-**	**-**	**-**
Advance on receivables	**29,949**	**29,949**	**29,949**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(33,518)**	**(33,518)**	**(33,518)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**17,795**	**17,795**	**17,795**	**-**	**-**	**-**
	743,197	**874,951**	**380,028**	**38,632**	**427,499**	**28,792**

	Consolidated 12-31-2013					
	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities						
Trade accounts payable	32,978	32,978	32,978	-	-	-
Guaranteed bank loans	661,681	744,177	416,440	117,318	186,083	24,336
Debentures	57,565	64,997	64,997	-	-	-
Certificates of real estate receivables	19,606	22,516	22,516	-	-	-
Advance on receivables	115,972	115,972	115,972	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(45,212)	(45,212)	(45,212)	-	-	-
Derivative instruments (liabilities)	9,595	9,595	9,595	-	-	-
	852,185	945,023	617,286	117,318	186,083	24,336

	Company 09-30-2014					
	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities						
Trade accounts payable	**43,542**	**43,542**	**43,542**	**-**	**-**	**-**
Guaranteed bank loans	**354,129**	**403,186**	**199,057**	**23,891**	**175,080**	**5,158**
Debentures	**133,152**	**191,050**	**20,832**	**3,376**	**166,842**	**-**
Foreign exchange payable	**52,810**	**42,156**	**42,156**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(33,483)**	**(33,483)**	**(33,483)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**17,207**	**17,207**	**17,207**	**-**	**-**	**-**
	567,357	**663,658**	**289,311**	**27,267**	**341,922**	**5,158**

21. Financial instruments (Continued)

ii) Risks (Continued)

b) *Liquidity risk (Continued)*

	Company 12-31-2013					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-derivative financial liabilities						
Trade accounts payable	63,487	63,487	63,487	-	-	-
Guaranteed bank loans	434,828	486,876	348,332	67,598	67,935	3,011
Debentures	57,565	64,997	64,997	-	-	-
Advance on receivables	71,040	71,040	71,040	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(45,096)	(45,096)	(45,096)	-	-	-
Derivative instruments (liabilities)	9,010	9,010	9,010	-	-	-
	590,834	650,314	511,770	67,598	67,935	3,011

Management does not anticipate that cash flows, included in the maturity analyses, will occur at significantly earlier dates or for significantly different amounts.

c) *Currency risk*

The Company's exposure to currency risk was as follows (in nominal values):

	Consolidated USD 000	
	09-30-2014	**12-31-2013**
Accounts receivable	**22,611**	45,914
Foreign exchange payable	**(21,546)**	-
Guaranteed bank loans	**(111,053)**	(149,096)
Foreign suppliers	**(3,614)**	(5,723)
Net balance sheet exposure	**(113,602)**	(108,905)

The exposure to consolidated foreign exchange risk includes the guaranteed bank loans from Taurus Holdings, Inc. for the amount of USD 23,013 at September 30, 2014 (USD 45,381 at December 31, 2013).

	Company USD 000	
	09-30-2014	**12-31-2013**
Accounts receivable	**5,944**	4,302
Accounts receivable from foreign related parties	**4,357**	63,269
Foreign exchange payable	**(21,546)**	-
Guaranteed bank loans	**(86,866)**	(101,524)
Foreign suppliers	**(944)**	(738)
Net balance sheet exposure	**(99,055)**	(34,691)

21. Financial instruments (Continued)

ii) Risks (Continued)

c) *Currency risk (Continued)*

The following exchange rates were used during the period ended September 30, 2014 and the year of 2013:

	Average rate		Spot rate	
	09-30-2014	**12-31-2013**	**09-30-2014**	**12-31-2013**
R$/USD	**2.2954**	**2.1741**	**2.4510**	**2.3426**

Sensitivity analysis

The devaluation of the Real to the US dollar, at September 30, 2014 decreased equity and net income as reported below. This analysis is based on the expected exchange rate of period end, which is of R$2.29 (probable scenario), based on the Focus report of September 26, 2014, issued by the Central Bank of Brazil. The analysis considered that all the other variables, particularly interest rates, would remain constant.

	Consolidated		Company	
	Equity	**Net income (loss) for the year**	**Equity**	**Net income (loss) for the year**
September 30, 2014				
R$/USD (forecast rate 2.29)	**18,150**	**18,150**	**15,948**	**15,948**
R$/USD (25% - forecast rate 2.86)	**(46,390)**	**(46,390)**	**(40,761)**	**(40,761)**
R$/USD (50% - forecast rate 3.44)	**(110,931)**	**(110,931)**	**(97,470)**	**(97,470)**

d) *Interest rate risk*

Sensitivity analysis of the fair value for fixed rate instruments

The Company did not record any financial asset or liability with fixed interest rate at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect P&L.

21. Financial instruments (Continued)

ii) Risks (Continued)

d) *Interest rate risk* (Continued)

Sensitivity analysis of cash flows for variable rate instruments

The balances of instruments exposed to interest rate variation are as follows:

	Consolidated	
	Book value	
	09-30-2014	**12-31-2013**
Fixed rate instruments		
Financial liabilities	**99,569**	127,012
Variable rate instruments		
Financial assets	**158,228**	119,667
Financial liabilities	**622,461**	621,435

	Company	
	Book value	
	09-30-2014	**12-31-2013**
Fixed rate instruments		
Financial liabilities	**24,706**	35,220
Variable rate instruments		
Financial assets	**103,094**	68,868
Financial liabilities	**521,144**	466,183

A variation of 10 percentage points in interest rates, on the reporting date of the financial statements, would increase (reduce) equity and net income for the year on the balance for interest not liquidated, by the amounts presented below. The analysis considers that all variables, particularly foreign currency, would remain stable. The analysis was made considering the same base for September 30, 2014 and December 31, 2013.

	Consolidated	
	Equity and net income (loss) for the year	
	09-30-2014	**12-31-2013**
Change in interest rate on financing	**(2,969)**	(2,741)
Change in interest rate on short-term investments	**672**	363

	Company	
	Equity and net income (loss) for the year	
	09-30-2014	**12-31-2013**
Change in interest rate on financing	**(2,371)**	(2,082)
Change in interest rate on short-term investments	**375**	116

21. Financial instruments (Continued)

iii) Fair value versus book value

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

	Consolidated			
	09-30-2014		12-31-2013	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations	**33,518**	**33,518**	45,212	45,212
Assets stated at amortized cost				
Cash and cash equivalents	**210,221**	**210,221**	281,119	281,119
Accounts receivable	**118,551**	**118,551**	161,660	161,660
Bills receivable	**-**	**-**	580	580
	328,772	**328,772**	443,359	443,359
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for *hedge* operations	**17,795**	**17,795**	9,595	9,595
Liabilities stated at amortized cost				
Guaranteed bank loans	**506,731**	**473,256**	661,681	621,487
Debentures	**133,152**	**141,818**	57,565	59,212
Foreign exchange payable	**52,810**	**52,108**	-	-
Suppliers and advances on receivables	**54,685**	**54,685**	148,950	148,950
Advance on real estate credits	**11,542**	**11,645**	19,606	20,512
	758,920	**733,512**	887,802	850,161

	Company			
	09-30-2014		12-31-2013	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets stated at fair value				
Forward exchange contracts and interest rate swap contracts used for *hedge* operations	**33,483**	**33,483**	45,096	45,096
Assets stated at amortized cost				
Cash and cash equivalents	**100,406**	**100,406**	27,874	27,874
Accounts receivable	**59,143**	**59,143**	171,648	171,648
	159,549	**159,549**	199,522	199,522
Liabilities stated at fair value				
Forward exchange contracts and interest rate swap contracts used for *hedge* operations	**17,207**	**17,207**	9,010	9,010
Liabilities stated at amortized cost				
Guaranteed bank loans	**354,129**	**361,112**	434,828	423,207
Debentures	**133,152**	**141,818**	57,565	59,212
Foreign exchange payable	**52,810**	**52,107**	-	-
Suppliers and advances on receivables	**43,542**	**43,542**	134,527	134,527
	583,633	**598,579**	626,920	616,946

21. Financial instruments (Continued)

iii) Fair value versus book value (Continued)

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 the market interest rate determined at the reporting date of the financial statements. The interest rates used to discount the estimated cash flows, when applicable, are based on forecast rates for the interbank certificates of deposits (CDI) at the balance sheet date. A significant portion of loans is contracted at variable rates. Observable rates in recent operations are similar to the contractual rates.

The effects from gains and losses related to derivative financial instruments, not classified as *hedge* accounting, are disclosed in the note on financial income (expense), in a specific line. The Company did not post gains or losses with non-derivative instruments since they are measured at amortized cost.

In accordance with the hierarchical classification criteria for determining fair value, where: level 1 corresponds to quoted prices (unadjusted) on active markets for identical assets and liabilities, level 2 corresponds to inputs, except quoted prices included in level 1, that are observable for the asset or liability, directly (prices) or indirectly (derived from prices) and level 3 refers to assumptions, for the asset or liability, that are not based on observable market data (inputs non observable), the Company classified in its accounting registers the fair value of its financial instruments as being level 2.

22. Related parties

	Outstanding balances of subsidiaries with the Company					Effect from result of operations of subsidiaries with the Company	
	Current assets (***)	Noncurrent assets (receivables from related parties)	Total assets	Current liabilities (*)	Total liabilities	Revenue	Expenses
December 31, 2013							
Taurus Blindagens Ltda.	-	-	-	-	-	-	12
Taurus Holdings,Inc. (Note 10)	148,215	-	148,215	15,635	15,635	248,265	4,542
Taurus Security Ltda.	-	547	547	-	-	-	-
Taurus Investimentos Imobiliários Ltda. (**)	5,811	-	5,811	-	-	-	4,914
Taurus Máquinas-Ferramenta Ltda.	196	20,568	20,764	-	-	-	-
Polimetal Metalurgia e Plásticos Ltda.	6,494	-	6,494	50,798	50,798	3,558	78,064
	160,716	**21,115**	**181,831**	**66,433**	**66,433**	**251,823**	**87,532**
September 30, 2014							
Taurus Holdings,Inc. (Note 10)	**10,680**	**-**	**10,680**	**22,657**	**22,657**	**105,589**	**1,591**
Taurus Security Ltda.	**-**	**547**	**547**	**-**	**-**	**-**	**-**
Taurus Investimentos Imobiliários Ltda. (**)	**5,811**	**-**	**5,811**	**-**	**-**	**-**	**3,806**
Taurus Máquinas-Ferramenta Ltda.	**486**	**32,549**	**33,035**	**-**	**-**	**-**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**9,532**	**38,584**	**48,116**	**32,651**	**32,651**	**1,097**	**29,622**
	26,509	**71,680**	**98,189**	**55,308**	**55,308**	**106,686**	**35,019**

(*) Recorded as accounts payable
(**) Disposal of fixed assets by the Company to subsidiary.
(***) Amount recorded in trade accounts receivable and receivables from related parties.

The operations involving the Company and subsidiary Taurus Holding, Inc. refer to weapon sales to be traded by the subsidiary in the US market.

The operations involving the Company and subsidiary Polimetal Metalurgia e Plásticos Ltda. refer to products in process since the subsidiary performs a part of the production process of the weapons segment.

The transactions with related parties are carried out under the price and terms agreed by the parties.

Subsidiary Taurus Máquinas-Ferramenta Ltda. has intercompany loan payable to Forjas Taurus S.A. in the amount of R$ 32,549 at September 30, 2014 (R$ 20,568 at December 31, 2013). Subsidiary Taurus Security Ltda. has intercompany loan with Forjas Taurus S.A. in the amount of R$ 547 at September 30, 2014 and December 31, 2013. Subsidiary Polimetal Metalurgia e Plásticos Ltda. has intercompany loan payable to Forjas Taurus S.A. in the amount of R$ 38,584 at September 30, 2014. The loans are restated by 100% of Interbank Deposit Certificate (CDI).

22. Related parties (Continued)

With the approval of capital increase in the Special Meeting held on August 20, 2014, Companhia Brasileira de Cartuchos – "CBC", started to hold 52.51% of the common shares issued, becoming the controlling company of Forjas Taurus S.A.

At September 30, 2014, the operations involving Forjas Taurus S.A. and CBC mainly refer to sale of weapons to be traded and the purchase of ammunition. The amount of these operations is set out below:

	Current assets	Current liabilities	Revenue	Expenses
Companhia Brasileira de Cartuchos	**1.292**	**277**	**706**	**682**

<u>Remuneration of key management personnel</u>

At September 30, 2014, remuneration paid to key management personnel amounted to R$ 11,489 (R$ 13,623 at September 30, 2013), and includes salaries, fees and benefits.

Remuneration of key management personnel includes:

	Consolidated		Company	
	09-30-2014	09-30-2013	09-30-2014	09-30-2013
Remuneration and benefits of statutory directors and board members	**4,122**	5,637	**4,122**	5,637
Remuneration of key personnel	**7,367**	7,986	**6,314**	5,967
Total	**11,489**	13,623	**10,436**	11,604

The Company does not have remuneration benefit policies for key management personnel characterized as: post-employment benefits, benefits from rescission of employment contract, share based remuneration or other long term benefits.

<u>Operations of directors and key management personnel</u>

The directors and key management personnel directly control 23.90% of the Company's voting capital.

Some of the key management personnel hold units of interest in other entities, resulting in them having control or significant influence over the financial or operating policies of these companies. There were no transactions between the Company and these parties in the period ended September 30, 2014 and year ended December 31, 2013, excepting salaries.

22. Related parties (Continued)

Sureties between related parties

The loans and financing are guaranteed by promissory notes, chattel mortgages for machinery and equipment and real estate mortgages. The sureties granted by and between the Company and its subsidiaries are presented below:

	09-30-2014	12-31-2013
Polimetal Metalurgia e Plásticos Ltda.	**99,755**	118,950
Forjas Taurus S.A.	**59,873**	111,591
	159,628	230,541

23. Equity (Company)

a) Capital

The Special Meeting of August 20, 2014 approved capital increase, which thus will be divided into 95,659,753 common shares and 94,360,781 preferred shares, totaling 190,020,534 shares amounting to R$ 324,876 (R$ 257,797 at December 31, 2013).
A Special Meeting will be convened to ratify the resolution of the Board of Directors in the meeting of August 12, 2014 to cancel 2,827,206 treasury shares, in order to adjust the number of shares composing capital stock as per article 5 of the Company's charter.

Preferred shares

Preferred shares are non-voting shares and are not entitled to differentiated dividends but have preference in the return of capital.

In accordance with article 5, paragraph 4 of the Company's articles of incorporation, preferred shares are voting shares for any General Meeting resolutions about the following matters, case in which each preferred share entitles holder to one vote:

(i) transformation, takeover, merger or spin-off of the Company;

(ii) approval of execution of contracts between the Company and its Controlling Shareholder, as defined in the Level 2 Regulation, directly or through third parties, as well as of other companies in which the Controlling Shareholder has interest, whenever by operation of legal or statutory provision such matters must be submitted to the General Meeting for approval;

(iii) valuation of assets destined to payment of the Company's capital increase;

(iv) selection of specialized company to determine the Company's economic value, on the terms of Chapter VII of the articles of incorporation; and

23. Equity (Company) (Continued)

a) Capital (Continued)

(v) amendment to or revocation of statutory provisions that amend or change any requirements provided for in item 4.1 of Level 2 Regulation, also such voting right shall prevail only while the Corporate Governance Level 2 Participation Contract is in force.

Authorized shares (in thousands of shares)

	09-30-2014	12-31-2013
Common shares	**51,851**	51,851
Preferred shares	**103,702**	103,702
	155,553	155,553

Shares issued and fully paid up

	Common		Preferred	
	Number In thousands	R$ 000	Number In thousands	R$ 000
At December 31, 2013				
ON - R$ 2.66 - PN - R$ 2.28*	47.138	125.387	94.275	214.947
At September 30, 2014				
ON - R$ 0.85 - PN - R$ 0.49*	92.833	78.908	84.752	41.528

* Quotation for last transaction of shares on the date stated, multiplied by total shares existing on this date.

b) Treasury shares

Treasury shares refer to repurchased capital. The amount of remuneration paid includes directly attributable costs, net of any tax effects. When treasury shares are sold or subsequently re-issued, the amount received is recognized as an increase in equity, and the resulting excess or deficit are transferred to/from retained earnings/accumulated losses. The Company posted loss for 2013 and 2012, consequently does not have sufficient income reserve balance to keep treasury shares. On August 12, 2014, the Company's Board of Directors decided to cancel common and preferred treasury shares.

A Special Meeting will be convened to ratify the resolution of the Board of Directors in order to adjust the number of shares composing capital stock as per article 5 of the Company's charter.

c) Statutory

Legal reserve

The legal reserve is set up at 5% of net income each year, calculated under the terms of article 93 of Law No. 6404/76, until its balance reaches the limit of 20% of the amount of capital.

23. Equity (Company) (Continued)

c) Reserves (Continued)

Statutory reserve and profit retention

Reserve for investments – constituted to cover investments to be made in subsequent years, based on the capital budget.

Equity valuation adjustments

The reserve for equity valuation adjustments includes adjustments from adopting deemed cost for fixed assets at the transition date to IFRS. The amounts registered in equity valuation adjustments are reclassified partially or fully to profit or loss for the year, when the assets to which they refer are sold.

Cumulative translation adjustments

Cumulative translation adjustments include all of the foreign currency differences arising from translation of the financial statements of foreign operations.

d) Earnings (loss) per share

Basic earnings per share were calculated based on profit for the period attributable to controlling and non-controlling shareholders of the Company up to September 30, 2014, and the respective average number of common outstanding shares in this period, compared to the period ended September 30, 2013, as presented below:

	09-30-2014	**09-30-2013**
P&L for the period	**(124,768)**	(10,077)
Net income (loss) attributable to shareholders	**(124,768)**	(10,077)
Basic and diluted earnings (loss) per share – in R$	**(0.7026)**	(0.0713)

Basic earnings (loss) per share are calculated based on net income (loss) for the period attributable to Company shareholders divided by the weighted average of outstanding in the period. At September 30, 2014, the Company's basic and diluted earnings per share have the same amount since there are no financial instruments convertible into shares and its common shares are not entitled to differentiated participation in profits.

24. Revenue

	Consolidated		Company	
	09-30-2014	**09-30-2013**	**09-30-2014**	**09-30-2013**
Product sales	**497,175**	745,685	**240,470**	320,598
Services provided	**58**	77	**58**	75
Total gross revenue	**497,233**	745,762	**240,528**	320,673
Taxes on sales	**(66,768)**	(89,018)	**(25,635)**	(23,266)
Returns and rebates	**(5,835)**	(5,490)	**(4,322)**	(10,882)
Total net operating revenue	**424,630**	651,254	**210,571**	286,525

25. Financial income (expenses)

	Consolidated		Company	
	09-30-2014	**09-30-2013**	**09-30-2014**	**09-30-2013**
Financial expenses				
Interest	**(49,026)**	(46,001)	**(39,028)**	(33,941)
Exchange losses	**(79,939)**	(52,569)	**(79,087)**	(50,154)
Tax on Financial Transactions (IOF)	**(826)**	-	**(112)**	-
Swap on financial operations	**(24,759)**	(30,189)	**(24,610)**	(30,189)
Other expenses	**(4,751)**	(6,104)	**(542)**	(486)
	(159,301)	(134,863)	**(143,379)**	(114,770)
Financial income				
Interest	**15,945**	13,768	**10,056**	5,126
Exchange losses	**65,528**	28,367	**64,372**	26,839
Swap on financial operations	**17,660**	35,161	**17,591**	35,161
Other revenues	**3,592**	4,148	**242**	2,463
	102,725	81,444	**92,261**	69,589
Financial income (expenses), net	**(56,576)**	(53,419)	**(51,118)**	(45,181)

26. Income and social contribution tax expense

The reconciliation of the expense calculated using the combined tax rates and the income and social contribution tax expense posted to P&L is demonstrated below:

	Consolidated		Company	
	09-30-2014	**09-30-2013**	**09-30-2014**	**09-30-2013**
Income/loss before income and social contribution taxes	**(131,327)**	14,932	**(131,249)**	(8,150)
Combined tax rate	**34%**	34%	**34%**	34%
Income and social contribution taxes:				
At combined tax rate	**44.651**	(5.077)	**44.625**	2.771
Permanent additions and exclusions:				
Non-deductible expenses	**(373)**	(292)	**(373)**	(292)
Tax exempt income – equity pickup	**(476)**	27	**(19,033)**	8,503
Other – Law No. 11196/05	**96**	140	**-**	-
Unrecognized tax loss	**(31,287)**	(20,561)	**(18,576)**	(12,516)
Non-deductible provisions	**(12,084)**	-	**-**	-
Effects from differentiated rates on profit computed as a percentage of gross revenue –"lucro presumido"	**3,591**	-	**-**	-
Other items	**2,441**	754	**(162)**	(393)
Income and social contribution taxes in the P&L for the year	**6,559**	(25,009)	**6,481**	(1,927)
Income and social contribution taxes in the P&L for the year:				
Current	**(4,045)**	(19,977)	**-**	-
Deferred (Note 13)	**10,604**	(5,032)	**6,481**	(1,927)
	6,559	(25,009)	**6,481**	(1,927)
Effective rate	**-4.99%**	-167.50%	**-4.94%**	23.64%

Provisional Executive Order (MP) No. 627/13 converted into law

In November 2013, Provisional Executive Order No. 627 was published and established that no taxation should be levied on profits and dividend calculated based on P&L computed between January 1, 2008 and December 31, 2013, by legal entities adopting the taxable profit, profit computed as a percentage of the Company's gross revenue, or reconstructed profit determined by the tax authorities, effectively paid up to the publication date of the referred to Provisional Executive Order, at amounts exceeding those computed in light of the accounting methods and criteria in force as of December 31, 2007, provided that the Company that has paid profit and dividend elected early adoption of the new tax regime as from 2014.

In May 2014, this Provisional Executive Order was converted into Law No. 12973, with amendment to some provisions, including in connection with how to treat dividends, IOE and investment measurement at equity value. Differently from the Provisional Executive Order, Law No. 12973 determined that no taxes are to be levied, unconditionally, on profit and dividend calculated based on P&L computed from January 1, 2008 to December 31, 2013.

26. Income and social contribution tax expense (Continued)

Provisional Executive Order (MP) No. 627/13 converted into law

The Company prepared studies on the effects that could arise from application of the provisions of Law 12973 and concluded that there are no significant effects on its financial statements at September 30, 2014 and December 31, 2013 and is evaluating whether it will opt or not for early recognition of its effects, to be confirmed in the Federal Tax Debit and Credit Return (DCTF) referring to taxable events occurred in the month to be determine by Brazilian Internal Revenue Service (SRFB).

27. Insurance coverage

The Company adopts the policy to take out insurance coverage for assets subject to risks for amounts considered sufficient by Company management to cover adventitious damages, considering the nature of its activities. Insurance coverage is determined by Company management for an amount considered sufficient to cover adventitious damages.

At September 30, 2014, the Company's insurance coverage was as follows:

	09-30-2014	
	Consolidated	**Company**
Property damage	336,560	82,358
Civil liability	30,025	8,000
Loss of profits	5,841	-

28. Expenses by nature

The Company opted for presenting consolidated income statement by function. As required by IFRS, the Company sets out below a detailed consolidated income statement by nature:

	Consolidated		Company	
	09-30-2014	**09-30-2013**	**09-30-2014**	**09-30-2013**
Expenses by function				
Cost of goods sold	**(334,495)**	(445,028)	**(176,069)**	(228,823)
Selling expenses	**(65,224)**	(76,631)	**(25,178)**	(21,265)
General and administrative expenses	**(50,168)**	(54,820)	**(24,028)**	(24,027)
Other operating expenses	**(55,171)**	(14,290)	**(12,812)**	(2,376)
	(505,058)	(590,769)	**(238,087)**	(276,491)
Expenses by nature				
Depreciation and amortization	**(24,911)**	(26,195)	**(8,427)**	(8,923)
Personnel expenses	**(160,820)**	(180,007)	**(85,259)**	(101,894)
Provision for litigation	**(39,009)**	(2,440)	**(1,693)**	-
Raw materials and use and consumption materials	**(138,227)**	(227,409)	**(76,308)**	(110,206)
Freight and commissions	**(28,810)**	(38,511)	**(10,050)**	(13,095)
Outsourced services	**(16,350)**	(13,516)	**(8,071)**	(5,901)
Advertising and publicity	**(10,694)**	(14,439)	**(1,321)**	(863)
Product warranty expenses	**(7,422)**	(10,362)	**(4,776)**	-
Water and energy	**(13,943)**	(12,481)	**(3,565)**	(4,620)
Travel and lodging	**(2,974)**	(2,668)	**(1,898)**	(1,201)
Idle capacity	**(3,321)**	(820)	**(3,321)**	-
Insurance expenses	**(6,581)**	(7,649)	**(1,502)**	(1,443)
Windfall fixed costs	**(6,073)**	-	**(5,522)**	-
Cost of fixed assets sold	**(3,288)**	-	**(2,697)**	-
Other expenses	**(42,635)**	(54,272)	**(23,677)**	(28,345)
	(505,058)	(590,769)	**(238,087)**	(276,491)

29. Cost of goods sold

	Consolidated		Company	
	09-30-2014	**09-30-2013**	**09-30-2014**	**09-30-2013**
Cost of goods sold	**321,030**	445,028	**163,857**	228,823
Unallocated costs	**13,465**	-	**12,212**	-
Total cost of goods sold	**334,495**	445,028	**176,069**	228,823

Unallocated costs represent unusual amounts or indirect production costs adventitiously not allocated to products, mainly related to low production volume, directly posted to P&L for the period in which they take place, in a separate account from cost of goods sold, as prescribed by CPC16 (R1) – Inventories.

A free translation from Portuguese into English of independent auditor's review report on individual interim financial information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and on consolidated interim financial information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB and specific CVM rules

Independent auditor's review report on interim financial information

The
Shareholders, Board of Directors and Officers
Forjas Taurus S.A.
Porto Alegre - RS

Introduction

We have reviewed the individual and consolidated interim financial information of Forjas Taurus S.A. ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2014, comprising the balance sheet as at September 30, 2014 and the related income statement and statement of comprehensive income for the three and nine-month periods then ended, and the statement of changes in equity and cash flow statement for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) – Interim Financial Reporting and of the consolidated interim financial information in accordance with CPC 21 (R1) and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with specific rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the quarterly financial information referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information included in the quarterly financial information referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of the Quarterly Information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2014, prepared under the responsibility of the Company's management, of which presentation in the interim financial information is required by CVM rules applicable to preparation of quarterly information (ITR) and considered as supplementary information for IFRS purposes, which do not require SVA presentation. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Porto Alegre, November 11, 2014.

ERNST & YOUNG
Auditores Independentes S/S
CRC-2SP015199/O-6/F/RS

Américo F. Ferreira Neto
Accountant CRC-1SP192685/O-9

Representation of Supervisory Board

The Supervisory Board of Forjas Taurus S.A., abiding by legal and statutory provisions, examined the Quarterly Information - ITR, for the period from the third quarter of 2014.

Based on the analysis performed, and further considering the report of independent auditor Ernst & Young Auditores Independentes S.S., dated Nov 11, 2014, as well as information and clarification received in the period by the Company Management, represents hereby that the referred to documents are in condition of being disclosure.

Porto Alegre - Nov 13, 2014.

Amoreti Franco Gibbon

Mauro César Medeiros de Mello

Juliano Puchalski Teixeira

Marcelo de Deus Saweryn

Reinaldo Fujimoto

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REPRESENTATION LETTER OF FORJAS TAURUS S.A. OFFICERS ON THE FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2014

Mr. André Ricardo Balbi Cerviño, Eduardo Ermida Moretti, Eduardo Feldmann Costa and Mrs. Dóris Beatriz França Wilhelm, Officers of Forjas Taurus S.A., a company headquartered at Avenida do Forte, nº 511, Vila Ipiranga, Porto Alegre, Rio Grande do Sul (RS) state, enrolled with Brazilian IRS Registry of Legal Entities under No. 92.781.335/0001-02, for the purpose of items V and VI of article 25 of Brazilian Securities and Exchange Commission (CVM) Ruling No. 480, of December 7, 2009, do hereby represent that they have reviewed, discussed and agreed with the Financial Statements of Forjas Taurus S.A. and consolidated companies for the period from January 1, 2014 to September 30, 2014.

Porto Alegre, Nov. 05, 2014.

André Ricardo Balbi Cerviño
Chief Executive Officer

Eduardo Ermida Moretti
Sales and Marketing Vice President Officer

Eduardo Feldmann Costa
Administrative and Finance Vice President Officer

Doris Beatriz França Wilhelm
Investor Relations Officer

REPRESENTATION LETTER OF FORJAS TAURUS S.A. OFFICERS ON INDEPENDENT AUDITOR'S REPORT

Mr. André Ricardo Balbi Cerviño, Eduardo Ermida Moretti, Eduardo Feldmann Costa and Mrs. Dóris Beatriz França Wilhelm, Officers of Forjas Taurus S.A., a company headquartered at Avenida do Forte, nº 511, Vila Ipiranga, Porto Alegre, Rio Grande do Sul (RS) state, enrolled with Brazilian IRS Registry of Legal Entities under No. 92.781.335/0001-02, for the purpose of items V and VI of article 25 of Brazilian Securities and Exchange Commission (CVM) Ruling No. 480, of December 7, 2009, do hereby represent that they have reviewed, discussed and agreed with the opinions expressed by Ernst & Young Auditores Independentes S.S., dated Nov 05, 2014, in the Independent Auditor's Report on the Financial Statements for the period from January 1, 2014 to September 30, 2014.

Porto Alegre, Nov. 11, 2014.

André Ricardo Balbi Cerviño
Chief Executive Officer

Eduardo Ermida Moretti
Sales and Marketing Vice President Officer

Eduardo Feldmann Costa
Administrative and Finance Vice President Officer

Doris Beatriz França Wilhelm
Investor Relations Officer