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Company information / Capital composition

Quantity of shares (Units)	Last year 12/31/2015
Paid-in capital	
Common	27,446,627
Preferred	13,001,621
Total	40,448,248
Treasury	
Common	**0**
Preferred	**0**
Total	**0**

Individual financial statements / Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Last year 12/31/2015	Penultimate year 12/31/2014	Antepenultimate year 12/31/2013
1	Assets Total	888,338	787,849	887,436
1.01	Current assets	244,727	222,402	370,502
1.01.01	Cash and cash equivalents	15,822	25,161	27,874
1.01.01.01	Cash and banks	15,822	14,906	4,102
1.01.01.02	Interbank funds applied	0	10,255	23,772
1.01.02	Interest earning bank deposits	3,495	12,347	0
1.01.03	Accounts receivable	71,152	50,876	171,648
1.01.03.01	Trade accounts receivable	71,152	50,876	171,648
1.01.04	Inventories	106,345	67,054	80,702
1.01.06	Recoverable taxes	16,031	9,719	25,195
1.01.06.01	Current taxes recoverable	16,031	9,719	25,195
1.01.07	Prepaid expenses	13,191	3,582	1,897
1.01.08	Other current assets	18,691	53,663	63,186
1.01.08.03	Others	18,691	53,663	63,186
1.01.08.03.01	Financial instruments	6,920	36,098	45,096
1.01.08.03.03	Related parties	81	9,814	9,414
1.01.08.03.04	Other accounts receivable	11,690	7,751	8,676
1.02	Non-current assets	643,611	565,447	516,934
1.02.01	Long term assets	86,204	117,772	24,436
1.02.01.01	Interest earning bank deposits measured at fair value	12,586	21,592	0
1.02.01.01.01	Trading securities	12,586	21,592	0
1.02.01.06	Deferred taxes	9,149	4,746	0
1.02.01.06.01	Deferred income and social contribution taxes	9,149	4,746	0
1.02.01.08	Related party credits	62,602	88,647	21,115
1.02.01.08.04	Credits with Other Related Parties 1.02.01.09 Other Non-current Assets	62,602	88,647	21,115
1.02.01.09.01	Non-current assets held for sale	1,867	2,787	3,321
1.02.01.09.03	Recoverable taxes	293	0	0
1.02.01.09.04	Others	0	450	859

Individual financial statements / Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Last year 12/31/2015	Penultimate year 12/31/2014	Antepenultimate year 12/31/2013
1.02.02	Investments	518,257	396,214	430,477
1.02.02.01	Equity interest	518,257	396,214	430,477
1.02.02.01.02	Interest in subsidiaries	518,067	396,024	430,287
1.02.02.01.04	Other equity interest	190	190	190
1.02.03	Property, plant and equipment	34,338	47,731	57,379
1.02.03.01	Fixed assets in operation	26,753	44,431	52,174
1.02.03.03	Constructions in progress	7,585	3,300	5,205
1.02.04	Intangible assets	4,812	3,730	4,642
1.02.04.01	Intangible assets	4,812	3,730	4,642

Individual financial statements/ Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Last year 12/31/2015	Penultimate year 12/31/2014	Antepenultimate year 12/31/2013
2	Total liabilities	888,338	787,849	887,436
2.01	Current liabilities	720,243	412,656	591,581
2.01.01	Social and labor obligations	19,532	14,878	18,149
2.01.01.01	Social charges	3,844	2,900	4,506
2.01.01.02	Labor obligations	15,688	11,978	13,643
2.01.02	Suppliers	119,075	40,988	63,487
2.01.02.01	Domestic suppliers	112,017	39,703	61,758
2.01.02.02	Foreign suppliers	7,058	1,285	1,729
2.01.03	Tax liabilities	1,673	3,684	3,508
2.01.03.01	Federal tax liabilities	919	2,452	988
2.01.03.01.01	Income and social contribution tax payable	728	1,040	988
2.01.03.01.02	Others taxes	191	1,412	0
2.01.03.02	State tax liabilities	745	1,223	2,515
2.01.03.03	Municipal tax liabilities	9	9	5
2.01.04	Loans and financing	288,058	208,920	381,968
2.01.04.01	Loans and financing	193,168	192,987	324,403
2.01.04.01.01	In domestic currency	13,537	74,147	136,867
2.01.04.01.02	In foreign currency	179,631	118,840	187,536
2.01.04.02	Debentures	94,890	15,933	57,565
2.01.05	Other liabilities	271,528	136,217	116,600
2.01.05.02	Others	271,528	136,217	116,600
2.01.05.02.01	Dividends and interest on own capital	4	6	7
2.01.05.02.04	Related parties	25,120	32,609	13,660
2.01.05.02.05	Foreign exchange withdrawals	191,948	57,856	0
2.01.05.02.06	Derivative financial instruments	0	23,163	9,010
2.01.05.02.07	Advance from receivables	969	0	71,040
2.01.05.02.08	Other liabilities	53,487	22,583	22,883
2.01.06	Provisions	20,377	7,969	7,869
2.01.06.01	Tax, social security, labor and civil provisions	13,314	3,902	3,135

Individual financial statements/ Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Last year 12/31/2015	Penultimate year 12/31/2014	Antepenultimate year 12/31/2013
2.01.06.01.02	Social security and labor provisions	12,589	3,685	3,135
2.01.06.01.04	Civil provisions	725	217	0
2.01.06.02	Other provisions	7,063	4,067	4,734
2.01.06.02.01	Provisions for guarantees	7,063	4,067	4,734
2.02	Non-current liabilities	228,211	323,078	149,862
2.02.01	Loans and financing	125,508	265,448	110,425
2.02.01.01	Loans and financing	92,535	155,550	110,425
2.02.01.01.01	In domestic currency	21,300	45,011	60,132
2.02.01.01.02	In foreign currency	71,235	110,539	50,293
2.02.01.02	Debentures	32,973	109,898	0
2.02.02	Other liabilities	99,910	56,650	35,593
2.02.02.01	Liabilities from Related parties	47,487	0	0
2.02.02.01.02	Debits with subsidiaries	6,290	0	0
2.02.02.01.04	Debts with other related parties	41,197	0	0
2.02.02.02	Others	52,423	56,650	35,593
2.02.02.02.03	Taxes payable	1,610	1,098	1,444
2.02.02.02.04	Provision for uncovered liability	46,704	51,853	31,035
2.02.02.02.05	Other liabilities	4,109	3,699	3,114
2.02.03	Deferred taxes	0	0	3,456
2.02.03.01	Deferred income and social contribution taxes	0	0	3,456
2.02.04	Provisions	2,793	980	388
2.02.04.01	Tax, social security, labor and civil provisions	2,793	980	388
2.02.04.01.01	Tax provisions	0	0	388
2.02.04.01.02	Social security and labor provisions	2,793	980	0
2.03	Shareholders' equity	-60,116	52,115	145,993
2.03.01	Realized capital	364,735	324,876	257,797
2.03.02	Capital reserves	-29,295	-40,996	-73,891
2.03.02.05	Treasury shares	0	0	-32,895
2.03.02.06	Advances for future capital increase	11,701	0	0

Individual financial statements/ Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Last year 12/31/2015	Penultimate year 12/31/2014	Antepenultimate year 12/31/2013
2.03.02.07	Investment subsidy	-40,996	0	0
2.03.02.09	Capital transactions	0	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-566,155	-317,290	-99,659
2.03.06	Equity valuation adjustments	31,739	36,685	37,483
2.03.07	Accumulated translation adjustments	138,860	48,840	24,263

Individual financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
3.01	Income from sales of goods and/or services	451,801	286,626	384,100
3.02	Cost of goods and/or services sold	-331,956	-215,782	-311,813
3.03	Gross income	119,845	70,844	72,287
3.04	Operating expenses/income	-177,620	-183,175	-89,220
3.04.01	Sales expenses	-38,820	-50,401	-47,399
3.04.02	General and administrative expenses	-49,218	-35,367	-35,895
3.04.04	Other operating income	14,521	7,212	2,717
3.04.05	Other operating expenses	-19,331	-16,193	-8,155
3.04.06	Equity income (loss)	-84,772	-88,426	-488
3.05	Income (loss) before financial income and taxes	-57,775	-112,331	-16,933
3.06	Financial income (loss)	-200,437	-81,293	-62,767
3.06.01	Financial income	122,788	116,550	86,024
3.06.02	Financial expenses	-323,225	-197,843	-148,791
3.07	Income (loss) before income tax	-258,212	-193,624	-79,700
3.08	Income and social contribution taxes	4,402	8,202	-610
3.08.02	Deferred assets	4,402	8,202	-610
3.09	Net income (loss) of continued operations	-253,810	-185,422	-80,310
3.11	Income/loss for the period	-253,810	-185,422	-80,310
3.99	Earnings per share - (Reais / Shares)			
3.99.01	Basic earnings per share			
3.99.01.01	ON	6.27493	-13.89200	-6.84940
3.99.01.02	PN	6.27493	-13.89200	-6.84940
3.99.02	Diluted earnings per share			
3.99.02.01	ON	6.15650	-13.89200	-6.84940
3.99.02.02	PN	6.15650	-13.89200	-6.84940

Individual financial statements / Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
4.01	Net income for the period	-253,805	-185,422	-80,310
4.02	Other comprehensive income	90,021	24,577	24,844
4.02.01	Translation adjustments in the period	90,021	24,577	23,879
4.02.03	Financial instruments' adjustment	0	0	965
4.03	Comprehensive income for the period	-163,784	-160,845	-55,466

Individual financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
6.01	Net cash from operational activities	99,606	128,542	-40,499
6.01.01	Cash generated in operations	38,546	-16,779	-1,828
6.01.01.01	Net income (loss) before income and social contribution taxes	-258,212	-193,624	-79,700
6.01.01.02	Depreciation and amortization	9,655	11,152	11,925
6.01.01.03	Cost of permanent assets written-off	11,733	2,794	1,059
6.01.01.04	Allowance for Doubtful Accounts	4,484	3,333	1,603
6.01.01.05	Equity in net income of subsidiaries	84,772	88,426	488
6.01.01.07	Provision for Derivative financial instruments	-16,945	16,998	-13,217
6.01.01.08	Provision for interest on loans	188,772	53,237	71,930
6.01.01.09	Change in % Interest of Subsidiaries	66	137	106
6.01.01.10	Provision for inventory loss	0	0	-422
6.01.01.11	Provision for Legal Risks	11,225	1,359	-334
6.01.01.12	Provision for contingencies	2,996	-667	4,734
6.01.01.13	Foreign Exchange Variation - Intangible Assets	0	76	0
6.01.02	Changes in assets and liabilities	61,060	145,321	-55,671
6.01.02.01	(Increase) decrease in trade accounts receivable	-24,760	117,439	-115,448
6.01.02.02	(Increase) decrease in inventories	-39,291	13,648	23,671
6.01.02.03	(Increase) decrease in other accounts receivable	13,753	20,941	11,345
6.01.02.04	Increase (decrease) in suppliers	78,087	-22,499	22,745
6.01.02.05	Increase (Decrease) in accounts payable and provisions	33,271	15,792	2,016
6.01.03	Others	0	0	17,000
6.01.03.01	Income and dividends received from subsidiaries	0	0	17,000
6.02	Net cash used in investment activities	-87,187	-113,888	-40,428
6.02.01	Receivables with related companies	-55,183	-67,532	-30,903
6.02.03	In investments	-40,784	-9,017	-1,686
6.02.04	In property, plant and equipment	-7,126	-3,400	-7,223
6.02.05	In intangible assets	-1,952	0	-616
6.02.06	Interest earning bank deposits	17,858	-33,939	0
6.03	Net cash from financing activities	-21,758	-17,367	7,241

Individual financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
6.03.01	Payment of Interest on Own Capital and Dividends	-2	0	-7,354
6.03.02	Borrowings	227,934	274,818	230,185
6.03.03	Payment of loans	-306,315	-313,021	-181,117
6.03.05	Capital increase	39,859	67,079	0
6.03.06	Advances for future capital increase	11,701	0	0
6.03.07	Payment of interest on loans	-36,132	-46,243	-34,473
6.03.10	Debts with related companies	41,197	0	0
6.05	Increase (decrease) in cash and cash equivalents	-9,339	-2,713	-73,686
6.05.01	Opening balance of cash and cash equivalents	25,161	27,874	101,560
6.05.02	Closing balance of cash and cash equivalents	15,822	25,161	27,874

Individual financial statements / Statement of changes in shareholders’ equity / DMPL – From 01/01/2015 to 12/31/2015

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	324,876	-40,996	0	-317,290	85,524	52,114
5.03	Adjusted opening balances	324,876	-40,996	0	-317,290	85,524	52,114
5.04	Capital transactions with partners	51,560	0	0	0	0	51,560
5.04.01	Capital increases	39,859	0	0	0	0	39,859
5.04.08	Advances for future capital increase	11,701	0	0	0	0	11,701
5.05	Total comprehensive income	0	0	0	-248,865	85,075	-163,790
5.05.01	Net income for the period	0	0	0	-253,810	0	-253,810
5.05.02	Other comprehensive income	0	0	0	4,945	85,075	90,020
5.05.02.05	Taxes on translation adjustments in the period	0	0	0	0	90,020	90,020
5.05.02.06	Realization of equity valuation adjustments	0	0	0	4,945	-4,945	0
5.07	Closing balances	376,436	-40,996	0	-566,155	170,599	-60,116

Individual financial statements / Statement of changes in shareholders' equity / DMPL – From 01/01/2014 to 12/31/2014

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	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 partners	67,079	32,895	0	-32,895	0	67,079
5.04.01	Capital increases	67,079	0	0	0	0	67,079
5.05	Total comprehensive income	0	0	0	-184,736	23,891	-160,845
5.05.01	Net income for the period	0	0	0	-185,422	0	-185,422
5.05.02	Other comprehensive income	0	0	0	686	23,891	24,577
5.05.02.04	Translation adjustments in the period	0	0	0	0	24,577	24,577
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	686	-686	0
5.06	Internal changes in shareholders' equity	0	0	0	0	-112	-112
5.07	Closing balances	324,876	-40,996	0	-317,290	85,525	52,115

Individual financial statements / Statement of changes in shareholders' equity / DMPL – From 01/01/2013 to 12/31/2013

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	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 partners	0	0	-321	0	0	-321
5.04.06	Dividends	0	0	-321	0	0	-321
5.05	Total comprehensive income	0	0	0	-79,055	23,589	-55,466
5.05.01	Net income for the period	0	0	0	-80,310	0	-80,310
5.05.02	Other comprehensive income	0	0	0	1,255	23,589	24,844
5.05.02.01	Financial instruments' adjustments	0	0	0	0	965	965
5.05.02.05	Taxes on translation adjustments in the period	0	0	0	0	23,879	23,879
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	1,255	-1,255	0
5.07	Closing balances	257,797	-73,891	0	-99,659	61,746	145,993

Individual financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
7.01	Income	542,713	362,759	452,038
7.01.01	Sale of merchandise, products and services	543,998	352,214	450,924
7.01.02	Other income	3,199	7,212	2,717
7.01.04	Formation/reversal of allowance for doubtful accounts	-4,484	3,333	-1,603
7.02	Inputs acquired from third parties	-370,077	-278,772	-281,007
7.02.01	Cost of products, merchandise and services sold	-217,545	-101,793	-162,850
7.02.02	Materials, Energy, Third-party services and other	-152,532	-176,979	-118,157
7.03	Gross added value	172,636	83,987	171,031
7.04	Retentions	-9,655	-11,152	-11,925
7.04.01	Depreciation, amortization and depletion.	-9,655	-11,152	-11,925
7.05	Net added value produced	162,981	72,835	159,106
7.06	Added value received in transfer	38,017	28,124	85,536
7.06.01	Equity income (loss)	-84,772	-88,426	-488
7.06.02	Financial income	122,789	116,550	86,024
7.07	Total added value payable	200,998	100,959	244,642
7.08	Distribution of added value	200,998	100,959	244,642
7.08.01	Personnel	83,952	72,732	97,570
7.08.01.01	Direct remuneration	73,661	58,316	80,586
7.08.01.02	Benefits	4,405	9,111	10,578
7.08.01.03	Severance Pay Fund (FGTS)	5,886	5,305	6,406
7.08.02	Taxes, rates and contributions.	46,967	9,403	64,792
7.08.02.01	Federal	45,220	4,752	40,498
7.08.02.02	State	1,369	4,648	24,289
7.08.02.03	Municipal	378	3	5
7.08.03	Third-party capital remuneration	323,889	204,246	162,590
7.08.03.01	Interest	323,225	197,843	148,791
7.08.03.02	Rents	664	6,403	6,331
7.08.03.03	Others	0	0	7,468
7.08.04	Remuneration of own capital	-253,810	-185,422	-80,310

Individual financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
7.08.04.03	Retained earnings / Loss for the period	-253,810	-185,422	-80,310

Consolidated financial statements or Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Last year 12/31/2015	Penultimate year 12/31/2014	Antepenultimate year 12/31/2013
1	Assets Total	1,022,340	979,763	1,184,094
1.01	Current assets	591,905	574,283	782,672
1.01.01	Cash and cash equivalents	60,312	104,536	281,119
1.01.01.01	Cash and banks	60,312	59,337	206,664
1.01.01.02	Marketable securities	0	45,199	74,455
1.01.02	Interest earning bank deposits	22,040	33,632	0
1.01.03	Accounts receivable	192,076	139,720	161,660
1.01.03.01	Trade accounts receivable	192,076	139,720	161,660
1.01.04	Inventories	221,861	200,524	218,269
1.01.06	Recoverable taxes	36,546	23,419	35,785
1.01.06.01	Current taxes recoverable	36,546	23,419	35,785
1.01.07	Prepaid expenses	19,239	11,533	9,059
1.01.08	Other current assets	39,831	60,919	76,780
1.01.08.01	Non-current assets held for sale	4,286	4,417	5,588
1.01.08.03	Others	35,545	56,502	71,192
1.01.08.03.01	Derivative financial instruments	6,920	36,106	45,212
1.01.08.03.02	Other accounts receivable	28,625	20,396	25,980
1.02	Non-current assets	430,435	405,480	401,422
1.02.01	Long term assets	63,796	66,807	50,814
1.02.01.01	Interest earning bank deposits measured at fair value	12,586	21,592	0
1.02.01.01.01	Trading securities	12,586	21,592	0
1.02.01.06	Deferred taxes	45,830	39,627	44,364
1.02.01.06.01	Deferred income and social contribution taxes	45,830	39,627	44,364
1.02.01.09	Other non-current assets	5,380	5,588	6,450
1.02.01.09.03	Recoverable taxes	870	1,048	2,179
1.02.01.09.04	Others	4,510	4,540	4,271
1.02.02	Investments	12,004	13,401	14,543
1.02.02.01	Equity interest	12,004	13,401	14,543
1.02.02.01.01	Interest in associated companies	11,655	13,052	14,194

Consolidated financial statements or Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Last year 12/31/2015	Penultimate year 12/31/2014	Antepenultimate year 12/31/2013
1.02.02.01.04	Other equity interest	349	349	349
1.02.03	Property, plant and equipment	273,189	257,222	268,484
1.02.03.01	Fixed assets in operation	251,655	247,180	242,456
1.02.03.03	Constructions in progress	21,534	10,042	26,028
1.02.04	Intangible assets	81,446	68,050	67,581
1.02.04.01	Intangible assets	81,446	68,050	67,581

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Last year 12/31/2015	Penultimate year 12/31/2014	Antepenultimate year 12/31/2013
2	Total liabilities	1,022,340	979,763	1,184,094
2.01	Current liabilities	802,939	560,708	737,474
2.01.01	Social and labor obligations	33,075	25,095	29,768
2.01.01.01	Social charges	10,266	6,485	9,324
2.01.01.02	Labor obligations	22,809	18,610	20,444
2.01.02	Suppliers	81,224	36,321	32,978
2.01.02.01	Domestic suppliers	65,571	27,013	19,571
2.01.02.02	Foreign suppliers	15,653	9,308	13,407
2.01.03	Tax liabilities	26,562	17,621	18,287
2.01.03.01	Federal tax liabilities	22,564	12,326	12,131
2.01.03.01.01	Income and social contribution tax payable	19,763	9,710	10,992
2.01.03.01.02	Others taxes	2,801	2,616	1,139
2.01.03.02	State tax liabilities	3,947	5,254	6,139
2.01.03.03	Municipal tax liabilities	51	41	17
2.01.04	Loans and financing	307,546	274,798	446,095
2.01.04.01	Loans and financing	212,656	258,865	388,530
2.01.04.01.01	In domestic currency	27,118	118,740	178,136
2.01.04.01.02	In foreign currency	185,538	140,125	210,394
2.01.04.02	Debentures	94,890	15,933	57,565
2.01.05	Other liabilities	311,103	158,111	196,451
2.01.05.02	Others	311,103	158,111	196,451
2.01.05.02.01	Dividends and interest on own capital	4	6	7
2.01.05.02.04	Derivative financial instruments	956	23,898	9,595
2.01.05.02.05	Foreign exchange withdrawals	191,948	57,856	0
2.01.05.02.06	Advance of real estate credits	0	8,548	19,606
2.01.05.02.08	Advance from receivables	54,589	25,114	115,972
2.01.05.02.09	Other liabilities	63,606	42,689	51,271
2.01.06	Provisions	43,429	48,762	13,895
2.01.06.01	Tax, social security, labor and civil provisions	30,516	37,734	6,897

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Last year 12/31/2015	Penultimate year 12/31/2014	Antepenultimate year 12/31/2013
2.01.06.01.01	Tax provisions	318	0	0
2.01.06.01.02	Social security and labor provisions	29,262	10,253	6,897
2.01.06.01.04	Civil provisions	936	27,481	0
2.01.06.02	Other provisions	12,913	11,028	6,998
2.01.06.02.01	Provisions for guarantees	12,913	11,028	6,998
2.02	Non-current liabilities	279,517	366,940	300,627
2.02.01	Loans and financing	232,159	341,719	273,151
2.02.01.01	Loans and financing	199,186	231,821	273,151
2.02.01.01.01	In domestic currency	39,065	83,585	134,273
2.02.01.01.02	In foreign currency	160,121	148,236	138,878
2.02.01.02	Debentures	32,973	109,898	0
2.02.02	Other liabilities	5,719	6,178	7,215
2.02.02.02	Others	5,719	6,178	7,215
2.02.02.02.04	Taxes payable	1,610	2,469	4,371
2.02.02.02.05	Other liabilities	4,109	3,709	2,844
2.02.03	Deferred taxes	717	9,803	12,872
2.02.03.01	Deferred income and social contribution taxes	717	9,803	12,872
2.02.04	Provisions	40,922	9,240	7,389
2.02.04.01	Tax, social security, labor and civil provisions	35,702	9,240	7,389
2.02.04.01.01	Tax provisions	6,133	5,567	4,944
2.02.04.01.02	Social security and labor provisions	3,245	1,273	165
2.02.04.01.04	Civil provisions	26,324	2,400	2,280
2.02.04.02	Other provisions	5,220	0	0
2.02.04.02.01	Provisions for guarantees	5,220	0	0
2.03	Consolidated shareholders' equity	-60,116	52,115	145,993
2.03.01	Realized capital	364,735	324,876	257,797
2.03.02	Capital reserves	-29,295	-40,996	-73,891
2.03.02.05	Treasury shares	0	0	-32,895
2.03.02.06	Advances for future capital increase	11,701	0	0

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Last year 12/31/2015	Penultimate year 12/31/2014	Antepenultimate year 12/31/2013
2.03.02.09	Capital transactions	12/31/2015	12/31/2014	12/31/2013
2.03.05	Retained Earnings/Losses	-40,996	-40,996	-40,996
2.03.06	Equity valuation adjustments	-566,155	-317,290	-99,659
2.03.07	Accumulated translation adjustments	31,739	36,685	37,483

Consolidated financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
3.01	Income from sales of goods and/or services	823,809	591,536	807,340
3.02	Cost of goods and/or services sold	-581,736	-450,272	-565,619
3.03	Gross income	242,073	141,264	241,721
3.04	Operating expenses/income	-303,000	-234,124	-225,692
3.04.01	Sales expenses	-108,839	-113,750	-126,341
3.04.02	General and administrative expenses	-122,235	-78,916	-77,885
3.04.04	Other operating income	17,413	11,969	10,689
3.04.05	Other operating expenses	-87,941	-52,285	-30,806
3.04.06	Equity income (loss)	-1,398	-1,142	-1,349
3.05	Income (loss) before financial income and taxes	-60,927	-92,860	16,029
3.06	Financial income (loss)	-218,575	-92,181	-73,595
3.06.01	Financial income	140,750	129,789	102,136
3.06.02	Financial expenses	-359,325	-221,970	-175,731
3.07	Income (loss) before income tax	-279,502	-185,041	-57,566
3.08	Income and social contribution taxes	25,692	-381	-22,744
3.08.01	Current	5,889	-479	-21,418
3.08.02	Deferred assets	19,803	98	-1,326
3.09	Net income (loss) of continued operations	-253,810	-185,422	-80,310
3.11	Income/loss for the period	-253,810	-185,422	-80,310
3.11.01	Attributed to the Parent company's partners	-151,702	-185,422	-80,310
3.11.02	Attributed to non-controlling partners	-102,108	0	0
3.99	Earnings per share - (Reais / Shares)			
3.99.01	Basic earnings per share			
3.99.01.01	ON	-6.27493	-13.89200	-6.84940
3.99.01.02	PN	-6.27493	-13.89200	-6.84940
3.99.02	Diluted earnings per share			
3.99.02.01	ON	-6.15650	-13.89200	-6.84940
3.99.02.02	PN	-6.15650	-13.89200	-6.84940

Consolidated financial statements or Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
4.01	Consolidated net income for the period	-253,805	-185,422	-80,310
4.02	Other comprehensive income	90,021	24,577	24,844
4.02.01	Translation adjustments in the period	90,021	24,577	23,879
4.02.03	Financial instruments' adjustment	0	0	965
4.03	Consolidated comprehensive income for the period	-163,784	-160,845	-55,466
4.03.01	Attributed to the Parent company's partners	-97,894	-160,845	-55,466
4.03.02	Attributed to non-controlling partners	-65,890	0	0

Consolidated financial statements / Statement of cash flows

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
6.01	Net cash from operational activities	79,189	51,513	101,710
6.01.01	Cash generated in operations	67,272	-8,773	72,970
6.01.01.01	Net income (loss) before income and social contribution taxes	-279,502	-185,041	-57,566
6.01.01.02	Depreciation and amortization	35,300	33,343	35,307
6.01.01.03	Cost of permanent assets written-off	17,999	3,378	6,142
6.01.01.05	Equity in net income of subsidiaries	1,398	1,142	1,349
6.01.01.06	Provision for Derivative financial instruments	-15,683	17,602	-13,334
6.01.01.07	Allowance for doubtful accounts	3,585	5,713	3,822
6.01.01.10	Provision for interest on loans	227,555	77,201	93,644
6.01.01.15	Write-off of assets held for sale	131	1,171	863
6.01.01.16	Provision for inventory loss	9,339	0	-8,254
6.01.01.19	Provision for contingencies	60,045	32,688	4,848
6.01.01.20	Provision for guarantees	7,105	4,030	6,149
6.01.02	Changes in assets and liabilities	14,527	65,693	48,562
6.01.02. 01	(Increase) decrease in trade accounts receivable	-52,821	16,229	-16,635
6.01.02.02	(Increase) decrease in inventories	-30,676	17,395	51,512
6.01.02.03	Decrease (increase) in other accounts receivable	5,974	37,100	30,954
6.01.02.04	(Decrease) increase in suppliers	44,519	3,343	-1,980
6.01.02.05	Increase (Decrease) in accounts payable and provisions	47,531	-8,374	-15,289
6.01.03	Others	-2,610	-5,407	-19,822
6.01.03.01	Income and dividends received from subsidiaries	0	0	262
6.01.03.02	Payment of income and social contribution taxes	-2,610	-5,407	-20,084
6.02	Net cash used in investment activities	-25,623	-71,185	-28,247
6.02.04	In property, plant and equipment	-39,717	-14,646	-26,271
6.02.05	In intangible assets	-6,504	-1,315	-1,976
6.02.06	Interest earning bank deposits	20,598	-55,224	0
6.03	Net cash from financing activities	-97,790	-156,911	26,875
6.03.01	Payment of Interest on Own Capital and Dividends	-2	0	-7,354
6.03.02	Borrowings	379,362	283,465	296,431

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
6.03.03	Payments of loans	-486,028	-450,063	-219,401
6.03.05	Capital increase	39,859	67,079	0
6.03.06	Advances for future capital increase	11,701	0	0
6.03.10	Payment of Interest on loans	-42,682	0	0
6.03.11	Real Estate Credits	0	-57,392	-42,801
6.05	Increase (decrease) in cash and cash equivalents	-44,224	-176,583	100,338
6.05.01	Opening balance of cash and cash equivalents	104,536	281,119	180,781
6.05.02	Closing balance of cash and cash equivalents	60,312	104,536	281,119

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL – From 01/01/2015 to 12/31/2015

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	324,876	-40,996	0	-317,290	85,524	52,114	0	52,114
5.03	Adjusted opening balances	324,876	-40,996	0	-317,290	85,524	52,114	0	52,114
5.04	Capital transactions with partners	51,560	0	0	0	0	51,560	0	51,560
5.04.01	Capital increases	39,859	0	0	0	0	39,859	0	39,859
5.04.08	Advances for future capital increase	11,701	0	0	0	0	11,701	0	11,701
5.05	Total comprehensive income	0	0	0	-248,865	85,075	-163,790	0	-163,790
5.05.01	Net income for the period	0	0	0	-253,810	0	-253,810	0	-253,810
5.05.02	Other comprehensive income	0	0	0	4,945	85,075	90,020	0	90,020
5.05.02.04	Translation adjustments in the period	0	0	0	0	90,020	90,020	0	90,020
5.05.02.06	Realization of equity valuation adjustments	0	0	0	4,945	-4,945	0	0	0
5.07	Closing balances	376,436	-40,996	0	-566,155	170,599	-60,116	0	-60,116

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – From 01/01/2014 to 12/31/2014

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	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 partners	67,079	32,895	0	-32,895	0	67,079	0	67,079
5.04.01	Capital increases	67,079	0	0	0	0	67,079	0	67,079
5.05	Total comprehensive income	0	0	0	-184,736	23,891	-160,845	0	-160,845
5.05.01	Net income for the period	0	0	0	-185,422	0	-185,422	0	-185,422
5.05.02	Other comprehensive income	0	0	0	686	23,891	24,577	0	24,577
5.05.02.04	Translation adjustments in the period	0	0	0	0	24,577	24,577	0	24,577
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	686	-686	0	0	0
5.06	Internal changes in shareholders' equity	0	0	0	0	-112	-112	0	-112
5.07	Closing balances	324,876	-40,996	0	-317,290	85,525	52,115	0	52,115

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL – From 01/01/2013 to 12/31/2013

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	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 partners	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	0	0	0	-79,055	23,589	-55,466	0	-55,466
5.05.01	Net income for the period	0	0	0	-80,310	0	-80,310	0	-80,310
5.05.02	Other comprehensive income	0	0	0	1,255	23,589	24,844	0	24,844
5.05.02.01	Financial instruments' adjustments	0	0	0	0	966	965	0	965
5.05.02.04	Translation adjustments in the period	0	0	0	0	23,878	23,879	0	23,879
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	1,255	-1,255	0	0	0
5.07	Closing balances	257,797	-73,891	0	-99,659	61,746	145,993	0	145,993

Consolidated financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
7.01	Income	979,683	734,663	903,932
7.01.01	Sale of merchandise, products and services	978,185	717,042	897,065
7.01.02	Other income	5,083	11,908	10,689
7.01.04	Formation/reversal of allowance for doubtful accounts	-3,585	5,713	-3,822
7.02	Inputs acquired from third parties	-657,703	-588,871	-509,724
7.02.01	Cost of products, merchandise and services sold	-410,954	-327,064	-279,472
7.02.02	Materials, Energy, Third-party services and other	-246,749	-261,807	-230,252
7.03	Gross added value	321,980	145,792	394,208
7.04	Retentions	-35,300	-33,343	-35,307
7.04.01	Depreciation, amortization and depletion	-35,300	-33,343	-35,307
7.05	Net added value produced	286,680	112,449	358,901
7.06	Added value received in transfer	139,352	128,647	100,787
7.06.01	Equity income (loss)	-1,398	-1,142	-1,349
7.06.02	Financial income	140,750	129,789	102,136
7.07	Total added value payable	426,032	241,096	459,688
7.08	Distribution of added value	426,032	241,096	459,688
7.08.01	Personnel	204,984	152,969	186,931
7.08.01.01	Direct remuneration	181,206	125,895	160,577
7.08.01.02	Benefits	13,969	18,356	16,481
7.08.01.03	Severance Pay Fund (FGTS)	9,809	8,718	9,873
7.08.02	Taxes, duties and contributions	114,474	43,076	157,866
7.08.02.01	Federal	105,384	22,525	126,164
7.08.02.02	State	8,257	20,456	31,696
7.08.02.03	Municipal	833	95	6
7.08.03	Third-party capital remuneration	360,384	230,473	195,201
7.08.03.01	Interest	359,325	221,970	172,395
7.08.03.02	Rents	1,059	8,140	15,116
7.08.03.03	Others	0	363	7,690
7.08.04	Remuneration of own capital	-253,810	-185,422	-80,310

Consolidated financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Last year 01/01/2015–12/31/2015	Penultimate year 01/01/2014–12/31/2014	Antepenultimate year 01/01/2013–12/31/2013
7.08.04.03	Retained earnings / Loss for the period	-253,810	-185,422	-80,310

Management report

MANAGEMENT REPORT 2015

MESSAGE FROM THE BOARD

Dear shareholders,

The year 2015 was extremely important to the Company. In this year, it was possible to start the implementation of changes that will support the growth of Taurus in the following years. The Company’s strategy was organized supported by two solid pillars: a) restructuring of the industrial production process, aimed at obtaining greater synergy, decrease in fixed costs, improvement in product quality, and, consequently, higher return; b) modernization and streamlining of corporate management, reinforcing the focus on improvements in the performance of several units, and adoption of modern process management tools.

Such changes, which we started in 2015, have a clear strategic goal: return Taurus to a pre-eminent position, in Brazil as well as in the international market, in the more than 70 countries where it is present, guaranteeing the reliability and excellence in its products and client relation.

The restructuring process was very broad, involving all sectors and areas of the Company, beginning from the physical reorganization of the productive process, which were implemented in the same industrial site, located in the city of São Leopoldo (RS/Brazil). For this purpose, the processes and layouts of plants were redesigned, and important gains have already been achieved in 2015, even in its initial stage.

This process made it possible to double the volume produced in the year, and, for 2016, new production gains shall be achieved. We have also achieved efficiency gains, in an operation that we could name "more with less": reduction in wastes, optimization and qualification of labor, gains from the new design of the production line, besides improvements in product engineering, aiming at guaranteeing higher reliability and quality.

Management report

In the context of these changes, the operation of long guns was incorporated into the Porto Alegre plant, and, later, all site that was located in the capital of Rio Grande do Sul, including the administrative area, was transferred to São Leopoldo. It took months of dedication by the entire Taurus team to this process. The benefits from this integration are countless, once they allow the further refinement of the productive process, making viable new production gains, besides reducing working capital and intermediate inventories.

Another dimension of the changes made in 2015 was provided in the administrative area. The Company developed actions for improving management processes, by means of several tools. The most important change, which positive reflections shall unfold in the following years, was the implementation of the ERP SAP system.

With the dedicated work of the entire team of the Company, the new system was implemented in only six months, having its "go live" in January 2016. From this process new gains shall be achieved, once we are still progressing in the learning curve inherent in the change provided by modern tools like this one. In 2016, new improvements are expected in view of more efficient controls, information management and synergies.

What we want to highlight is: the Company, from 2015, started a new management model, focused on obsessively seeking product quality, productivity, profitability, and reliability, and supported by four solid pillars: processes, standards, discipline and people. The already adopted changes, and other in progress, allow us to glimpse the future with optimism.

The financial segment, although very challenging, has also shown important achievements. In 2015, we entered into constant negotiations with the main creditor institutions of the Company, that culminated, in February 2016, with the completion of the process of gathering signatures to the Indicative Unrestricted Loan Proposal aimed at promoting the extension of a significant portion of the Company’s debt, approximately US$ 132.5 million.

With strong support from shareholders, the Company’s capital was increased in 2015 by an amount equivalent to R$ 51.6 million. Such contribution was important not only for the adjusting the structure of the capital and indebtedness of the Company, but also to make a clear demonstration of trust in and credibility of the current management and the restructuring process in progress.

Another highlight was the Company’s cash generation, measured by the EBITDA, adjusted by non-recurring or extraordinary events, which reached R$ 85.9 million in 2015, more than double than in 2014.

Management report

It should be stressed that these non-recurring or extraordinary events are mainly related to the Carter case and the Company's restructuring process, including the transfer of the headquarters, the new production model, consulting services, employment termination, and implementation and adjustment of processes to the new ERP SAP system, which totaled more than R$ 100 million in 2015, as detailed below, in the comment on performance.

The year 2015 was also positive for sales. The Company's net sales amounted to R$ 823.8 million in 2015, 39.3% up on 2014. The US, where sales rose 96.3%, continues to be the main market of our products. We noted that in this country an important recovery of sales and market share in 2015, of which it should be highlighted the sales of PT 111 Millennium G2, which recorded an increase of nearly five times in terms of quantity, in relation to 2014, even ranking in the top for several weeks in 2015 among new semiautomatic pistols according to the website *GunBroker.com.*

It is also noteworthy the gain shown by gross margin in 2015. The ratio reached 29.4%, an increment of 5.5p.p. in relation to 2014. This improvement already reflects the initiatives implemented towards the aforementioned operational restructuring, showing signs that we are moving in the right direction.

The negative net income (loss) of R$ 253.8 million was impacted by two effects: the first one is the foreign exchange rate devaluation on the financial income (loss) of the Company, as the closing price of the US dollar in 2015 was high by 47.0% as compared to the closing price in 2014. It should be pointed out that at the end of 2015, 68% of the company's indebtedness was denominated in US dollars. And secondly, the impact of non-recurring events on the Carter case and the Company's restructuring process, mentioned above.

The moment through which Taurus is going is of changes, response to challenges and lots of work. The Company is undergoing a complete and profound transformation in many different fronts: operational, financial, capital structure, market, products, quality, processes, internal controls, among others. The initial results already achieved in 2015 reinforce the conviction that we are in a good path.

We thank the support of our clients, suppliers, financial institutions, employees, shareholders and the market in general.

Management report

We are building a new highly efficient business and management model to make the Company reach a new competitive level in the international market, with differentials of quality, respect, solidity and trust. We are following the plan and the work continues!

The Management

Management report

Taurus profile

Forjas Taurus S.A. ("Company") is one of the largest manufacturers of small firearms in the world. It is headquartered in São Leopoldo, state of Rio Grande do Sul, being a publicly-held Brazilian company for more than 30 years, and since 2011 it has been listed in Level 2 of Corporate Governance in BM&FBOVESPA (the trading symbols are **FJTA3, FJTA4**).

Founded in 1939, the Company started-up its operations as forging company, having started to produce revolvers in the 1940s. In the 1980s, its presence was consolidated in the US, with the creation of *Taurus International Manufacturing Inc*. (TIMI), in Miami, Florida. Meanwhile, Taurus started to produce and sell helmets for motorcycle riders, rapidly assuming the leadership in this market, which it holds up to these days.

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

In Brazil, Taurus is accredited as EED – Strategic Defense Company – and, accordingly, is able to provide products to the Armed Forces of Brazil.

Abroad, besides distributing products of the TAURUS and ROSSI trademarks produced in Brazil, the unit manufactures models of TAURUS pistols and HERITAGE revolvers, besides distributing globally *DIAMONDBACK* pistols and sport riffles.

In 2014, Companhia Brasileira de Cartuchos (CBC) started to hold interests in the capital of Taurus becoming its new controlling shareholder. So the Company started to have a strategic partner increasing efforts in its operational, administrative and financial restructuring, relying in its potential for growth and value creation.

With exports to over 70 countries and more than 2,600 employees, Taurus has already received dozens of awards recognizing its high quality and innovation standard, like *"Handgun of the Year"*, commemorated for the seventh time in 2011, considered one of the most important in the US Arm Industry.

Management report

Management Discussion and Analysis (MD&A)

1. Considerations on financial statements

- **Standards and criteria adopted in the preparation of information**

The consolidated financial statements of the Company were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), implemented in Brazil by means of the Accounting Pronouncements Committee (CPC) and its technical interpretations (ICPC) and guidance (OCPC), approved by the Brazilian Securities and Exchange Commission (CVM). The amounts included in this report are presented in millions of reais (R$), unless otherwise indicated, and, therefore, may be rounded.

The following companies were considered direct and indirect subsidiaries totaling an ownership interest of 100% for consolidation purposes: Taurus Blindagens Ltda. (BR); Taurus Blindagens Nordeste Ltda. (BR); Taurus Holdings, Inc. (USA); *T. Investments Co, Inc.* (PA); Taurus Máquinas-Ferramenta Ltda. (BR); Taurus Investimentos Imobiliários Ltda. (BR); and Polimetal Metalurgia e Plásticos Ltda. (BR).

It was also considered the share of profit of the associated company Famastil Taurus Ferramentas S.A., which financial statements were not consolidated, once the interest of 35% is held by subsidiary Polimetal Metalurgia e Plásticos Ltda., not holding the control.

Management report

2. Subsequent events

2.1 Exercise of Subscription Bonus

On January 6, 2016, the Company's Board of Directors approved the increase in its capital, within the authorized capital limit, in the amount of R$11,701,400.00 (eleven million seven hundred and one thousand and four hundred reais), arising from the exercise, by the shareholder Companhia Brasileira de Cartuchos (CBC), of 7,135,000 (seven million one hundred and thirty five thousand) class 1 subscription bonus, with the consequent issue of 7,135,000 (seven million one hundred and thirty five thousand) new common shares, fully subscribed by CBC at the issue price of R$ 1.64 (one real and sixty four centavos) per share, according to the terms and conditions approved in the scope of the capital increase of the Company approved at the Special Shareholders' Meeting held on September 29, 2015.

In view of such capital increase, the Company's new capital amounted to R$376,436,699.65 (three hundred seventy six million four hundred thirty six thousand six hundred ninety nine reais and sixty five centavos), represented by 47,583,248 (forty seven million five hundred eighty three thousand two hundred forty eight) shares, of which 34,581,627 (thirty four million five hundred eighty one thousand six hundred twenty seven) are common shares and 13,001,621 (thirteen million one thousand six hundred twenty one) are preferred shares, all of which are registered and with no par value. The new common shares shall entitle to full dividends that may be declared and all other rights and benefits conferred to the other holders of common shares issued by the Company, on equal conditions. The amendment to the Company's by-laws, to assign the new capital amount, shall be submitted to the resolution in the following Shareholders' Meeting to be held on April 29, 2016, according to the terms and conditions approved in the scope of capital increase approved in the Special Shareholders' Meeting held on September 29, 2015.

2.2 Notice to the Market – Re-profile of Debt

On February 5, 2016, Taurus communicated to its shareholders and the market in general that it completed the process of gathering signatures to the Indicative Unrestricted Loan Proposal ("Proposal") with the banks Itaú Unibanco S.A., Banco Bradesco S.A., Banco do Brasil S.A., Banco Santander (Brasil) S.A. and Haitong Banco de Investimento do Brasil S.A., in order to negotiate the re-profile of a portion of its debts and of its subsidiaries.

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The Proposal comprises the extension of approximately US$ 132.5 million in debts of the Company and its subsidiaries ("Transaction"). The total term of the Transaction is five years, with two years of grace period for beginning the payment of principal and the interests shall be equivalent to Libor (three months) + 8.14% per year. The Transaction shall be guaranteed by the conditional disposal of the shares of subsidiaries, as well as the mortgage of certain real estate of the Company, the conditional sale and pledge of certain receivables.

The terms of the Proposal are indicative and not restricted, not implying commitment, by the banks, of their execution. The mentioned amounts are variable and may show fluctuations in relation to the definite values underlying the transaction, in case effective.

The Proposal provides conditions precedent for its implementation, among which are (i) effective rules applicable to the Loan (in Brazil and in the country where Borrowing funds are raised) do not undergo changes that impede the granting of Borrowings; (ii) no event occurs that substantially changes the conditions of availability of external facilities for this type of financing in Brazil or in the country where the Loans funds are raised; and (iii) previous analysis and approval by Banks of the full Loan documentation. In addition, the transaction is subject to the approval from the Company's Board of Directors.

2.3 Spin-off- Companhia Brasileira de Cartuchos (CBC)

On February 22, 2016, it was carried out the partial spin-off of Companhia Brasileira de Cartuchos (CBC) and the transfer of shares issued by Taurus held by CBC to CBC Participações S/A. The spin-off did not change, in any aspect, the composition of indirect control of Taurus, or the Company's administrative structure.

Management report

3. Economic and financial performance - consolidated

In the following table the consolidated financial and economic performance for 2015 is shown, compared to the performances for 2014 and 2013.

Consolidated Financial and Economic Summary
In millions of R$

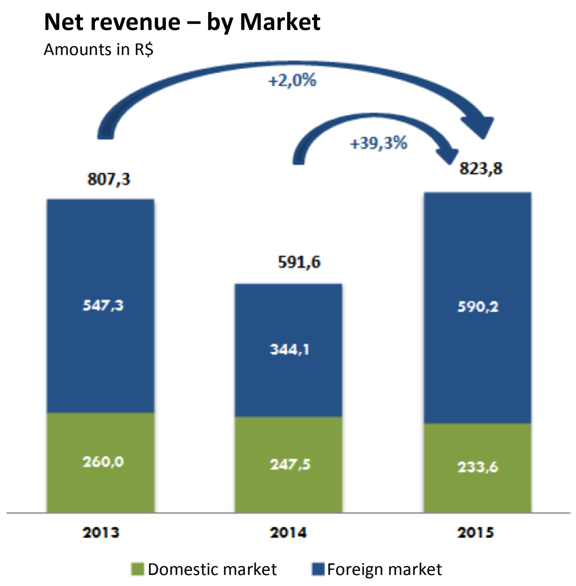
Indicators	2015	2014	2013	Variation %	
				2015/2014	2015/2013
Net revenue	**823.8**	**591.6**	**807.3**	**39.3%**	**2.0%**
Domestic market	233.5	247.5	260.0	-5.6%	-10.2%
Foreign market	590.2	344.1	547.3	71.5%	7.8%
CGS	581.7	450.3	565.6	29.2%	2.8%
Gross revenue	242.1	141.3	241.7	71.4%	0.1%
Gross margin - %	29.4%	23.9%	29.9%	5.5 p.p.	-0.6 p.p.
Operating expenses - SG&A	-303.0	-234.1	-225.7	29.4%	34.3%
Operating income (EBIT)	-60.9	-92.9	16.0	-34.4%	-
EBIT Margin %	-7.4%	-15.7%	2.0%	8.3 p.p.	-9.4 p.p.
Non-operating income (EBIT) - adjusted[(1)]	50.6	8.7	64.7	479.2%	-21.8%
Adjusted EBIT margin - %	6.1%	1.5%	8.0%	4.7 p.p.	-1.9 p.p.
Net financial income (loss)	-218.6	-92.2	-73.6	137.1%	197.0%
Depreciation and amortization	35.3	33.3	35.3	5.9%	0.0%
Consolidated income/loss	-253.8	-185.4	-80.3	36.9%	216.0%
Consolidated Net Margin - %	**-30.8%**	**-31.3%**	**-9.9%**	**0.5 p.p.**	**-20.9 p.p.**
Adjusted EBITDA[(2)]	85.9	42.1	100.0	104.1%	-14.1%
Adjusted EBITDA Margin - %	**10.4%**	**7.1%**	**12.4%**	**3.3 p.p.**	**-2.0 p.p.**
Total assets	1,022.3	979.8	1,184.1	4.3%	-13.7%
Shareholders' equity	-60.1	52.1	146.0	-	-
Investments (Capex)	33.2	16.0	28.2	108.1%	17.6%

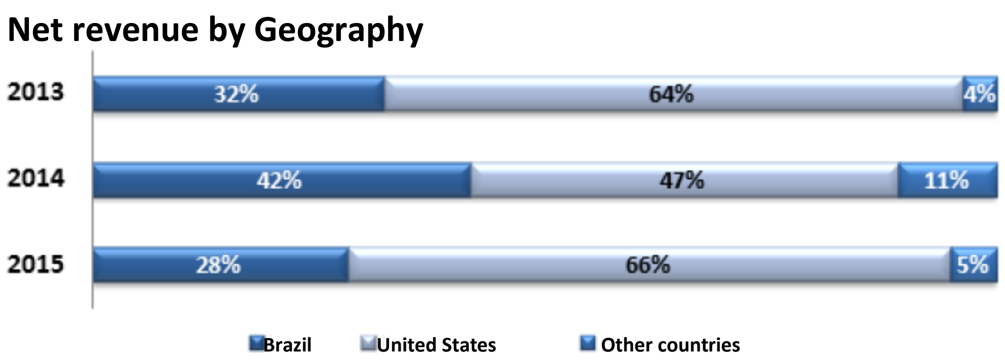
(1) EBIT Operating Income (loss) (Earnings Before Interests and Taxes) Adjusted: Adjusted EBIT (i) by the Company's restructuring process, which includes: transfer of headquarters, implementation of the new production model, employment termination, expenses with consulting for restructuring these processes, besides implementation and adjustment of processes and assets to the new ERP SAP system; and, (ii) by Taurus Máquinas-Ferramenta LTDA (TMFL).
(2) Adjusted EBITDA (Earnings before interests, taxes, depreciation and amortization and net earnings from nonrecurring operations): refers to the EBITDA calculated by the method provided by CVM Instruction 527, of October 4, 2012, added by non-recurring items related to (i) the Company's restructuring process, which includes: transfer of headquarters, implementation of new production model, employment termination, expenses with consulting for restructuring these processes, besides the implementation and adjustment of processes and assets to the new ERP SAP system; and, (ii) Taurus Máquinas-Ferramenta LTDA (TMFL).

Net revenue

In 2015, the net sales reached R$ 823.8 million, a 39.3% increase on the R$ 591.5 million recorded in 2014. The highlights were the recovery of the US market, which had contracted in 2014, and, mainly, the recovery of the Company's market share in that country, besides the foreign exchange rate favorable to exports.

Management report





Exports grew 71.5% in 2015 in relation to 2014, reaching R$ 590.2 million. The USA, main market of exports, recorded sales up by 96.3% on the previous year, so that the US market share in consolidated net revenue grew from 47% in 2014 to 66% in 2015. It should be highlighted that the transfer of operations from Porto Alegre to São Leopoldo limited the production in December/2015 and January/2015, thus limiting the shipments to that country. On contrary, it would have posted superior sales performance in the USA. Sales to other countries totaled R$ 42.4 million in the accumulated results of 2015, 34.7% down the accumulated results for 2014, generating a decrease in shares of sales to other countries from 11% in 2014 to 5% in 2015.

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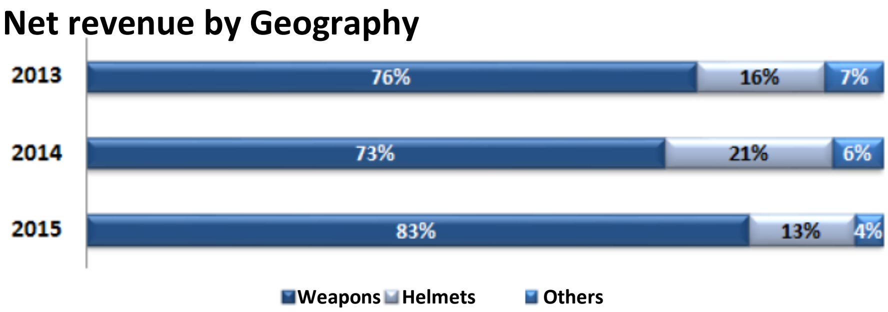
In the Brazilian market, net revenue amounted to R$ 233.6 million in 2015, a decrease of 5.6% in relation to 2014, so that the share in the Brazilian market decreased from 42% in 2014 to 28% in 2015.

NET REVENUE In millions of R$	2015	2014	2011	Variation 2015/2014	Variation 2015/2013
TOTAL	823.8	591.5	807.3	39.3%	2.0%
Brazil	233.6	247.5	260.0	-5.6%	-10.2%
United States	547.8	279.1	516.8	96.3%	6.0%
Other countries	42.4	64.9	30.5	-34.7%	38.9%
Exports	590.2	344.1	547.3	71.5%	7.8%



In the chart above the breakdown by business segment of the Company's consolidated net revenue is shown. The firearm segment continues to grow its share, from 73% in 2014 to 83% in 2015. Meanwhile, in the helmet segment the market share decreased from 21% to 13%, in the same period, as the domestic market is going through an adverse moment, with higher inflation indices and unemployment rates. The "others" segment also recorded a reduction in the market share, from 6% in 2014 to 4% in 2015.

Information per business segment

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

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RESULTS BY BUSINESS SEGMENT
In thousands of reais

Net revenue

	2015	2014	2013	2015x2014	2015x2013
Firearms	684.4	430.0	621.1	59.2%	10.2%
Helmets	110.5	124.5	127.6	-11.2%	-13.4%
Others	28.9	37.1	58.7	-21.9%	-50.7%
Total	823.3	591.5	807.3	39.3%	2.0%

Gross margin

	2015	2014	2013	2015x2014	2015x2013
Firearms	29.3%	21.5%	26.1%	7.8 p.p.	3.2 p.p.
Helmets	30.2%	32.5%	35.7%	-2.3 p.p.	-5.6 p.p.
Others	27.7%	22.7%	57.7%	5.1 p.p.	-30.0 p.p.
Total	**29.4%**	**23.9%**	**29.9%**	**5.5 p.p.**	**-0.6 p.p.**

I. Firearms

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

				Variation	
NET REVENUE In millions of R$	**2015**	**2014**	**2013**	**2015/2014**	**2015/2013**
Firearms	**684.4**	**430.0**	**621.1**	**59.2%**	**10.2%**
Brazil	**100.0**	**90.3**	**79.5**	**10.8%**	**25.7%**
Southeastern region	44.1	26.0	21.2	69.7%	108.2%
South region	22.4	19.1	23.4	16.8%	-4.2%
Northeastern region	16.9	20.7	18.7	-18.2%	-9.6%
North region	3.1	9.5	6.0	-66.9%	-47.7%
Mid-west region	13.5	15.0	10.2	-10.0%	32.4%
United States	**542.5**	**275.0**	**511.5**	**97.3%**	**6.1%**
Other countries	**41.9**	**64.7**	**30.1**	**-35.3%**	**39.1%**
Exports	**584.3**	**339.7**	**541.6**	**72.0%**	**7.9%**

In 2015, net sales of firearms were R$ 684.4 million, 59.2% above the R$ 430.0 million reported in 2014, and 10.2% higher than the result of 2013. In the domestic market, the budget deficit of the government has meant purchases remain under pressure, a main reason why firearms sales fell by 10.8% in 2015 compared to 2014, totaling R$ 100 million during the period.

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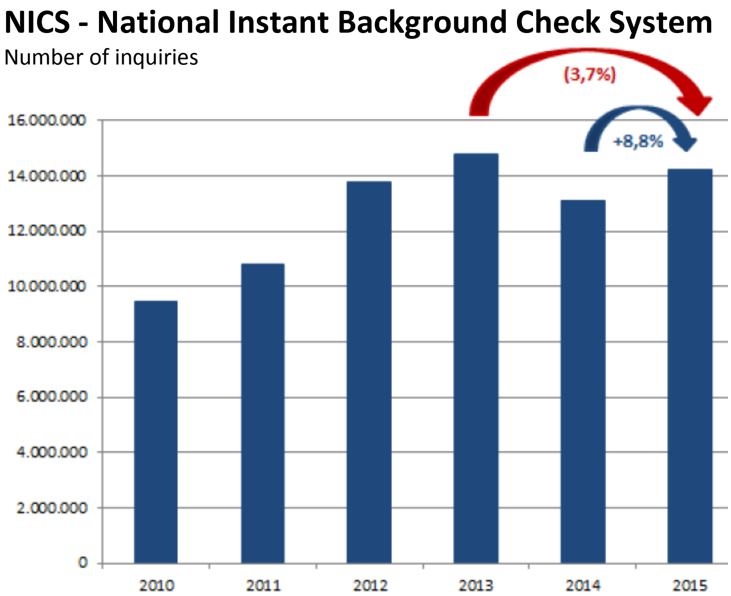
The Southeast Region is the principle destination of domestic sales and recorded a growth of 69.7% in 2015 compared to 2014, amounting to R$44.1 million in sales.

In the foreign market, the highlight was sales to the US, which, in 2015, hit 97.3%, a record increase compared to 2014, totaling R$ 542.5 million. This growth is highly significant, since, during the period, the *National Instant Background Check System* (NICS) Index (statistics held by the US Federal Bureau of Investigation) which measures intentions to buy firearms in the US, grew by 8.8%, representing a strong recovery of market share for the company, even disregarding currency devaluation (in 2015, the US Dollar, on average, appreciated by 41.7% compared to average of 2014.

It is should also be remembered that the transfer of operations from Porto Alegre to São Leopoldo, caused limitations in production in December/2015 and January/2016, also limiting shipments to the above country at the end of the year. On contrary, it would have posted superior sales performance in the USA.



The gross margin of firearms reached 29.3% in 2015, with expansion of 7.8 percentage points against 2014. This increase is a reflection of the operational improvements that the Company has implemented since the start of 2015, which have fostered gains in productivity and synergies, at a time when the exchange rate is also favorable to exports.

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Importantly, the Company's main costs are in Brazilian Real, and export revenue linked to the US dollar accounted for more than 70% of total net revenue in the year.

II. Helmets

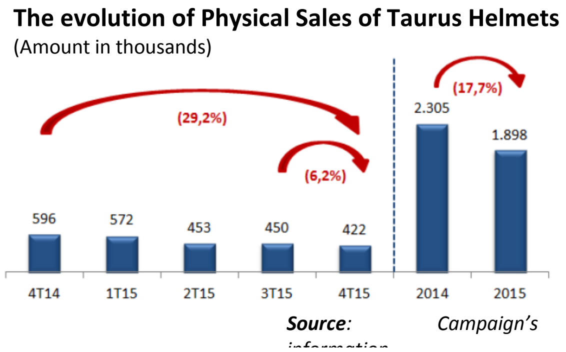
The segment of helmets is the second largest in the company, with the production units Taurus Blindagens Ltda., in Mandirituba/PR, and Taurus Blindagens Nordeste Ltda., in Simoes Filho/BA, with most of the production of these units destined for the domestic market.

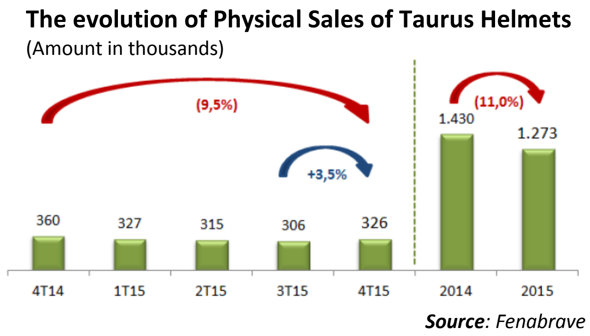
				Variation	
NET REVENUE In millions of R$	2015	2014	2013	2015/2014	2015/2013
Helmets	**110.5**	**124.5**	**127.6**	**-11.2%**	**-13.4%**
Brazil	110.0	124.2	127.1	-11.5%	-13.5%
Southeastern region	31.2	34, 5	31.9	-9.2%	-2.3%
South region	5.0	6.1	6.2	-18.0%	-19.3%
Northeastern region	56.3	38.2	39.6	-4.9%	-3.3%
North region	20.3	25.0	26.7	-18.6%	-29.3%
Mid-west region	17.2	20.5	20.7	-16,6%	-16,8%
Exports	**0.5**	**0.3**	**0.5**	**90.1%**	**4.2%**

Net sales of helmets in 2015 was R$ 110.5 million, 11.2% lower than the result of the previous year of R$124.5 million. The market for helmets is currently going through a challenging period, due to the adverse situation of the Brazilian economy with increased inflation and unemployment rates, and projections for negative domestic GDP growth. In 2015, there was a rebalancing of production, with a reduction in activity at the Mandirituba/PR plant and an increase in production at the Simões Filho/BA plant to achieve greater tax efficiency.

The chart below shows the sales of motorcycles (an important metric for the market), which, in 2015, decreased by 11.0%, while, at the same time, the sales of helmets during the year for the Company, dropped 17.7% compared to 2014.

Management report





Due to the challenging market environment in 2015, the accumulated gross margin for helmets was 30.2%, a decrease of 2.3 percentage points, compared to 2014.

III. Other products

In addition to Firearms and helmets, Taurus also operates in other industrial segments, such as the manufacture of plastic containers, motorcycle trunks, and metal-injection molded (MIM) parts. At the unit, Polimetal Metallurgy and Plastics Ltda., in Sao Leopoldo/RS, MIM parts are made and other products are produced at the Parana unit - Taurus Blindagens.

NET REVENUE In millions of R$	2015	2014	2013	Variation 2015/2014	Variation 2015/2013
Others	**29.0**	**37.1**	**58.7**	**-21.9%**	**-50.6%**
Brazil	23.6	33.0	53.4	-28.4%	-55.8%
Exports	5.4	4.1	5.3	30.4%	1.8%

In 2015, net revenue from this segment reached R$ 29.0 million, 21.9% lower than the R$ 37.1 million recorded in 2014. This is also related to the government's budget deficit, which decreased the number of bids in 2015.

Operating expenses

Operating expenses totaled R$ 303.0 million in 2015, a 29.4% improvement in relation to the previous year. Operating expenses are adjusted for non-recurring events related to the Carter process and the corporate restructuring process, which include: (i) the transfer of operations in Porto Alegre to Sao Leopoldo, featuring the change of the Company's headquarters, (ii) the implementation of a new production model, (iii) terminations of employment, (iv) consulting expenses with reference to these processes, and (v) the implementation and adjustment of processes and assets to the new SAP enterprise resource planning system, totaling R$208.9 million, virtually stable compared to adjusted operation expenses in 2014. It is also worth noting that adjusted expenditures for 2015 also included updates to the provisions of values, which represent an

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increase of expenditure of approximately R$ 30.7 million, with R$22.3 million related to provisions for labor claims in the second semester of 2015

OPERATING EXPENSES (SG&A)
In millions of R$

	2015	2014	2015x2014
Total operating expenses	303.0	234.1	29.4%
Non-recurring operating expenses	94.1	27.1	247.2%
Adjusted Operating Expenses	208.9	207.0	0.9%
Net revenue	823.8	591.5	39.3%
% Operating expenses	36.8%	39.6%	-2.8 p.p.
% Adjusted operating expenses	25.4%	35.0%	-9.6 p.p.

Adjusted EBITDA

In 2015, consolidated earnings before interests, taxes, depreciation and amortization (EBITDA) was a negative R$25.6 million. Adjusted EBITDA, which eliminates non-recurring expenses, as well as the income (loss) from the subsidiary, Taurus Máquinas - Ferramenta Ltda. (TMFL), because it is a non-operational company, totaled R$ 85.9 million, 104.2% higher than the adjusted EBITDA of 2014.

The breakdown of Company's Adjusted EBITDA is as follows:

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CONSOLIDATED EBITDA
In millions of R$

	2015	2014	2015x2014
= INCOME (LOSS) FOR THE YEAR	(253.8)	(185.4)	36.9%
(+)IR/CSLL	(25.7)	0.4	-
(+) Net financial income.	218.6	92.2	137.1%
(+) Depreciation/amortization	35.3	33.3	5.9%
= EBITDA CVM Inst. 527/12	**(25.6)**	**(59.5)**	**-56.9%**

(+) Operating income (loss) of TMFL1	**8.3**	**36.3**	-77.1%
(+) Non-recurring costs and expenses	**103.3**	**65.3**	58.1%
(+) Extraordinary provisions	67.4		-
(+) Corporate restructuring	36.1	21.7	66.4%
(+) Readjustment and write-off of assets	12.4		-
(+) Terminations of employment,	17.9	10.0	73.2%
(+) Advisory and consulting services	5.8	11.7	-50.5%
(+) Others	(0.2)	43.6	-
= ADJUSTED EBITDA	**85.9**	**42.1**	**104.2%**

Financial income (loss)

In 2015, the financial income (loss) was negative R$218.5 million, largely impacted by the foreign exchange account that had a negative balance of R$ 162.8 due to exchange rate devaluation in the period. At the close of 2015, the Brazilian Real was 47.0% weaker against the US Dollar. It is important to note that by the end of December 2015, the Company had around 68% of its indebtedness linked to the US Dollar.

Presented below are the company's detailed financial statements

FINANCIAL INCOME (LOSS)
In millions of R$

	2015	2014	2015x2014
Interest	(66.5)	(49.9)	33.3%
Exchange variation	(162.8)	(39.6)	311.1%
IOF	(2.1)	(1.4)	50.0%
Swap on financial operations	14.0	(3.4)	-
Adjustment to present value	1.1	3.3	-66.7%
Other income / expenses	(2.2)	(1.2)	83.3%
Net financial income (loss)	(218.5)	(92.2)	137.1%

Consolidated Income (loss)

In 2015, the consolidated income (loss) was a negative R$ 253.8 million, mainly affected by non-recurring items totaling R$103.3 million, and the impact of the foreign exchange account on the financial income (loss) of R$ 162.8 million, both discussed above. In 2014, the loss was R$ 185.4 million.

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4. Financial position

Total cash and cash equivalents and investments amounted to R$ 94.9 million in Dec/2015, 40.6% lower than the R$ 159.8 million of Dec/2014.

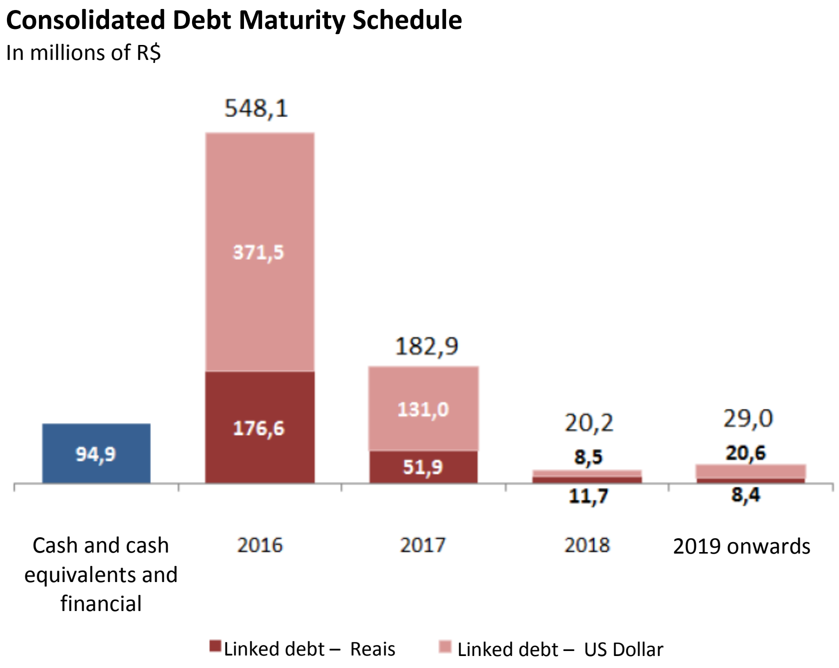
Short- and long-term consolidated gross indebtedness totaled R$ 780.3 million in Dec/15, an increase of 12.1% over Dec/14, due to foreign exchange rate adjustments on US Dollar-denominated debt, which accounted for 75.3% growth. Thus, net debt was R$ 685.3 million, an increase of 27.9% compared to the closing balance of the previous year.

INDEBTEDNESS
In millions of R$

	12/31/2015	12/31/2014	Var. Dec2015 x Dec2014
Loans and financing	72.1	245.3	-70.6%
Loans and Financing – Linked to the US Dollar	531.6	303.2	75.3%
Debentures	127.9	125.8	1.6%
Anticipation of receivables	54.6	33.7	62.2%
Derivatives	-6.0	-12.2	-51.1%
Gross indebtedness	**780.3**	**695.8**	**12.1%**
(-) Cash and cash equivalents and interest earnings bank deposits	94.9	159.8	-40.6%
Net indebtedness	**685.4**	**536.0**	**27.9%**
Adjusted EBITDA (LTM)	85.9	42.1	104.1%
Net debt / Adjusted EBITDA	**8.0x**	**12.7x**	**-4.8 p.p.**
Adjusted EBITDA/Net financial expenses	**0.4x**	**0.5x**	**-0.1 p.p.**

Management report

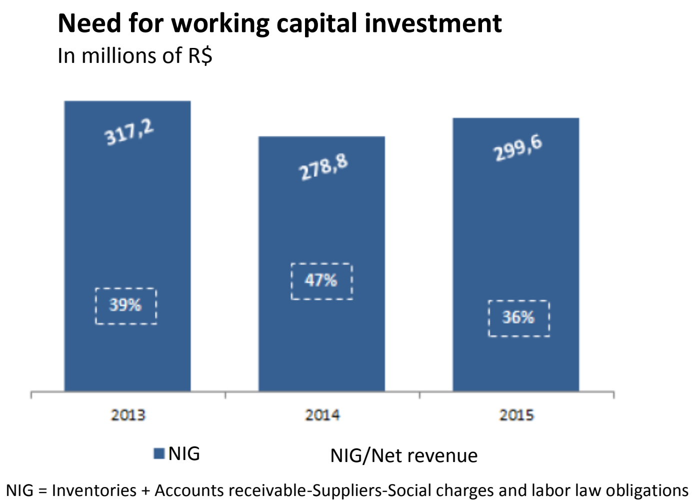
Below is the debt maturity schedule at the end of December 2015:



5. Working Capital

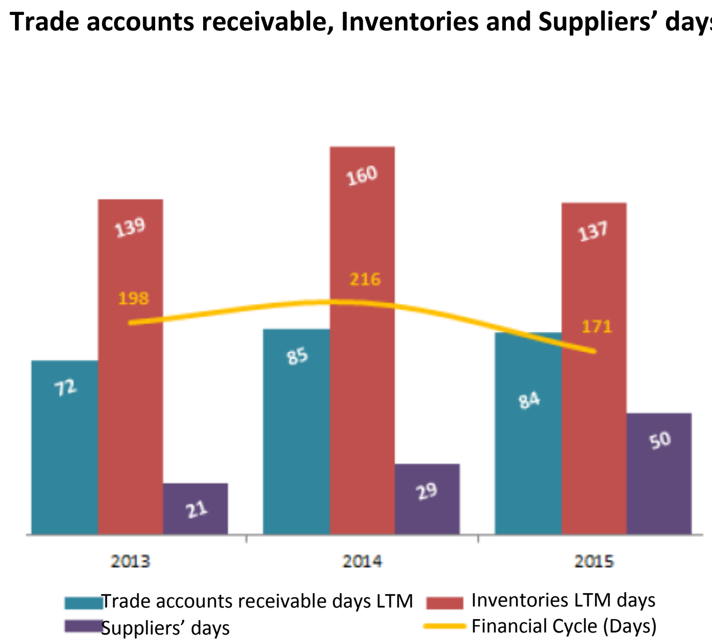
In 2015, the Need for working capital investment was R$ 299.6 million, a 7.5% increase over the prior year. When related to net revenue, WCN was 36% in 2015, an 11-percentage point decrease against the 47% recorded in 2014. This decrease is the result of better management of the Company’s working capital.

Management report



The Company's financial cycle was reduced by 45 days in 2015 compared to 2014. It is important to highlight the increased efficiency in the management of the company's inventories – whose deadline fell 23 days in 2015 compared to 2014 – at a time of significant production growth, verified by the increased inventory turnover of the Company.

The period of payment to suppliers, which increased from 29 days in 2014 to 50 days in 2015, also contributed to the reduction of the Company's financial cycle. There are the better negotiations with suppliers, considering the increase in production, precisely at a time when market contractions were noticed in several areas of the industrial segment in the country.



Management report

6. Cash flow

In 2015, the Company had an operating cash flow of R$ 79.1 million, an increase of 53.6% compared to operating cash flow in 2014. Disbursement from investment activities were R$ 25.6 million in 2015, mainly impacted by costs of work and investments in the new SAP operating system and the migration of headquarters to São Leopoldo, this was offset by the redemption of restricted financial investments for the settlement of loan installments and financing. Compared to 2014, the use of cash for this group was R $ 71.1 million, with the principle contribution to this number due to the movement of restricted financial investments, with the value of R$ 55.2 utilized. Finally, financing activities were also responsible for the use of cash in 2015, amounting to R$ 97.7 million, less than the R$156.9 million used in 2014.

Therefore, Company's the cash and cash equivalents decreased by R$ 44.2 million in 2015 compared to a reduction of R$176.6 million in 2014, with the final balance at R$60.3 million in 2015, 42.4% lower than the balance of 2014.

The following table shows details of the company's cash flow from 2013 to 2015.

Management report

CASH FLOW – CONSOLIDATED

In millions of R$

	2015	2014	2013	Var. 2015 x 2014	Var. 2015 x 2013
Cash at the beginning of the period	**104.5**	**281.1**	**180.8**	**-62.8%**	**-42.2%**
Cash generated by operating activities	**79.1**	**51.5**	**101.4**	**53.6%**	**-22.1%**
Loss before income and social contribution taxes on net income	(279.5)	(185.0)	(57.6)	51.1%	385.5%
Depreciation and amortization	35.3	33.3	35.3	6.0%	0.0%
Cost of permanent assets written-off	18.0	3.4	6.1	429.4%	193.0%
Equity in net income of subsidiaries	1.4	1.1	1.3	27.3%	3.6%
Provisions for Financial Charges	211.9	94.8	80.3	123.5%	163.8%
Provision for contingencies	60.0	32.7	4.8	83.5%	1138.6%
Allowance for doubtful accounts	3.6	5.7	3.8	-36.8%	-6.2%
Allowance for inventory losses	9.3	-	(8.3)	-	-213.1%
Provisions for guarantees	7.1	4.0	6.1	77.5%	15.5%
Changes in assets and liabilities	14.5	65.7	48.6	-77.9%	-70.1%
Payment of IRPJ (Corporate Income Tax) and CSLL (Social contribution tax)	(2.6)	(5.4)	(20.1)	-51.9%	-87.0%
Others	0.1	1.2	1.1	-91.7%	-88.4%
Investment activities	**(25.6)**	**(71.1)**	**(28.3)**	**-64.0%**	**-9.3%**
In property, plant and equipment	(39.7)	(14.6)	(26.3)	171.9%	51.2%
In intangible assets	(6.5)	(1.3)	(2.0)	400.0%	229.1%
Interest earning bank deposits	20.6	(55.2)	-	-	-
Other receivables	-	-	-	-	-
Financing activities	**(97.7)**	**(156.9)**	**26.8**	**-**	**-**
Borrowings	379.4	283.5	296.4	33.8%	28.0%
Payments of loans	(486,0)	(450.1)	(219.4)	8.0%	121.5%
Payment of Interest on loans	(42.7)	(57.4)	(42.8)	-25.6%	-0.3%
Capital increase	39.9	67.1	-	-40.5%	-
Advances for future capital increase	11.7	-	-	-	-
Others	-	-	(7.4)	-	-
Increase (Decrease) in cash	**(44.2)**	**(176.5)**	**99.9**	**-75.0%**	**-**
Cash at the End of the Period	**60.3**	**104.6**	**280.7**	**-42.4%**	**-78.5%**

In September/2015, at the special shareholders' meeting, shareholders approved a capital increase of R$39.9 million. In addition, in December/2015, the controlling shareholder, Companhia Brasileira cartridges (CBC), exercised part of their subscription warrant, increasing capital by R$ 11.7 million that was approved by RCA 01/06/2016, this was accounted for on 12/31/2015 as an advance for future capital increases.

7. Capital market and corporate governance

Forjas Taurus S.A. is a publicly-held Brazilian company, and has listed on the BM&FBOVESPA for more than 30 years, and since July/2011 has been ranked Level 2 in Corporate Governance.

Management report

At the special general meeting of 09/29/2015, a capital increase was approved, agreed at the SGM of 07/15/2015, to be the sum of R$39,858,904.40. Thus, the Company had 40,448,248 shares divided into 27,446,627 common shares and 13,001,621 preferred shares, with which its share capital increased to R$ 364.7 million.

On 01/06/2016, the Board of Directors approved the exercise of the exercise of subscription bonus of the controlling shareholder Companhia Brasileira de Cartuchos (CBC), a total value of R$ 11,701,400.00, increasing the Company's capital to R$ 376,436,699.65 (three hundred seventy-six million, four hundred and thirty-six thousand, six hundred and ninety-nine Reais and sixty-five centavos), as previously mentioned in item two.

Below shows the evolution of share value and the market value of Taurus. In 2015, the market value of the company was R$ 61.1 million, down 44.7% compared to 2014. The value of shares was under pressure due to the operational and financial challenges facing Taurus in recent years.

PERFORMANCE OF SHARES AND MARKET VALUE

1. Share quotation Closure	2015	2014	2013	Variation* 2015x2014	Variation* 2005x2013
Common shares - FJTA3	R$ 1.69	R$ 0.76	R$ 2.66	-65.1%	-87.9%
Preferred shares - FJTA4	R$ 1.13	R$ 0.47	R$ 2.28	-78.5%	-95.6%
IBOVESPA	43,350	50,007	51,507	-9.9%	-16.7%

2. Market value Closure	2015	2014	2013	Variation* 2015x2014	Variation* 2005x2013
Common shares - FJTA3	R$ 46.4	R$ 70.6	R$ 125.4	-34.3%	-63.0%
Preferred shares - FJTA4	R$ 14.7	R$ 39.8	R$ 214.9	-63.1%	-93-2%
TOTAL	R$ 61.1	R$ 110.4	R$ 340.3	-44.7%	-82.1%

* Changes adjusted for Dividends

8. Estimates (Guidance)

In 2013 and 2014, the Company chose not to provide estimates of revenue and EBITDA, considering that it was a moment of transition, not just for the management model of manufacturing, but also with a new Executive Board. In line with previous decisions, the Management once again decided not to provide earnings estimates for 2016 until it has stabilized production levels, processes and consolidated management tools that allow greater precision in the disclosure of guidance.

Management report

9. Outlook

By analyzing the fundamentals of the **Firearm** industry in 2016, the Company's management believes in maintaining growth in the US market – the main export destination of the Company – and country responsible for new growth in market share. These gains are based on the improved perception of the Taurus brand, occurring in 2015, due the quality of gains because of the implemented restructuring process.

In the domestic market, the outlook remains negative as government purchases remain limited, due a contraction in its budget and the delicate political situation in the country.

Concerning operating margins, 2016 should be a year of further expansion for these indicators, particularly for gross margin, which should more accurately capture the gains from the new production process, productivity gains and increases in production. With respect to new markets, the Company works on developing products with high levels of durability and reliability, increasing sales opportunities for the company.

For the **helmets** market, 2016 will be a challenging year, due to the current unfavorable Brazilian economic situation of negative growth, high inflation rates and unemployment, in addition to high interest rates and a restricted credit market. In this respect, growth prospects are limited. In 2016, internal adjustments will be worked on, with the concentration of helmet production at the Simoes Filho plant in Bahia, in search of greater tax efficiency, to strengthen the segment of the business, with an eye to the future upturn in growth.

On the financial side, the Company continues with the approach of generating cash with the improvement of working capital, in addition to growing sales and production volume. It is estimated the Company's debt extension process will be concluded, with significant advances made in 2015 and early 2016.

Finally, the Management note that it trusts the ongoing restructuring and positive results to be achieved in 2016 will support the Company's growth in the coming years, placing it at a new competitive level, internationally.

Porto Alegre, March 24, 2016.

Management report

BOARD OF DIRECTORS

Jorio Dauster Magalhães e Silva

Chairman

Fábio Mazzaro

Vice-Chairman

Fernando José Soares Estima

João Verner Juenemann

Marcos Bodin de Saint Ange Comnene

FISCAL COUNCIL

Amoreti Franco Gibbon

Juliano Puchalski Teixeira

Marcelo de Deus Saweryn

Mauro César Medeiros de Mello

Reinaldo Fujimoto

STATUTORY BOARD

Marco Aurélio Salvany - CEO

Salésio Nuhs – Chief Sales and Marketing Officer

Thiago Piovesan - CFO and IRO

Notes to the financial statements
Forjas Taurus S.A.

Balance sheets
December 31, 2015 and 2014
(In thousands of reais)

	Note	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
Assets					
Current assets					
Cash and cash equivalents	8	**60,312**	104,536	**15,822**	25,161
Interest earning bank deposits	8	**22,040**	33,632	**3,495**	12,347
Trade accounts receivable	9	**192,076**	139,720	**71,152**	50,876
Inventories	10	**221,861**	200,524	**106,345**	67,054
Derivative financial instruments	20	**6,920**	36,106	**6,920**	36,098
Prepayments		**6,983**	11,533	**2,211**	3,582
Recoverable taxes	11	**36,546**	23,419	**16,031**	9,719
Related parties	21	**-**	-	**81**	9,814
Other accounts receivable		**40,881**	20,396	**22,670**	7,751
		587,619	569,866	**244,727**	222,402
Assets held for sale	7	**4,286**	4,417	**-**	-
		591,905	574,283	**244,727**	222,402
Non-current assets					
Interest earning bank deposits	8	**12,586**	21,592	**12,586**	21,592
Credit with related parties	21	**-**	-	**62,602**	88,647
Deferred tax assets	12	**45,830**	39,627	**9,149**	4,746
Recoverable taxes	11	**870**	1,048	**293**	450
Other accounts receivable		**4,510**	4,540	**1,574**	2,337
		63,796	66,807	**86,204**	117,772
Investments					
Subsidiaries	14	**-**	-	**518,067**	396,024
Associate	14	**11,655**	13,052	**-**	-
Other investments		**349**	349	**190**	190
Property, plant and equipment	15	**273,189**	257,222	**34,338**	47,731
Intangible assets	16	**81,446**	68,050	**4,812**	3,730
		366,639	338,673	**557,407**	447,675
Total assets		**1,022,340**	**979,763**	**888,338**	**787,849**

Notes to the financial statements

	Note	Consolidated		Parent company	
		2015	**2014**	**2015**	**2014**
Liabilities					
Current liabilities					
Suppliers		**81,224**	36,321	**119,075**	40,988
Loans and financing	17	**212,656**	258,865	**193,168**	192,987
Debentures	18	**94,890**	15,933	**94,890**	15,933
Foreign exchange advances	17	**191,948**	57,856	**191,948**	57,856
Salaries and social security charges		**33,075**	25,095	**19,532**	14,878
Taxes, rates and contributions		**24,634**	17,621	**1,257**	3,684
Advance from receivables	17	**54,589**	25,114	**969**	-
Advances from clients		**16,442**	10,258	**39,610**	8,996
Derivative financial instruments	20	**956**	23,898	**-**	23,163
Advance of real estate credits	13	**-**	8,548	**-**	-
Commissions payable		**4,968**	5,999	**3,108**	5,089
Dividends payable		**4**	6	**4**	6
Provisions for civil, labor and tax risks	19	**30,516**	37,734	**13,314**	3,902
Related parties	21	**-**	-	**25,120**	32,609
Provision for product warranty	28	**12,913**	11,028	**7,063**	4,067
Other accounts payable		**44,124**	26,432	**11,185**	8,498
		802,939	560,708	**720,243**	412,656
Non-current liabilities					
Loans and financing	17	**199,186**	231,821	**92,535**	155,550
Debentures	18	**32,973**	109,898	**32,973**	109,898
Taxes payable		**1,610**	2,469	**1,610**	1,098
Deferred tax liabilities	12	**717**	9,803	**-**	-
Provisions for civil, labor and tax risks	19	**35,702**	9,240	**2,793**	980
Related parties		**-**	-	**47,487**	-
Provision for product warranty	28	**5,220**	-	**-**	-
Other accounts payable		**4,109**	3,709	**50,813**	55,552
		279,517	366,940	**228,211**	323,078
Total liabilities		**1,082,456**	**927,648**	**948,454**	**735,734**
Shareholders' equity	22				
Capital		**364,735**	324,876	**364,735**	324,876
Advances for future capital increase		**11,701**	-	**11,701**	-
Capital transactions		**(40,996)**	(40,996)	**(40,996)**	(40,996)
Accumulated losses		**(566,155)**	(317,290)	**(566,155)**	(317,290)
Equity valuation adjustments		**31,739**	36,685	**31,739**	36,685
Accumulated translation adjustments		**138,860**	48,840	**138,860**	48,840
Total shareholders' equity		**(60,116)**	52,115	**(60,116)**	52,115
Total liabilities and shareholders’ equity		**1,022,340**	979,763	**888,338**	787,849

See the accompanying notes to the financial statements.

Notes to the financial statements
Forjas Taurus S.A.

Statements of income
Years ended December 31, 2015 and 2014
(In thousands of reais)

		Consolidated		Parent company	
	Note	2015	2014	2015	2014
Net sales	23	**823,809**	591,536	**451,801**	286,626
Cost of sales	26	**(581,736)**	(450,272)	**(331,956)**	(215,782)
Gross income		**242,073**	141,264	**119,845**	70,844
Operating (expenses) income					
Sales expenses	25	**(108,839)**	(113,750)	**(38,820)**	(50,401)
Administrative and general expenses	25	**(122,235)**	(78,916)	**(49,218)**	(35,367)
Other operating (expenses) income, net	25	**(70,528)**	(40,316)	**(4,810)**	(8,981)
		(301,602)	(232,982)	**(92,848)**	(94,749)
Income (loss) before net financial income (loss), equity in net income of subsidiaries and taxes		**(59,529)**	(91,718)	**26,997**	(23,905)
Financial income	24	**140,750**	129,789	**122,788**	116,550
Financial expenses	24	**(359,325)**	(221,970)	**(323,225)**	(197,843)
Net financial income (expenses)		**(218,575)**	**(92,181)**	**(200,437)**	**(81,293)**
Equity income (loss)	14	**(1,398)**	(1,142)	**(84,772)**	(88,426)
Operating income before taxes		**(279,502)**	(185,041)	**(258,212)**	(193,624)
Income and social contribution taxes	12	**25,692**	(381)	**4,402**	8,202
Loss for the year		**(253,810)**	(185,422)	**(253,810)**	(185,422)
Loss per common share - basic and diluted – R$	22.d			**(6.15650)**	(11.4855)
Loss per preferred share - basic and diluted – R$	22.d			**(6.15650)**	(11.4855)

Notes to the financial statements
Forjas Taurus S.A.

Statements of comprehensive income
Years ended December 31, 2015 and 2014
(In thousands of reais)

See the accompanying notes to the financial statements.

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Loss for the year	**(253,810)**	(185,422)	**(253,810)**	(185,422)
Other comprehensive income				
Other comprehensive income that can be reclassified to the income (loss) for the year in subsequent periods:				
Accumulated translation adjustment	**90,020**	24,577	**90,020**	24,577
Total comprehensive income	**(163,790)**	(160,845)	**(163,790)**	(160,845)

See the accompanying notes to the financial statements.

Notes to the financial statements
Forjas Taurus S.A.

Statements of changes in shareholders' equity
Years ended December 31, 2015 and 2014
(In thousands of reais)

	Note	Capital	Advances for future capital increase	Treasury shares	Capital transactions	Equity valuation adjustments	Accumulated translation adjustments	Accumulated losses	Total shareholders' equity
Balance at December 31, 2013		257,797	-	(32,895)	(40,996)	37,483	24,263	(99,660)	145,993
Capital increase social		67,079	-	-	-	-	-	-	67,079
Cancellation of treasury shares		-	-	32,895	-	-	-	(32,895)	-
Accumulated translation adjustment		-	-	-	-	-	24,577	-	24,577
Realization of equity valuation adjustment of goodwill in assets, net of tax effects		-	-	-	-	(497)	-	497	-
Realization of equity valuation adjustment of goodwill in assets in subsidiaries, net of tax effects		-	-	-	-	(189)	-	189	-
Equity valuation adjustments recognized through merger		-	-	-	-	(112)	-	-	(112)
Loss for the year		-	-	-	-	-	-	(185,422)	(185,422)
Balance at December 31, 2014		324,876	-	-	(40,996)	36,685	48,840	(317,290)	52,115
Capital increase social		39,859	-	-	-	-	-	-	39,859
Advances for capital increase		-	11,701	-	-	-	-	-	11,701
Accumulated translation adjustment		-	-	-	-	-	90,020	-	90,020
Realization of equity valuation adjustment of goodwill in assets, net of tax effects		-	-	-	-	(381)		381	-
Realization of equity valuation adjustment of goodwill in assets in subsidiaries, net of tax effects		-	-	-	-	(4,564)		4,564	-
Loss for the year		-	-	-	-	-	-	(253,810)	(253,810)
Balance at December 31, 2015	22	**364,735**	**11,701**	**-**	**(40,996)**	**31,739**	**138,860**	**(566,155)**	**(60,116)**

See the accompanying notes to the financial statements

Notes to the financial statements
Forjas Taurus S.A.

Statements of cash flows
Years ended December 31, 2015 and 2014
(In thousands of reais)

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Cash flow from operating activities				
Income (loss) before income and social contribution taxes	**(279,502)**	(185,041)	**(258,212)**	(193,624)
Adjustments to reconcile income to cash and cash equivalents generated by operating activities:				
Depreciation and amortization	**35,300**	33,343	**9,655**	11,152
Cost of the of written-off fixed assets	**14,765**	1,474	**11,733**	2,794
Cost of the written-off intangible assets	**3,234**	1,904	**-**	-
Provision for impairment of assets held for sale	**131**	1,171	**-**	-
Allowance for doubtful accounts	**3,585**	5,713	**4,484**	3,333
Provision for legal risks	**60,045**	32,688	**11,225**	1,359
Provision for guarantees	**7,105**	4,030	**2,996**	(667)
Provision for inventory loss	**9,339**	-	**-**	-
Equity in net income of subsidiaries	**1,398**	1,142	**84,772**	88,426
Exchange variance on loans and financing	**159,416**	-	**131,685**	-
Foreign exchange rate on accounts payable and receivable	**(1,190)**	-	**-**	76
Losses on changes of interest in subsidiaries	**-**	-	**66**	137
Provision of interest on loans and financing	**68,139**	77,201	**57,087**	53,237
Derivative financial instruments	**(15,683)**	17,602	**(16,945)**	16,998
	345,584	176,268	**296,758**	176,845
Changes in assets and liabilities				
(Increase) decrease in inventories	**(30,676)**	17,395	**(39,291)**	13,648
(Increase) decrease in trade accounts receivable	**(52,821)**	16,229	**(24,760)**	117,439
Decrease in other accounts receivable	**7,164**	37,100	**13,753**	20,941
(Decrease) increase in suppliers	**44,519**	3,343	**78,087**	(22,499)
Increase (decrease) in accounts payable	**47,531**	(8,374)	**33,271**	15,792
Payment of income and social contribution taxes	**(2,610)**	(5,407)	**-**	-
	13,107	60,286	**61,060**	145,321
Net cash flow generated by operating activities	**79,189**	51,513	**99,606**	128,542
Cash flow from investment activities				
Credit of linked companies	**-**	-	**(55,183)**	(67,532)
Investments	**-**	-	**(40,784)**	(9,017)
Property, plant and equipment	**(39,717)**	(14,646)	**(7,126)**	(3,400)
Intangible assets	**(6,504)**	(1,315)	**(1,952)**	-
Interest earning bank deposits	**20,598**	(55,224)	**17,858**	(33,939)
Cash flow invested in investing activities	**(25,623)**	(71,185)	**(87,187)**	(113,888)
Cash flow from financing activities				
Capital increase	**39,859**	67,079	**39,859**	67,079
Advances for capital increase	**11,701**	-	**11,701**	-
Dividends and interest on own capital paid	**(2)**	-	**(2)**	-
Borrowings	**379,362**	283,465	**227,934**	274,818
Payment of loans and financing	**(486,028)**	(450,063)	**(306,315)**	(313,021)
Interest paid	**(42,682)**	(57,392)	**(36,132)**	(46,243)
Related parties	**-**	-	**41,197**	-
Net cash flow generated (invested) in financing activities	**(97,790)**	(156,911)	**(21,758)**	(17,367)
Increase (decrease) in cash and cash equivalents	**(44,224)**	(176,583)	**(9,339)**	(2,713)
Statement of changes in cash and cash equivalents				
At the beginning of the year	**104,536**	281,119	**25,161**	27,874
At the end of the year	**60,312**	104,536	**15,822**	25,161
Increase (decrease) in cash and cash equivalents	**(44,224)**	(176,583)	**(9,339)**	(2,713)

See the accompanying notes to the financial statements.

Notes to the financial statements
Forjas Taurus S.A.

Statement of added-value
Years ended December 31, 2015 and 2014
(In thousands of reais)

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Income				
Sale of merchandise, products and services	**978,185**	717,042	**543,998**	352,214
Other income	**5,083**	11,908	**3,199**	7,212
Allowance for doubtful accounts	**(3,585)**	(5,713)	**(4,484)**	(3,333)
	979,683	723,237	**542,713**	356,093
Inputs acquired from third-parties, including tax amounts - ICMS, IPI, PIS and COFINS				
Cost of products, goods and services sold	**410,954**	327,064	**217,545**	101,793
Materials, energy, outsourced services and other	**246,749**	250,381	**152,532**	170,313
	657,703	577,445	**370,077**	272,106
Gross added value	**321,980**	145,792	**172,636**	83,987
Depreciation and amortization	**35,300**	33,343	**9,655**	11,152
Net value added produced by the Company	**286,680**	112,449	**162,981**	72,835
Added value received as transfer				
Equity income (loss)	**(1,398)**	(1,142)	**(84,772)**	(88,426)
Financial income	**140,750**	129,789	**122,789**	116,550
	139,352	128,647	**38,017**	28,124
Total added value payable	**426,032**	241,096	**200,998**	100,959
Distribution of added value				
Collaborators				
Direct remuneration	**181,206**	125,895	**73,661**	58,316
Benefits	**13,969**	18,356	**4,405**	9,111
FGTS	**9,809**	8,718	**5,886**	5,305
	204,984	152,969	**83,952**	72,732
Governments				
Federal	**105,384**	22,525	**45,220**	4,752
State	**8,257**	20,456	**1,369**	4,648
Municipal	**833**	95	**378**	3
	114,474	43,076	**46,967**	9,403
Financing entities				
Interest	**359,325**	221,970	**323,225**	197,843
Rents	**1,059**	8,140	**664**	6,403
Others	**-**	363	**-**	-
	360,384	230,473	**323,889**	204,246
Remuneration of own capital				
Retained losses, net of realization of equity valuation adjustments	**(253,810)**	(185,422)	**(253,810)**	(185,422)
	(253,810)	(185,422)	**(253,810)**	(185,422)
	426,032	241,096	**200,998**	100,959

See the accompanying notes to the financial statements.

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1. Operations

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

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

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

Overseas, in addition to distributing the brands of TAURUS and ROSSI produced in Brazil, the Miami unit manufactures TAURUS pistols and HERITAGE revolvers, in addition to globally distributing DIAMONDBACK pistols and sporting rifles. Exports to the US mainly serve the civil market and government agencies.

Restructuring

The year 2015 was extremely important to the Company. This year, it was possible to begin the implementation of the changes that will support the growth of the Taurus in the coming years. The restructuring process was extensive, involving all sectors and areas of the company. This started with the physical reorganization of production processes, deployed at the same industrial site, in São Leopoldo/RS. For this purpose, the processes and layouts of plants were redesigned, and important gains have already been achieved in 2015, even in its initial stage.

This process doubled the production volume in the year and provided addition gains in efficiency, such as reducing waste, optimizing and developing the workforce, creating gains due to the new production line design, in addition to improvements in product engineering, which ensure greater reliability and quality.

In the context of these changes, the operation of long guns was incorporated into the Porto Alegre plant, and, later, all site that was located in the capital of Rio Grande do Sul, including the administrative area, was transferred to São Leopoldo. The gains due to this integration are immeasurable, as they further refine the production process, enabling new production gains, while reducing working capital and intermediaries of inventories.

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Another area of change in 2015 was carried out in the management area. The Company developed actions for improving management processes, by means of several tools. The most important change, which positive reflections shall unfold in the following years, was the implementation of the ERP SAP system.

The year 2015 was also positive for sales. The Company's net revenue was R$ 823.8 million in 2015, 39.3% higher than in 2014. This was notable in the US, where sales increased 97.3%, the main destination of our products.

In order to improve working capital and meet short-term obligations, the Company is currently renegotiating its short-term debt with financial institutions, extending debt profiles, while also having credit facilities available to maintain normal operations.

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2. Presentation of financial statements

2.1. Preparation basis

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

a) Compliance statement

The individual and consolidated financial statements of the company were drawn up and presented 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), considering Pronouncements, guidelines and interpretations issued by the Accounting pronouncements Committee (CPC), approved by the Securities Commission (CVM) and the provisions of Corporation Law.

b) Statement of the Board of Directors

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

The issue of individual and consolidated financial statements was authorized by the Board of Directors on March 23, 2016.

2.2. Basis of consolidation

		Equity interest	
	Country	**2015**	**2014**
Taurus Blindagens Ltda.*	Brazil	**100.00%**	100.00%
Taurus Blindagens Nordeste Ltda.*	Brazil	**100.00%**	100.00%
Taurus Holdings, Inc.	United States	**100.00%**	100.00%
Taurus 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%
Polimetal Metalurgia e Plásticos Ltda. *	Brazil	**100.00%**	100.00%
T. Investments Co. Inc.***	Panama	**100.00%**	-

(*) Presented interest represents the percentage directly and indirectly held by the Company in the capital of subsidiaries.
(**) Non-consolidated.
(***) On 04/24/2015, T.Investments Co. Inc., was established in Panama, with the aim of managing the international investments of Forjas Taurus S.A.. A Forjas Taurus holds 100% of the capital of T. Investments Co. Inc..

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

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

2.3. Functional currency and presentation currency

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

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

3. Significant accounting judgments and sources of uncertainties about estimates

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

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Information regarding critical judgments referring to the accounting policies adopted which impact the amounts recognized in the individual and consolidated financial statements and information on uncertainties, assumptions and estimates are included in the following notes: 12 - Income and social contribution taxes 16 - Intangible assets 19 - Provision for civil, labor and tax risks 20 - Financial instruments.

4. Significant accounting policies

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

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

a) Financial instruments

(i) *Non-derivative financial assets*

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

These assets are classified as loans and receivables.

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

(ii) *Non-derivative financial liabilities*

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

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(iii) *Derivative financial instruments*

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

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

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

(iv) *Impairment*

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

b) <u>Statements of added value</u>

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

c) <u>New standards, interpretations and non-standard revisions</u>

The early adoption of standards, although encouraged by the IASB, is not allowed in Brazil by the Accounting Pronouncements Committee (CPC).

The following new standards and interpretations of standards were issued by the IASB but are not in force for the year 2015.

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IFRS 9 Financial Instruments (Effective from 1/1/2018)	IFRS 9 introduces new requirements for classifying and measuring financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. It also has a new model to deal with expected credit losses, replacing the current model of incurred losses. IFRS 9 provides greater flexibility regarding the requirements of hedge effectiveness and requires an economic relationship between the hedged item and the hedging instrument and the hedged ratio is the same as that which management uses for management of risk. The standard is applicable as of January 1, 2018. The Company is evaluating the impact of adhering to this standard.
IFRS 15 – Income from contracts with clients (Effective as from 01/01/2017)	This standard aims to establish the principles that a company must apply to report information about the nature, quantity, time and estimates of revenue and cash flows arising from a contract with client. The standard is applicable as of January 1, 2017. The Company is evaluating the impact of adhering to this standard.
IFRS 16 - Leases (Effective from 1/1/2019)	This standard aims to unify the model of the lease accounting, requiring leaseholders to recognize as an asset or liability all lease contracts, unless the contract has a term of 12 months or an intangible value. The standard is applicable as of January 1, 2019. The Company is evaluating the impact of adhering to this standard.

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

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

5. Financial risk management

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

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

5.1 Credit risk

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

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Trade accounts receivable and other credits

The Company and its subsidiaries adopt as a practice the analysis of the financial situation of their counterparties, as well as the definition of credit limits and permanent monitoring of open positions. For the Company's revenues sales are not concentrated to a single client, therefore there is no credit risk of concentration.

Credit approvals are analyzed individually before the terms and the standard terms of payment and delivery of the Company are offered. This analysis includes external evaluations and, in some cases, bank references. Purchase limits are established for each client and represent the maximum outstanding amount for which credit approval is not required; these limits are quarterly reviewed. Clients who fail to meet the credit limit established by the Company may only operate when there is a settlement of securities. For public bodies, the Company's management individually assesses the ability to pay and the bidding requirements for completion of the sale. The consolidated statement excludes transactions between related parties – the Company has no clients that individually represent more than 5% of sales.

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

Credit risk exposure

The maximum credit risk exposure on balance sheet date was:

	Consolidated		**Parent company**	
	Book value		**Book value**	
	2015	**2014**	**2015**	**2014**
Financial assets held to maturity				
Trade accounts receivable	**221,498**	163,477	**83,238**	57,925
Other loans and receivables	**24,745**	19,586	**9,098**	16,755
Cash and cash equivalents	**60,312**	104,536	**15,822**	25,161
Interest earning bank deposits	**34,626**	55,224	**16,081**	33,939
Forward exchange agreements and interest rate swap used in hedge (assets)	**6,920**	36,106	**6,920**	36,098
Total	**348,101**	378,929	**131,159**	169,878

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

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	Consolidated		Parent company	
	Book value		Book value	
	2015	2014	**2015**	2014
Domestic - trade accounts receivable	**74,218**	80,104	**68,341**	29,316
USA - trade accounts receivable	**129,969**	67,026	**-**	9,077
Others	**17,311**	16,347	**14,897**	19,532
Total	**221,498**	163,477	**83,238**	57,925

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

	Consolidated		Parent company	
	Book value		Book value	
	2015	2014	**2015**	2014
Clients - public agencies	**20,019**	36,782	**17,667**	31,914
Clients - distributors	**184,199**	117,703	**50,872**	24,361
End clients	**17,280**	8,992	**14,699**	1,650
Total	**221,498**	163,477	**83,238**	57,925

Impairment losses

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

				Consolidated
	Gross	Gross	Impairment	Impairment
	2015	2014	**2015**	2014
Not overdue	**132,061**	135,921	**-**	-
Overdue - From 0 to 30 days	**55,021**	7,890	**(485)**	(4,184)
Overdue - From 31 to 360 days(1)	**18,213**	5,330	**(10,372)**	(5,237)
Overdue - Over 1 year	**16,203**	14,336	**(18,565)**	(14,336)
Total	**221,498**	163,477	**(29,422)**	(23,757)

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

				Parent company
	Gross	Gross	Impairment	Impairment
	2015	2014	**2015**	2014
Not overdue	**55,215**	45,660	**-**	-
Overdue - From 0 to 30 days	**10,693**	3,995	**(353)**	(594)
Overdue - From 31 to 360 days(1)	**12,070**	4,758	**(6,473)**	(2,943)
Overdue - Over 1 year	**5,260**	3,512	**(5,260)**	(3,512)
Total	**83,238**	57,925	**(12,086)**	(7,049)

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

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5.2 Liquidity risk

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

The Company and its subsidiaries monitor the requirements for operating cash flow and this excludes the potential impact of extreme situations that cannot be reasonably foreseen, such as natural disasters. In addition, the subsidiary Taurus Holdings, Inc. has a line of credit worth $50,000, in December/2015, and is currently using US$16,805 of this facility. Due to this, it is possible to ensure there is enough case to overcome the need for operating working capital, including compliance with financial obligations.

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

						Consolidated
						2015
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	**81,224**	**81,224**	**81,224**	**-**	**-**	**-**
Loans and financing	**411,842**	**463,387**	**232,419**	**168,051**	**39,518**	**23,399**
Debentures	**127,863**	**156,777**	**111,339**	**45,438**		
Advance of real estate credits	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange advances	**191,948**	**206,686**	**206,686**	**-**	**-**	**-**
Advance from receivables	**54,589**	**54,589**	**54,589**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(6,920)**	**(6,920)**	**(6,920)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**956**	**956**	**956**	**-**	**-**	**-**
	861,502	**956,699**	**680,293**	**213,489**	**39,518**	**23,399**

						Consolidated
						2014
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	36,321	36,321	36,321	-	-	-
Loans and financing	490,686	552,133	279,784	141,391	128,208	2,750
Debentures	125,831	169,769	17,497	100,623	51,649	-
Advance of real estate credits	8,548	9,817	9,817	-	-	-
Foreign exchange advances	57,856	60,849	60,849	-	-	-
Advance from receivables	25,114	25,114	25,114	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(36,106)	(36,106)	(36,106)	-	-	-
Derivative instruments (liabilities)	23,898	23,898	23,898	-	-	-
	732,148	841,795	417,174	242,014	179,857	2,750

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	Parent company 2015					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	**119,075**	**119,075**	**119,075**	**-**	**-**	**-**
Loans and financing	**285,703**	**323,892**	**211,891**	**88,395**	**23,596**	**10**
Debentures	**127,863**	**156,777**	**111,339**	**45,438**	**-**	**-**
Foreign exchange advances	**191,948**	**206,686**	**206,686**	**-**	**-**	**-**
Advance from receivables	**969**	**969**	**969**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(6,920)**	**(6,920)**	**(6,920)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**-**	**-**	**-**	**-**	**-**	**-**
	718,638	**800,479**	**643,040**	**133,833**	**23,596**	**10**

	Parent company 2014					
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**	**>5 years**
Non-derivative financial liabilities						
Suppliers	40,988	40,988	40,988	-	-	-
Loans and financing	348,537	395,968	209,230	117,160	66,868	2,710
Debentures	125,831	169,769	17,497	100,623	51,649	-
Exchange advances x	57,856	60,849	60,849	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(36,098)	(36,098)	(36,098)	-	-	-
Derivative instruments (liabilities)	23,163	23,163	23,163	-	-	-
	560,277	654,639	315,629	217,783	118,517	2,710

5.3 Market risk

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

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

(i) Currency risk (foreign exchange)

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

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Generally, the Company seeks to protect its expected foreign currency exposure with respect to forecast sales. The Company uses future market contracts, mostly maturing in less than one year of balance sheet dates, to hedge against currency risks. When necessary, future market contracts are renewed on maturity.

With respect to other assets and liabilities denominated in foreign currency, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term instability.

The probable base scenario for 2016 was defined through assumptions available in the market (source: Brazilian Central Bank Focus), and sensitivity calculation considered the variation between rates of the scenario foreseen for 2016 and those prevailing in 2015.

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

Currencies and ratios		**Rate 2015**	**Possible scenario**	**Possible scenario Δ 25%**	**Remote scenario Δ 50%**
US dollar	Write-off	**3.90**	4.21	3.16	2.11
US dollar	High	**3.90**	4.21	5.26	6.32

Awareness of the variation of foreign currency:

		Consolidated			
		Balance at 2015	**Probable scenario**	**Possible (25%)**	**Remote scenario (50%)**
Assets - Depreciation of Dollar					
Accounts receivable	Dollar - USD	**38,114**	2,979	(7,294)	(17,568)
Liabilities - Increase in Dollar					
Loans and financing	Dollar - USD	**(88,522)**	(6,919)	(30,779)	(54,639)
Suppliers	Dollar - USD	**(3,448)**	(269)	(1,199)	(2,128)
Foreign exchange advances	Dollar - USD	**(49,157)**	(3,842)	(17,092)	(30,342)
Advances from clients	Dollar - USD	**(179)**	(14)	(62)	(110)
Others	Dollar - USD	**(2,051)**	(160)	(713)	(1,266)

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		Parent company			
		Balance	**Scenario**	**Scenario**	**Scenario**
Assets - Depreciation of Dollar					
Accounts receivable	Dollar - USD	**3,815**	298	(730)	(1,758)
Liabilities - Increase in Dollar					
Loans and financing	Dollar - USD	**(64,246)**	(5,021)	(22,338)	(39,655)
Suppliers	Dollar - USD	**(1,807)**	(141)	(628)	(1,115)
Foreign exchange advances	Dollar - USD	**(49,157)**	(3,842)	(17,092)	(30,342)
Advances from clients	Dollar - USD	**(6,806)**	(532)	(2,366)	(4,201)
Others	Dollar - USD	**(2,028)**	(159)	(705)	(1,252)

(ii) Interest rate risk

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

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

On 12/31/2015, the management considered the likely scenario for 2016 is a CDI rate of 14.13% and TJLP of 7.50%. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

The scenarios below were estimated for the period of 1 year:

Currency	**2015**	**Probable scenario**	**Scenario A 25%**	**Scenario A 50%**
CDI - write-off	14.14%	14.13%	10.60%	7.07%
Rise in the CDI rate	14.14%	14.13%	17.66%	21.20%
TJLP	7.00%	7.50%	9.38%	11.25%
Selic	14.25%	15.25%	19.06%	22.88%
Libor 30 days	0.42%	0.42%	0.53%	0.64%
LIBOR 3 months	0.61%	0.61%	0.76%	0.91%
LIBOR 6 months	0.83%	0.83%	1.04%	1.25%

	Consolidated				
	Gain (loss)				
	Index	**Balance 2015**	**Probable scenario**	**Scenario 25%**	**Scenario 50%**
Interest earning bank deposits	CDI - write-off	**24,162**	(2)	(856)	(1,709)
Loans	CDI - write-off	**62,683**	(6)	(2,221)	(4,435)
Loans	Rise in the CDI rate	**(257,577)**	26	(9,073)	(18,172)
Loans	TJLP	**(327)**	(2)	(8)	(14)
Libor 30 days	Libor 30 days	**(65,619)**	-	(70)	(139)
LIBOR 3 months	LIBOR 3 months	**(54,214)**	-	(82)	(164)
LIBOR 6 months	LIBOR 6 months	**(39,895)**	-	(83)	(166)
Taxes in installments	Selic	**(2,665)**	(27)	(128)	(230)

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	Parent company				
	Gain (loss)				
	Index	**Balance 2015**	**Probable scenario**	**Scenario 25%**	**Scenario 50%**
Interest earning bank deposits	CDI - write-off	**16,081**	(2)	(570)	(1,138)
Financial loans	CDI - write-off	**62,683**	(6)	(2,221)	(4,435)
Loans	Rise in the CDI rate	**(257,577)**	26	(9,073)	(18,172)
LIBOR 3 months	LIBOR 3 months	**(49,418)**	-	(75)	(150)
LIBOR 6 months	LIBOR 6 months	**(39,895)**	-	(83)	(166)
Taxes in installments	Selic	**(1,153)**	(12)	(55)	(99)

5.4 Capital management

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

	Consolidated	
	2015	2014
Total liabilities	**1,082,456**	927,648
Less: Cash and cash equivalents and interest earning bank deposits	**(94,938)**	(159,760)
Net debt (A)	**987,518**	767,888
Total shareholders' equity (B)	**(60,116)**	52,115
Net debt to equity ratio as of December 31, 2015 and December 31, 2014 (A/B)	**(16.43)**	14.73

The actions to restore this index are described in note one.

6. Operating segments

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

Firearms – the firearm production process, is treated, primarily, as metalworking, and uses the following basic phases: machining (from flat steel shaping by means of milling, drill pressing, lathing, broaching, etc), Metal Injection Molding (MIM) (metal injection molded parts), assembly (manual), finishing (polishing), heat and surface treatment and final assembly (necessary adjustments); these operations are carried out by Forjas Taurus S.A., and Taurus Holdings, Inc. and its subsidiaries.

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Helmets – the helmet production process uses the following steps injection (from the Acrylonitrile Butadiene Styrene (ABS)), painting and finishing (from parts already injected through the manual and automated painting process), sewing (from fabrics, foam plates and polycarbonates, using cutting machines and sewing) and final assembly; these operations are performed by Taurus Blindagens Ltda., Taurus Blindagens Nordeste Ltda. and Taurus Helmets Indústria Plástica Ltda., incorporated by Taurus Blindagens Ltda. on December 30, 2014.

Machines – this consist of the development, manufacture and sale of machine tools and their components; Taurus Máquinas-Ferramenta Ltda. and its subsidiary SM Metalurgia Ltda. carried out these transactions. The operation was sold in June/2012, through the sale of SM Metalurgia Ltda. Taurus machines also presents results due to spending on technical assistance and financial expenses.

Other – the income (loss) from forging segment (Polimetal Metalurgia e Plásticos Ltda.); bulletproof vests and plastic products (Taurus Blindagens Ltda.). It also includes other operations such as the manufacture and sale of eyewear and rendering of services. As these segments have been aggregated, they do not meet the quantitative thresholds for separate disclosure as a reportable segment.

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

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

	Firearms		Helmets		Machines (discontinued)		Others		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
External income	**684,352**	429,970	**110,526**	124,505	**-**	332	**28,931**	36,729	**823,809**	591,536
Inter-segment income	**112,974**	40,386	**5**	30	**-**	-	**17,691**	14,804	**130,670**	55,220
Cost of sales	**(483,631)**	(337,523)	**(77,199)**	(84,086)	**-**	(410)	**(20,906)**	(28,253)	**(581,736)**	(450,272)
Gross income (loss)	**313,695**	132,833	**33,332**	40,449	**-**	(78)	**25,716**	23,280	**372,743**	196,484
Sales expenses	**(87,976)**	(86,631)	**(18,137)**	(21,991)	**(34)**	(1,544)	**(2,627)**	(3,498)	**(108,774)**	(113,664)
General and administrative expenses	**(102,552)**	(63,416)	**(3,672)**	(2,810)	**(5,869)**	(5,259)	**(1,841)**	(1,086)	**(113,934)**	(72,571)
Depreciation and amortization	**(9,137)**	(7,243)	**(176)**	(190)	**-**	-	**(1,515)**	(1,505)	**(10,828)**	(8,938)
Other operating income (expenses), net	**(60,664)**	(9,902)	**(4,158)**	2,062	**(2,393)**	(29,415)	**(852)**	(554)	**(68,067)**	(37,809)
Equity income (loss)	**-**	-	**-**	-	**-**	-	**(1,398)**	(1,142)	**(1,398)**	(1,142)
	(260,329)	(167,192)	**(26,143)**	(22,929)	**(8,296)**	(36,218)	**(8,234)**	(7,785)	**(303,001)**	(234,124)
Operating income (loss)	**53,366**	(34,359)	**7,190**	17,520	**(8,296)**	(36,296)	**17,482**	15,495	**69,742**	(37,640)
Financial income	**124,739**	115,117	**6,823**	8,976	**7,990**	4,449	**1,198**	1,247	**140,750**	129,789
Financial expenses	**(334,765)**	(207,753)	**(3,077)**	(3,689)	**(19,204)**	(5,377)	**(2,279)**	(5,151)	**(359,325)**	(221,970)
Net financial income (loss)	**(210,026)**	(92,636)	**3,746**	5,287	**(11,214)**	(928)	**(1,081)**	(3,904)	**(218,575)**	(92,181)
Income (loss) per segment subject to be disclosed before income and social contribution taxes	**(156,660)**	(126,995)	**10,936**	22,807	**(19,510)**	(37,224)	**16,401**	11,591	**(148,833)**	(129,821)
Elimination of inter-segment income	**(112,974)**	(40,386)	**(5)**	(30)			**(17,691)**	(14,804)	**(130,670)**	(55,220)
Income before income and social contribution taxes	**(269,634)**	(167,381)	**10,931**	22,777	**(19,510)**	(37,224)	**(1,290)**	(3,213)	**(279,502)**	(185,041)
Income and social contribution taxes	**27,584**	6,097	**(503)**	(3,781)			**(1,389)**	(2,697)	**25,692**	(381)
Net income for the year	**(242,050)**	(161,284)	**10,428**	18,996	**(19,510)**	(37,224)	**(2,678)**	(5,910)	**(253,810)**	(185,422)
Assets of reportable segments	**657,094**	555,213	**140,352**	163,367	**2,049**	1,454	**222,845**	259,729	**1,022,340**	979,763
Liabilities of reportable segments	**951,850**	780,819	**33,097**	47,737	**(55,065)**	(40,642)	**152,574**	139,734	**1,082,456**	927,648

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Geographical information

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

	Firearms		Helmets	
	2015	**2014**	**2015**	**2014**
Domestic market				
Southeastern region	**44,075**	25,970	**31,136**	34,302
South region	**22,391**	19,171	**5,011**	6,109
Northeastern region	**16,948**	20,718	**36,342**	38,229
Mid-west region	**13,471**	14,965	**17,212**	20,635
North region	**3,137**	9,468	**20,304**	24,956
	100,022	90,292	**110,005**	124,231
Foreign market				
United States	**542,465**	275,009	**-**	-
Bangladesh	**6,086**	3,335	**-**	-
Peru	**3,307**	-	**1**	-
Jordan	**3,215**	2,580	**-**	-
Pakistan	**3,194**	1,876	**-**	-
Paraguay	**3,137**	2,065	**479**	274
Argentina	**2,832**	2,399	**-**	-
France	**2,285**	487	**-**	-
Chile	**2,005**	3,241	**-**	-
Ukraine	**1,626**	797	**-**	-
South Africa	**1,609**	1,429	**-**	-
Lebanon	**1,575**	2,507	**-**	-
Thailand	**1,201**	1,045	**-**	-
Russia	**1,164**	1,303	**-**	-
Nicaragua	**1,041**	751	**-**	-
Germany	**1,038**	820	**-**	-
United Kingdom	**1,011**	438	**-**	-
Philippines	**729**	3,237	**-**	-
Australia	**212**	2,084	**-**	-
El Salvador	**200**	1,322	**-**	-
Dominican Republic	**14**	632	**-**	-
Singapore	**6**	1,451	**-**	-
Egypt	**-**	16,733	**-**	-
Honduras	**-**	1,338	**-**	-
Other countries	**4,378**	12,799	**41**	-
	584,330	339,678	**521**	274
	684,352	429,970	**110,526**	124,505

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

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

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Paraguay	**3,137**	2,065	**479**	274
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Chile	**2,005**	3,241	**-**	-
Ukraine	**1,626**	797	**-**	-
South Africa	**1,609**	1,429	**-**	-
Lebanon	**1,575**	2,507	**-**	-
Thailand	**1,201**	1,045	**-**	-
Russia	**1,164**	1,303	**-**	-
Nicaragua	**1,041**	751	**-**	-
Germany	**1,038**	820	**-**	-
United Kingdom	**1,011**	438	**-**	-
Philippines	**729**	3,237	**-**	-
Australia	**212**	2,084	**-**	-
El Salvador	**200**	1,322	**-**	-
Dominican Republic	**14**	632	**-**	-
Singapore	**6**	1,451	**-**	-
Egypt	**-**	16,733	**-**	-
Honduras	**-**	1,338	**-**	-
Other countries	**4,378**	12,799	**41**	-
	584,330	339,678	**521**	274
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7. Assets and liabilities held for sale and discontinued operations

Non-current assets held for sale and results of discontinued operations.

The Company classifies a non-current asset as maintained for sale if their accounted amount will be recovered through a probable sale.

For the sale to be highly probable, the management must be committed to the plan to sell the asset, and should have initiated a program to locate a buyer and follow this through to final sale. In addition, the asset maintained for sale must be actively marked at a price that is reasonable in relation to its current fair value. The sale should be completed within one year from the date of classification.

The group of assets maintained for sale are measured at the lowest accounting value and fair value less the cost of sale. If the accounting value is less than its fair value, an impairment loss is recognized in the statement of income. Any reversal or gain will be recorded only to the extent of any recognized loss.

The depreciation of assets maintained for negotiation ceases when assets are designated as maintained for sale.

a) Production Line Decommissioning and Forging Services for Third Parties.

At the end of 2013, the Company's management, in line with the structural changes and the strategy to focus efforts on higher value-added segments, decided to shutdown of the production line and the provision of forging services for third parties at the subsidiary Polimetal. The machinery and equipment were available for sale and have been recorded as "assets held for sale". The balance on December 31, 2015 is R$ 4,286 (R$ 4,417, on December 31, 2014). The forging services for third parties, when in operation, accounted for less than 5% of the Company's sales. The other industrial activities of Polimetal continue to operate normally.

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8. Cash and cash equivalents and interest earning bank deposits

Cash and cash equivalents

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

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Cash balance	**2,987**	5,420	**2,213**	4,565
Demand deposits	**57,325**	53,917	**13,609**	10,341
Interest earning bank deposits	**-**	45,199	**-**	10,255
Cash and cash equivalents	**60,312**	104,536	**15,822**	25,161

The investments classified as cash and cash equivalents are remunerated at variable average rates from 82.52% to 101.00% of the CDI at 12/31/ 2015 (98% to 104% of CDI at 12/31/2014) with counterparty financial institutions considered by management as the first line.

Financial investments and linked account

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Money market investments in CDB	**24,162**	55,224	**16,081**	33,939
Linked account	**10,464**			
Total	**34,626**	55,224	**16,081**	33,939
Current	**22,040**	33,632	**3,495**	12,347
Non-current	**12,586**	21,592	**12,586**	21,592

Financial investments are paid by the average variable rate of 99.82% of CDI at 12/31/2015, being held as guarantees for short-term financing, and their redemption scheduled takes place in conjunction with amortization, presented in current and non-current assets based on their redemption provisions.

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9. Trade accounts receivable

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

The present value calculation was made for each transaction up to September 30, 2015, based on an interest rate of approximately 1.02% per month that reflects the term, currency and risk of each transaction. Following this date, the Company did not carry out an adjustment to present value. The counterparty of adjustments to present value of accounts receivable is against gross income in income (loss). The difference between the present value of a transaction and the face value is considered financial income.

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

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Domestic clients	**74,218**	78,023	**38,886**	22,438
Clients – related parties in the country	**-**	-	**29,455**	7,543
Foreign clients	**147,280**	87,318	**14,897**	19,532
Clients - Related parties abroad	**-**	-	**-**	9,077
Adjustment to present value	**-**	(1,864)	**-**	(665)
	221,498	163,477	**83,238**	57,925
Allowance for doubtful accounts - domestic	**(20,592)**	(17,508)	**(8,591)**	(4,294)
Allowance for doubtful accounts - abroad	**(8,830)**	(6,249)	**(3,495)**	(2,755)
	(29,422)	(23,757)	**(12,086)**	(7,049)
Total	**192,076**	139,720	**71,152**	50,876

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

	Consolidated	Parent company
Balance at December 31, 2014	(23,757)	(7,049)
Additions	**(8,876)**	**(7,747)**
Reversal of allowance for doubtful accounts	**5,291**	**3,263**
Realization of allowance for doubtful accounts	**185**	**117**
Foreign exchange variation	**(2,265)**	**(670)**
Balance at December 31, 2015	**(29,422)**	**(12,086)**

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10. Inventories

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

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

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Finished goods	**86,953**	106,929	**25,926**	22,997
Work in process	**342**	34,123	**-**	24,595
Raw material	**134,566**	51,586	**80,415**	16,246
Auxiliary and maintenance materials	**-**	7,886	**-**	3,216
	221,861	200,524	**106,345**	67,054

11. Recoverable taxes

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
ICMS	**9,617**	7,970	**1,175**	1,033
IPI	**2,804**	1,411	**2,044**	294
PIS	**652**	708	**581**	613
COFINS	**3,024**	3,299	**2,661**	2,825
Income and social contribution taxes	**21,237**	11,079	**9,863**	5,404
INSS	**82**	-	**-**	-
Total	**37,416**	24,467	**16,324**	10,169
Current	**36,546**	23,419	**16,031**	9,719
Non-current	**870**	1,048	**293**	450
Total	**37,416**	24,467	**16,324**	10,169

12. Income and social contribution taxes

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

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

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

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

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

a) Breakdown of assets and deferred tax liabilities

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
On temporary differences of assets, tax loss and negative basis				
Provision for sales commissions	**1,045**	1,534	**993**	1,495
Adjustment to present value	**-**	870	**-**	446
Provision of labor proceedings	**4,934**	3,442	**2,229**	1,586
Provisions for losses not compensated for by insurance	**782**	782	**782**	782
Allowance for doubtful accounts	**4,242**	2,702	**1,494**	459
Provision for product warranty	**7,246**	3,627	**2,401**	1,383
Provision for legal risks	**10,571**	916	**205**	74
Provision for inventory loss	**3,343**	-	**-**	-
Adjusted deferred income	**-**	-	**-**	-
Derivative financial instruments	**344**	8,167	**-**	7,875
Tax loss and negative basis of social contribution on net income (i)	**34,730**	35,506	**7,000**	7,000
Inventories - unrealized profits	**3,958**	2,633	**-**	-
Other items	**1,555**	1,568	**124**	137
	72,750	61,747	**15,228**	21,237
On temporary liability differences				
Equity evaluation adjustments	**(1,011)**	(1,788)	**(551)**	(1,146)
Difference for depreciation base	**(10,864)**	(8,090)	**(1,805)**	(1,758)
Goodwill allocation	**(11,910)**	(8,397)	**-**	-
Average interest rate	**(1,499)**	(1,372)	**(1,370)**	(1,314)
Derivative financial instruments	**(2,353)**	(12,276)	**(2,353)**	(12,273)
	(27,637)	(31,923)	**(6,079)**	(16,491)
Total assets and liabilities, net	**45,113**	29,824	**9,149**	4,746
Classified as noncurrent assets	**45,830**	39,627	**9,149**	4,746
Classified in the non-current liabilities	**(717)**	(9,803)	**-**	-

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Changes in deferred taxes:

	Consolidated	Parent company
Opening balance of deferred taxes, net	29,824	4,746
Allocated to income (Note 12b)	**19,803**	**4,402**
Effect of exchange variation	**(4,514)**	**-**
Closing balance of deferred taxes, net	**45,113**	**9,149**

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

Projections indicate that the balance of tax credits recorded under Forjas Taurus S.A. and its subsidiaries Polimetal Metalurgia e Plásticos Ltda., Taurus Blindagens Ltda. and Taurus Holdings, Inc. will be absorbed by the estimated taxable income for the next 10 years, as follows:

	Consolidated		Parent company	
Year	**Total**	**Interest %**	**Total**	**Interest %**
2016	8,136	20.78%	8,136	88.92%
2017	1,013	2.59%	1,013	11.08%
2018	995	2.54%	-	-
2019	2,320	5.93%	-	-
2020	3,635	9.29%	-	-
2021	4,202	10.73%	-	-
2022	4,583	11.71%	-	-
2023	4,998	12.77%	-	-
2024	5,473	13.98%	-	-
2025	3,793	9.68%	-	-
Total	39,148	100.00%	9,149	100.00%

The amount of tax losses and negative basis of social contribution on which deferred taxes are not recorded totaled R$ 468,962 (R$ 416,752 in 2014) in the consolidated, and R$ 99,066 (R$ 84,665 in 2014) in the parent company.

The main balances of tax loss carryforwards and negative basis are recorded in the subsidiary Taurus Máquinas-Ferramenta Ltda. Tax credits arising from tax losses and negative social contribution basis not recognized by this subsidiary totaled R$ 77,792 (R$ 76,224 in 2014).

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	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Accounting loss before income and social contribution taxes	**(279,502)**	(185,041)	**(258,212)**	(193,624)
Combined statutory rate	**34%**	34%	**34%**	34%
Income and social contribution taxes:				
Calculated at combined statutory rate	**95,031**	62,914	**87,792**	65,832
Permanent additions:				
Non-deductible expenses	**(223)**	(421)	**(221)**	(420)
Permanent exclusions:				
Non-taxable income - Equity income (loss)	**(475)**	(388)	**(28,822)**	(30,065)
Others - Law 11196/05	**-**	-	**-**	-
Unrecorded tax credit	**(17,751)**	(52,358)	**(4,896)**	(20,512)
Non-deductible provisions	**(54,476)**	(16,331)	**(46,766)**	(6,709)
Effects of differentiated rate of deemed profit subsidiaries	**686**	3,693	**-**	-
Deferred not formed	**255**	-	**(3,060)**	-
Other items	**2,645**	2,510	**375**	76
Income tax and social contribution in income for the year	**25,692**	(381)	**4,402**	8,202
Breakdown of income and social contribution in income for the year:				
Current	**5,889**	(479)	**-**	-
Deferred assets	**19,803**	98	**4,402**	8,202
	25,692	(381)	**4,402**	8,202
Effective rate	**-9.19%**	0.21%	**-1.70%**	-4.24%

In 2015, the amount of R$ 5,889 related to current income and social contribution taxes is positive due to the use of the North American tax benefit in the company Taurus Holdings. The US Federal Law allows current losses to be offset by taxes paid within the previous two years.

13. Advance of real estate credits

On August 11, 2008, the subsidiary Taurus Investimentos Imobiliários Ltda entered into several contracts with CIBRASEC - Companhia Brasileira de Securitização, aiming to promote the securitization of real estate receivables arising from lease agreements signed for a period of seven (7) years with the Company and subsidiaries, in the amount of approximately R$ 51,000.

Representing the real estate credits arising from such lease agreements, the Company issued Real Estate Credit Notes (CCIs), assigning them upon payment to CIBRASEC, that used them as collateral for the issuance of two series of Real Estate Receivable Certificates (CRIs). These certificates have fixed monthly maturity dates. The certificate was paid on August 15, 2015 (the balance was R$ 8,548 on December 31, 2014).

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14. Investments

	Taurus Blindagens Ltda -	Taurus Blindagens Nordeste Ltda.	Taurus Inc.	T. Investments Co. Inc.	Taurus Securitys Ltda. (1)	Taurus Investimento Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-Investments Ltda.(1)	Famastil Ferramenta Taurus Ferramentas S.A. (2)	Parent company 2015	Parent company 2014
Current assets	58,735	21,755	330,156	40,106	60	1,302	116,869	539	51,373		
Non-current assets	95,175	33,628	111,616	-	241	66,222	272,079	1,510	36,230		
Current liabilities	13,244	11,453	67,042	-	3	410	138,794	58,256	45,454		
Non-current liabilities	13,773	6,461	118,252	-	547	14,048	68,937	20,832	15,179		
Capital	80,209	9,400	1,190	42,953	100	53,292	250,589	273,639	20,000		
Shareholders' equity	126,893	37,469	256,478	40,106	(249)	53,066	181,217	(77,039)	26,970		
Net income	76,979	53,821	546,949	-	-	11,727	124,224	-	61,540		
Net income (loss) for the year	7,527	12,892	(32,977)			4,542	(40,015)	(20,999)	(3,250)		
Number of shares/quotas	648	9,400	302,505	11,000	100,000	30,752,186	210,000,000	124,368,143	-		
Direct ownership interest (%)	0.01%	0.10%	100%	100%	100%	81.85%	100%	60.30%			
Opening balances	**1**	**28**	**208,184**	**-**	**-**	**20,712**	**164,884**	**-**	**2,215**	**396,024**	430,287
Paid-up capital (4)	**-**	**-**	**-**	**31,394**	**-**	**9,390**	**40,589**	**40,639**	**-**	**122,012**	9,017
Equity income (loss) (3)	**-**	**13**	**(37,210)**	**-**	**-**	**3,438**	**(38,589)**	**(12,423)**	**-**	**(84,771)**	(88,426)
Capital investment loss	**-**	**-**	**-**	**-**	**-**	**(66)**	**-**	**-**	**-**	**(66)**	(137)
Exchange variation over investments	**-**	**-**	**81,309**	**8,711**	**-**	**-**	**-**	**-**	**-**	**90,019**	24,577
Dividends received	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	-
Equity valuation adjustments (5)	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**	(112)
Capital transactions	**-**	**-**	**-**	**-**	**-**	**8,906**	**14,161**	**(23,067)**	**-**	**-**	-
Reclassified for provision for unsecured liability (1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,149)**	**-**	**(5,149)**	20,818
Closing balances (3)	**1**	**38**	**252,283**	**40,105**	**-**	**42,381**	**181,044**	**-**	**2,215**	**518,067**	**396,024**

(1) The unsecured liability of the subsidiary Taurus Security Ltda., in the amount of R$ 249, and of the subsidiary Taurus Máquinas-Ferramenta Ltda., in the amount of R$ 46,455 are recorded in “Other accounts payables” in non-current liabilities.

(2) On December 20, 2011, the investment in the subsidiary Famastil Taurus Ferramentas S.A. was transferred to the 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 investment in Famastil Taurus Ferramentas S.A., that remains in Forjas Taurus S.A.

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

(4) The capital increase in the subsidiary Taurus Investimentos Imobiliários Ltda., in the amount of R$ 9,390, and the capital contribution in T. Investments Co. Inc., in the amount of R$ 31,394, were made with cash. The capital contribution in the subsidiary Taurus Máquinas-Ferramenta Ltda., in the amount of R$ 40,639, and in Polimetal Metalurgia e Plásticos Ltda., in the amount of R$ 40,589, were made with loan capitalization.

(5) Equity evaluation adjustment referring to deferred taxes recognized in the merger of subsidiary Taurus Flelmets Ltda. by the controlling shareholder Taurus Blindagens Ltda. upon tax regime of divergence, reflecting the shareholders’ equity of Polimetal Metalurgia e Plásticos Ltda., controlling shareholder of Taurus Blindagens Ltda.

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Foreign operation

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

	Taurus Holdings, Inc.	
	Consolidated	
	2015	**2014**
Assets	441,772	319,208
Liabilities	185,294	111,060
Net income	546,949	276,737
Loss for the year*	(32,977)	(9,430)

*Carter Case in 2015: The updated deal amount is US$ 21,438,000, relating to insurance expenses, fees and disclosure. Of this total, 58% were accounted for in the short term and 42% in the long term (see note 19).

Associate

The Company has investments in the associated company Famastil Taurus Ferramentas S.A. that are not consolidated, since the Company has significant influence, but not control, over their financial and operating policies. Investment in associated company is accounted for using the equity method and is initially recognized at cost. The investment includes the goodwill identified on acquisition, net of any accumulated impairment losses (goodwill in associated company is not recorded and tested for impairment separately).

Balances can be presented as follows on November 30, 2015:

	Famastil Taurus Ferramentas S.A.
	Consolidated
Current assets	51,373
Non-current assets	36,230
Current liabilities	45,454
Non-current liabilities	15,179
Capital	20,000
Shareholders' equity	26,970
Net income	61,540
Loss for the year	(3,250)
Number of shares/quotas	7,000,000
Direct ownership interest (%)	35%
Closing balances[1]	13,054
Equity in income of subsidiaries and associated companies	(1,399)
Closing balances[1]	11,655

[1] Includes goodwill paid on acquisition of the investment of R$ 2,215.

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15. Property, plant and equipment

Property, plant and equipment items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses.

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

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

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

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

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

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

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								Consolidated
	Land, buildings and facilities	Machinery and equipment	Dies and tools	Furniture and computers	Vehicles	Construction in progress	Advances to suppliers	Total
Cost or deemed cost								
Balance at December 31, 2014	**138,591**	**206,960**	**52,578**	**20,184**	**3,291**	**9,746**	**297**	**431,647**
Additions	**285**	**17,977**	**2,008**	**2,444**	**227**	**16,776**	**-**	**39,717**
Disposals	**-**	**(29,946)**	**(274)**	**(713)**	**(982)**	**(4)**	**(71)**	**(31,990)**
Transfers of assets under construction	**-**	**1,482**	**3,285**	**6**	**-**	**(4,773)**	**-**	**-**
Effect of exchange variation	**21,331**	**16,248**	**-**	**2,793**	**73**	**-**	**-**	**40,445**
Transfers to other groups	**(6,132)**	**6,559**	**(3)**	**(144)**	**2**	**(437)**	**-**	**(155)**
Balance at December 31, 2015	**154,075**	**219,280**	**57,594**	**24,570**	**2,611**	**21,308**	**226**	**479,664**
Depreciation								
Balance at December 31, 2014	**20,277**	**101,420**	**35,902**	**14,062**	**2,764**	**-**	**-**	**174,425**
Depreciation for the year	**3,922**	**18,431**	**6,553**	**3,345**	**252**	**-**	**-**	**32,503**
Disposals	**-**	**(16,172)**	**(97)**	**(253)**	**(703)**	**-**	**-**	**(17,225)**
Effect of exchange variation	**7,402**	**2,406**	**(3)**	**6,820**	**296**	**-**	**-**	**16,921**
Transfers to other groups	**(1,605)**	**3,756**	**(1)**	**(2,201)**	**(98)**	**-**	**-**	**(149)**
Balance at December 31, 2015	**29,996**	**109,841**	**42,354**	**21,773**	**2,511**	**-**	**-**	**206,475**
Book value								
December 31, 2014	**118,314**	**105,540**	**16,676**	**6,122**	**527**	**9,746**	**297**	**257,222**
December 31, 2015	**124,079**	**109,439**	**15,240**	**2,797**	**100**	**21,308**	**226**	**273,189**

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								Consolidated
	Land, buildings and facilities	Machinery and equipment	Dies and tools	Furniture and computers	Vehicles	Construction in progress	Advances to suppliers	Total
Cost								
Balance at December 31, 2014	**3,177**	**61,235**	**25,902**	**8,259**	**1,848**	**3,300**	**-**	**103,721**
Additions	**-**	**651**	**332**	**1,152**	**92**	**4,899**	**-**	**7,126**
Disposals	**-**	**(24,678)**	**(50)**	**(506)**	**(476)**	**-**	**-**	**(25,710)**
Transfers of assets under construction	**-**	**441**	**171**	**2**	**-**	**(614)**	**-**	**-**
Transfers to other groups	**-**	**-**	**(1)**	**(4)**	**-**	**-**	**-**	**(5)**
Balance at December 31, 2015	**3,177**	**37,649**	**26,354**	**8,903**	**1,464**	**7,585**	**-**	**85,132**
Depreciation								
Balance at December 31, 2014	**1,044**	**30,492**	**17,710**	**5,369**	**1,375**	**-**	**-**	**55,990**
Depreciation for the year	**313**	**4,394**	**3,180**	**733**	**159**	**-**	**-**	**8,779**
Disposals	**-**	**(13,582)**	**(26)**	**(156)**	**(211)**	**-**	**-**	**(13,975)**
Balance at December 31, 2015	**1,357**	**21,304**	**20,864**	**5,946**	**1,323**	**-**	**-**	**50,794**
Book value								
December 31, 2014	**2,133**	**30,743**	**8,192**	**2,890**	**473**	**3,300**	**-**	**47,731**
December 31, 2015	**1,820**	**16,345**	**5,490**	**2,957**	**141**	**7,585**	**-**	**34,338**

Construction in progress

The balance of constructions in progress in the amount of R$ 7,585 in the parent company, and of R$ 21,308 in the consolidated in 2015 (R$ 3,300 and R$ 9,746 in 2014, respectively) refers to machinery and equipment still in the implementation phase and constructions in progress. These assets should come into operation during 2016.

Guarantee

The Company uses its assets as guarantees for the funds obtained from financial institutions. Although much of the fixed assets is guaranteeing loans and financing, the Company has been historically settling its obligations in the contractual terms, and the guarantees with assets have never been used. In 2015, the Company used the amount of R$ 55,912 in guarantees (R$ 52,764 in 2014).

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16. Intangible assets

Goodwill

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

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

Other intangible assets

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

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

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

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

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						Consolidated
	Goodwill	Trademarks and patents	Product development	Deployment of systems	Other intangible assets	Total
Cost						
Balance at December 31, 2014	40,823	12,368	12,202	2,548	11,702	79,643
Acquisitions	**-**	**-**	**2,281**	**4,223**	**-**	**6,504**
Write-offs	**-**	**(1,924)**	**(1,310)**	**-**	**-**	**(3,234)**
Transfer of other groups	**-**	**-**	**(74)**	**(8)**	**13**	**(69)**
Effect of exchange variation	**3,852**	**3,943**	**1,217**	**-**	**5,613**	**14,625**
Balance at December 31, 2015	**44,675**	**14,387**	**14,316**	**6,763**	**17,328**	**97,469**
Balance at December 31, 2014	-	275	6,328	2,011	2,979	11,593
Amortization in the year	**-**	**91**	**697**	**241**	**1,768**	**2,797**
Write-offs	**-**	**-**	**(74)**	**-**	**-**	**(74)**
Transfer of other groups	**-**	**-**	**-**	**-**	**1,707**	**1,707**
Balance at December 31, 2015	**-**	**366**	**6,951**	**2,252**	**6,454**	**16,023**
Book value						
December 31, 2014	40,823	12,093	5,874	537	8,723	68,050
December 31, 2015	**44,675**	**14,021**	**7,365**	**4,511**	**10,874**	**81,446**

Impairment test for cash generating units containing goodwill

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

Cash-generating unit	**2015**	**2014**
Forjas Taurus S.A.	**21,194**	21,194
Taurus Holdings, Inc.	**14,941**	11,089
Taurus Blindagens Ltda.	**7,868**	7,868
Famastil Taurus Ferramentas S.A.	**545**	545
Polimetal Metalurgia e Plásticos Ltda.	**127**	127
Total	**44,675**	40,823

The recoverability test for CGUs mentioned above are performed annually based on the fair value net of sales expenses, which is estimated based on discounted cash flows. On December 31, 2015, the tests performed did not indicate the need of forming a provision for impairment losses on goodwill and intangible assets with indefinite useful lives.

Main assumptions used for forecasting the discounted cash flows

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

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	Discount rate	
	WACC	**Average growth rate**
Cash-generating unit	**2015**	**2015**
Firearms	18.2%	9.7%
Armoring	16.5%	5.9%

Discount rate

The discount rate for all CGUs are represented by a post-tax rate based on US Treasury Bonds for 20 years, adjusted for a risk premium that reflects the risks of investments in equity securities and the systematic risk of the unit in question. The company estimated, based on management's experience with assets of this CGU, the weighted average of the capital cost of the industry in which such CGU operates, which was calculated based on a possible debt/shareholders' equity ratio of 25.5% for Firearms CGU and of 36% for Armouring CGU, at the market interest rate of 14% per annum.

Growth rate and perpetuity

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

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

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17. Loans and financing

The terms and conditions of outstanding loans were as follows:

				Consolidated			
				2015		2014	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Amount contracted	Book value
Loans and financing							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	35,000	**23,532**	128,939	107,222
FINAME	R$	2.50–8.70% p.a.	2021	8,515	**4,272**	17,675	5,950
FINEP	R$	4.00–5.25% p.a.	2020	64,240	**23,059**	64,240	33,826
BNDES	R$	3.50% p.a.	2020	9,995	**9,678**	9,995	10,074
BNDES Progeren	R$	TJLP + 4.00 to 4.50% p.a.	2016	-	**-**	63,977	38,202
FNE	R$	9.50% p.a.	2019	9,806	**5,641**	9,806	7,051
Advance from receivables	R$	20.16% p.a.	2016	54,589	**54,589**	25,114	25,114
Foreign exchange advances	USD	7.68% p.a.	2016	191,948	**191,948**	57,856	57,856
Working capital	USD	Libor + 1.55 to 5.60% p.a.	2017	106,400	**154,932**	115,300	120,893
Working capital	USD	3.05–5.20% p.a.	2016	25,037	**47,923**	76,995	107,446
Working capital	USD	80–100% CDI	2016	31,390	**106,183**	10,619	25,889
Investments	USD	5.33% p.a.	2017	6,035	**19,712**	6,035	14,028
Investments	USD	Libor + 2.25% p.a.	2017	1,731	**4,796**	1,731	3,454
FINIMP	USD	Libor + 2.53 to 6.0905% p.a.	2016	4,178	**11,889**	7,055	16,323
Dell financing	USD	0% cost	2016	201	**225**	201	328
Total					**658,379**		573,656
Current liabilities					**459,193**		341,835
Non-current liabilities					**199,186**		231,821

				Consolidated			
				2015		2014	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Amount contracted	Book value
Loans and financing							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	35,000	**23,532**	128,939	107,222
FINAME	R$	2.50–5.50% p.a.	2021	2,304	**1,626**	11,464	1,862
BNDES	R$	3.50% p.a.	2020	9,995	**9,678**	9,995	10,074
Advance from receivables	R$	20.16% p.a.	2016	969	**969**	-	-
Foreign exchange advances	USD	7.68% p.a.	2016	191,948	**191,948**	57,856	57,856
Working capital	USD	Libor + 3.41 to 5.60% p.a.	2017	31,400	**89,313**	40,300	83,643
Working capital	USD	3.05–3.91% p.a.	2016	21,891	**47,492**	73,849	106,248
Working capital	USD	85–100% CDI	2016	31,390	**106,183**	10,619	25,889
FINIMP	USD	Libor + 2.23 to 4.41% p.a.	2016	3,170	**7,879**	6,047	13,599
Total					**478,620**		406,393
Current liabilities					**386,085**		250,843
Non-current liabilities					**92,535**		155,550

Schedule of maturities of non-current liabilities:

	Consolidated		Parent company	
Year of maturity	2015	2014	2015	2014
2016	**-**	122,695	**-**	101,443
2017	**149,957**	83,825	**73,976**	37,509
2018	**20,171**	16,528	**14,433**	12,139
2019	**8,069**	8,773	**2,272**	4,459
2019 onwards	**20,989**	-	**1,854**	-
	199,186	231,821	**92,535**	155,550

Loans and financing are guaranteed by promissory notes, interest earning bank deposits, fiduciary assignment of 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 described in Note 21 - Related parties.

Certain loans and financing agreements entered into by the Company and its subsidiaries

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contain restrictive covenants that limit certain corporate amendments, including: changes in the Company's direct or indirect control, reduction of the share capital of the Company and/or its parent company, distribution of dividends, payment of interest on own capital, or any other payments to shareholders by the Company and/or its parent company in the event of default of any of the obligations and reduction of the Company's equity capital. In addition to these issues, they determine the maintenance of certain financial ratios: indebtedness (net financial debt/EBITDA) of less than 3.5x; interest coverage ratio (EBITDA/net financial expenses) equal to or greater than 2.75x. If the restrictions are not met, creditors may anticipate maturity. All aforementioned ratios are calculated quarterly based on the last 12 months. The Company has not complied with the covenants, but received a waiver from the bank in December 2015 stating that there is no intention of declaring the early maturity of the financing.

18. Debentures

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

Debentures	Principal (R$)	Issuing Date	Securities in the market	Average interest rate	2015	2014
2nd issuance (a)	50,000	09/06/2011	200	DI rate + 2.8%	**11,738**	27,302
3rd Issuance (b)	100,000	06/13/2014	10,000	DI rate + 3.25%	**116,125**	98,529
				Grand total	**127,863**	125,831
				Current liabilities	**94,890**	15,933
				Non-current liabilities	**32,973**	109,898
				Incurred transaction costs	**2,620**	2,840
				Appropriate cost transactions	**1,593**	1,200
				Unearned transaction costs	**1,027**	1,640

(a) The unit nominal value will be paid in 13 quarterly installments, with a grace period of two years, beginning on August 23, 2013. Debentures have fidejussory guarantees of the Company's subsidiaries in Brazil.

(b) The unit nominal value will be paid in 3 quarterly installments, with a grace period of two years, beginning on June 30, 2016. There is no guarantee.

Covenants

The instrument provides for the early maturity in cases of non-compliance of covenants that define, among other obligations: the maintenance of certain financial ratios, such as: (net debt/EBITDA) equal to or less than 3.25x (3rd issue) and 3x (2nd issue) and EBITDA/net financial expenses equal to or greater than 2.75x (3rd issue) where: net debt is equal to the total debt (including sureties and guarantees) minus cash and cash equivalents, EBITDA is equal to earnings before taxes, interest, taxes, depreciation and amortization in the last 12 months and net financial expenses correspond to total financial income less financial expenses in the last 12 months, adjusted for non-recurring items.

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Such ratios are duly monitored by management. The 2nd issue contract provides for that the ratios shall be met quarterly, and these ratios have not been met in the current year. However, a waiver from financial institutions was obtained in December 2015, with its formalization in the Debentureholders' General Meeting held on February 24, 2016. The 3rd issue contract provides for that the ratios shall be met annually, and these ratios have not been met in the current year. However, a waiver from financial institutions was obtained in the Debentureholders' General Meeting held on December 28, 2015.

19. Provisions for civil, labor and tax risks

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

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

				Consolidated
			2015	**2014**
	Provision	**Judicial deposit (1)**	**Net**	**Net**
Labor	**32,507**	**3,451**	**29,056**	7,901
Civil	**27,260**	**-**	**27,260**	29,881
Tax	**6,451**	**1,048**	**5,403**	4,663
	66,218	**4,499**	**61,719**	42,445
Classified in current liabilities	**30,516**			
Classified in the non-current liabilities	**35,702**			

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

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Changes in provisions are as follows:

			Consolidated
	Civil and labor	Tax	Total
Balance at December 31, 2014	41,127	5,847	46,974
Provisions formed during the year	**60,585**	**604**	**61,189**
Provisions used during the year	**(29,580)**	**-**	**(29,580)**
Write-off of provision	**(12,365)**	**-**	**(12,365)**
Balance at December 31, 2015	**59,767**	**6,451**	**66,218**

			Parent company
	Civil and labor	Tax	Total
Balance at December 31, 2014	4,882		4,882
Provisions formed during the year	**11,788**	**-**	**11,788**
Provisions used during the year	**(563)**	**-**	**(563)**
Balance at December 31, 2015	**16,107**	**-**	**16,107**

Hunter Douglas

On December 31, 2015 one of the main proceedings recorded by the Company is related to the lawsuit filed by Hunter Douglas NV (a company organized under the laws of Curacao, headquartered in Rotterdam, the Netherlands) against the company Wotan Máquinas Ltda. on the collection originated from export financing loan agreement signed between the two in 2001. The subsidiary Taurus Máquinas-Ferramenta Ltda. is a defendant due to the supervening location of the industrial park held with Wotan Máquinas Ltda. in 2004.

Due to a first-instance judgment, subject to appeals, the Company decided to start negotiations, according to Hunter Douglas, which resulted in the signing of a Definitive Purchase and Sale and Credit Assignment Agreement, entered into on June 26, 2015, in which T. Investments Co. Inc., a company belonging to Taurus Group, a corporation headquartered in the city of Panama, acquires the credit of Hunter Douglas N.V. against Wotan Máquinas Ltda. and other rights in the amount of US$ 10,250,000, R$ 31,802. The fulfillment of this commitment resulted in the acquisition of the following by the Company: i) credit of Hunter Douglas N.V. before Wotan Máquinas Ltda.; ii) all rights linked or ancillary to the credit, especially mortgages, and iii) all rights arising from the proceeding, directly linked to credit or not.

Carter Case

In the financial statements as of December 31, 2015, the main proceeding provisioned by the Company is related to the signing of a preliminary agreement to end the lawsuit filed in US Court for the Southern District of Florida against Taurus and its subsidiaries in the United States, Taurus Holdings, Inc. and Taurus International Manufacturing, Inc. (together, the “Companies”).

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Said preliminary agreement results from individual lawsuit, Chris Carter vs. Forjas Taurus, S.A. et. al., on alleged defects presented in certain models of the Companies' pistols, classified as a possible risk of loss by its legal advisors. However, the possible consequences of this lawsuit led to the decision, in April 2015, to enter into said agreement, which aims to minimize potential future risks to the Company, related to a possible change in the level of the lawsuit and considering the specific features of the North-American legal environment, even with a historically low number of defects reported by the Company's clients. The updated deal amount is US$ 21,438,000, relating to insurance expenses, fees and disclosure. Of this total, 58% were accounted for in the short term and 42% in the long term.

On July 30, 2015, the U.S. District Court for the Southern District of Florida granted the preliminary approval of the agreement in order to end the lawsuit brought against Taurus and its subsidiaries in the United States, Taurus Holdings, Inc. and Taurus International Manufacturing, Inc. (together with Taurus, "Companies"), called Chris Carter v. Forjas Taurus, S.A. et. al.

Under this agreement, the payments made in 2015 totaled US$ 12,438,000. Based on the Court's observations, facts and circumstances applicable to the proceeding, the evaluation of American lawyers considered the amount of US$ 6 million as the probable loss, equivalent to R$ 23,429.000.

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

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

	Consolidated				Parent company			
	2015		2014		2015		2014	
	Possible	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**
Tax	**7,653**	**418**	10,568	10,973	**-**	**-**	766	10,545
Civil	**43,928**	**4,856**	30,473	4,340	**25,257**	**554**	7,345	530
Labor	**42,302**	**3,437**	25,940	1,947	**26,774**	**580**	16,124	-
	93,883	**8,711**	66,981	17,260	**52,031**	**1,134**	24,235	11,075

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20. Financial instruments

a) Derivatives

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

We summarize below our positions with derivative financial instruments:

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Derivative financial instruments assets	**6,920**	36,106	**6,920**	36,098
Derivative financial instruments liabilities	**(956)**	(23,898)		(23,163)
	5,964	12,208	**6,920**	12,935

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

		Consolidated			
		2015		2014	
Instrument	**Contracting currency referring to the notional amount**	**Notional in thousands**	**Fair value**	**Notional in thousands**	**Fair value**
Swap Fixed x Libor (i)	US Dollars - USD	**5,711**	**(956)**	5,711	(735)
Swap Pre x CDI (ii)	Reais - BRL	-	-	51,363	54
Swap Interest + V.C. USD x CDI + R$ (iii)	Reais - BRL	**100,000**	**6,366**	163,200	24,844
Swap + CDI x V.C. USD (iii)	Reais - BRL	**21,987**	**554**	-	-
Non-deliverable forward (export) (iv)	US Dollars - USD	**-**	**-**	49,801	(16,000)
Non-deliverable forward (foreign currency debt) (v)	US Dollars - USD	**-**	**-**	73,000	4,045
			5,964		12,208

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

(ii) Conventional swaps of fixed rates related to Real Estate Receivable Certificates (CRIs) in order to link exposure to interest rates to a post-fixed rate in the domestic market.

(iii) Conventional swaps of Interbank Deposits (DI) versus the US dollar, in order to link the debt in Brazilian reais, tied to the DI, to a fixed debt in US Dollar. To that end, the Company has conventional dollar swaps versus DI with the purpose of linking the debt in US Dollars to a debt in Brazilian reais tied to the DI. Such swaps are tied to the debts regarding amounts, terms and cash flow.

(iv) Non-deliverable forwards (export) contracted to hedge a percentage of the export revenue, with a high probability of occurrence against the fluctuation of the US Dollar.

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(v) Non-deliverable forward (foreign currency debt) contracted with the purpose of using the hedge instrument as foreign exchange hedging due to effects of fluctuations in exchange rates, financial flow of financing agreements and foreign currency loans.

a) Derivatives—Continued

The fair value does not represent the obligation of an immediate disbursement or cash receipt, as this effect will only occur on the contractual verification dates or on the maturity dates of each transaction. It is worth highlighting that all contracts at the end of the year 2014 are over the counter market transactions, recorded at CETIP, without any collateral margin or forced early settlement clause due to Mark to Market (MtM) fluctuations.

b) Fair value vs. book value

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

	Consolidated			
	2015		2014	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets measured at fair value				
Forward exchange contracts and interest rate swap used to hedge transactions (i)	**6,920**	**6,920**	36,106	36,106
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**60,312**	**60,312**	104,536	104,536
Interest earning bank deposits (ii)	**-**	**-**	55,224	55,224
Accounts receivable (iii)	**192,076**	**192,076**	139,720	139,718
	252,388	**252,388**	299,480	299,478
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap used to hedge transactions (i)	**-**	**-**	23,898	23,898
Liabilities measured by the amortized cost				
Loans and financing (iv)	**411,842**	**368,311**	490,686	521,514
Debentures (iv)	**127,863**	**132,423**	125,831	160,486
Foreign exchange advances (iv)	**191,948**	**181,081**	57,856	54,539
Suppliers and advance from receivables (ii)	**135,813**	**135,813**	61,435	61,435
Advance of real estate credits (iv)	**-**	**-**	8,548	8,799
	867,466	**817,628**	744,356	806,773

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	Consolidated			
	2015		2014	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets measured at fair value				
Forward exchange contracts and interest rate swap used to hedge transactions (i)	**6,920**	**6,920**	36,098	36,098
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**15,822**	**15,822**	25,161	25,161
Interest earning bank deposits (ii)	**-**	**-**	33,939	33,939
Accounts receivable (iii)	**71,152**	**71,152**	53,721	53,721
	86,974	**86,974**	112,821	112,821
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap used to hedge transactions (i)	**-**	**-**	23,898	23,898
Liabilities measured by the amortized cost				
Loans and financing (iv)	285,703	268,800	348,537	364,049
Debentures (iv)	127,863	132,423	125,831	160,486
Foreign exchange advances (iv)	191,948	127,578	57,856	54,539
Suppliers and advance from receivables (ii)	120,044	120,044	40,988	40,988
	725,558	648,845	573,212	620,062

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

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

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

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

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

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21. Related parties

	Balances of subsidiaries outstanding with the parent company						Effect on the result of transactions of subsidiaries with	
	Current assets (iii)	Non-current assets (loans to related parties)		Total assets	Current liabilities (i)	Total liabilities	Income	Expense
December 31, 2014								
Taurus Blindagens Ltda.	36	-		36	-	-	-	-
Taurus Holdings, Inc.	9,077	-		9,077	32,781	32,781	130,360	1,728
Taurus Security Ltda.	-	547		547	-	-	-	-
Taurus Investimentos Imobiliários Ltda. (ii)	5,811	-		5,811	-	-	-	5,125
Taurus Máquinas-Ferramenta Ltda.	648	37,556	(iv)	38,204	-	-	1,777	-
Polimetal Metalurgia e Plásticos Ltda.	10,862	50,544	(iv)	61,406	24,118	24,118	3,794	40,386
	26,434	88,647		115,081	56,899	56,899	135,931	47,239
December 31, 2015								
Taurus Blindagens Ltda.	**-**	**-**		**-**	**41,198(v)**	**41,198**	**-**	**-**
Taurus Holdings, Inc.	**-**	**-**		**-**	**58,726**	**58,726**	**299,544**	**4,484**
Taurus Security Ltda.	**-**	**547**		**547**	**-**	**-**	**-**	**-**
Taurus Investimentos Imobiliários Ltda. (ii)	**38**	**-**		**38**	**-**	**-**	**-**	**5,476**
Taurus Máquinas-Ferramenta Ltda.	**-**	**16,792(iv)**		**16,792**	**-**	**-**	**-**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**29,498**	**45,261(iv)**		**74,759**	**81,974**	**81,974**	**10,371**	**136,983**
	29,536	**62,600**		**92,136**	**181,898**	**181,898**	**309,915**	**146,943**

(i) Refers to amounts recorded under Suppliers (R$ 82,169), loan with subsidiary Taurus Blindagens Ltda. (R$ 41,198), and related parties (R$ 58,622).
(ii) Disposal of fixed assets of the subsidiary to the parent company.
(iii) Refers to amounts recorded under Trade accounts receivable (R$ 29,498) and Related parties (R$ 38).
(iv) Represent loan agreements with the parent company Forjas Taurus S.A., and are restated to 100% of the CDI (Interbank Deposit Certificate).
(v) Represent loan agreements with subsidiary Taurus Blindagens Ltda. and are restated to 100% of the CDI (Interbank Deposit Certificate).

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

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

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

With the approval of the capital increase in the Extraordinary General Meeting held on September 29, 2015, the controlling shareholder, Companhia Brasileira de Cartuchos – “CBC”, now holds 86.84% of the issued common shares (52.51% as of December 31 2014).

On December 31, 2015, operations involving Forjas Taurus S.A. and CBC refer mainly to sales of firearms for trading, and purchase of ammunition. The amount of these operations are shown below:

	Current assets	Current liabilities	Income	Expense
Companhia Brasileira de Cartuchos	**5,220**	**1,845**	**58,034**	**16,378**

Remuneration of Directors and Board Members

The remuneration of directors and board members includes salaries, fees and benefits:

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Salaries and benefits of statutory directors	**6,732**	5,001	**6,732**	5,001
Remuneration and benefits of the Board of Directors	**545**	1,715	**545**	1,715
Remuneration and benefits of the Fiscal Council	**479**	392	**479**	392
Total	**7,756**	7,108	**7,756**	7,108

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

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Operations of directors and board members

Directors and board members directly control 0.07% of the Company's voting shares.

Sureties among related parties

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

	2015	**2014**
Polimetal Metalurgia e Plásticos Ltda.	**151,601**	106,616
Forjas Taurus S.A.	**95,749**	8,354
	247,350	114,970

22. Shareholders' equity / Unsecured liability (parent company)

a) Capital

At the annual general meeting of 09/29/2015, a capital increase was approved, agreed at the AGM of 07/15/2015, to be the sum of R$39,858,904.40. Thus, the Company now has 40,448,248 shares divided into 27,446,627 common shares and 13,001,621 preferred shares. In turn, its share capital was increased to R$ 364,735,299.65. (R$ 324,876,395.25 as of December 31, 2014).

With the approval of the capital increase, Companhia Brasileira de Cartuchos - “CBC” now holds 86.84% of the common shares issued.

Shareholders who participated in the capital increase received, as an additional advantage, a subscription bonus for each share subscribed, according to the type of share. Subscription bonds will be valid until 01/30/2017 (“Maturity”) and have an exercise price of R$ 1.64 for ordinary and preferred shares.

Preferred shares

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

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

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

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

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

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

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

Authorized shares (in thousands of shares)

	2015	2014
Common shares	**51,851**	51,851
Preferred shares	**103,702**	103,702
	155,553	155,553

Shares issued and fully paid-in

	Common		Preferred	
	Amount in thousands	In thousand of reais	Amount in thousands	In thousand of reais
December 31, 2014				
CS R$8.36, PS R$5.17*	8,439	70,553	7,705	39,835
December 31, 2015				
CS R$1.69, PS R$1.13*	**27,447**	**46,385**	**13,002**	**14,692**

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

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b) Equity valuation adjustments

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

Accumulated translation adjustments

Accumulated translation adjustments include all foreign currency differences deriving from the translation of financial statements of foreign operations.

c) Earnings per share

Basic earnings per share	**2015**	**2014**
Loss attributable to shareholders (in thousands of R$)	**(253,810)**	(185,422)
Balance of shares at the end of the year	**40,448,248**	16,144,039
Total shares	**40,448,248**	16,144,039
Earnings per share - Basic (in R$)	**(6.27493)**	(11.4855)

Diluted earnings per share	**2015**	**2014**
Loss attributable to shareholders (in thousands of R$)	**(253,810)**	(185,422)
Balance of shares at the end of the year	**40,448,248**	16,144,039
Bonus effect on share subscription*	**778,077**	
Total shares considered	**41,226,325**	16,144,039
Earnings per share considering the bonus and diluted effect in R$	**(6.15650)**	(11.4855)

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

d) Capital transactions

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

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23. Operating income

Sale of assets

Operating income is recognized when:

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

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

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

Sales tax

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

	Rates
ICMS - Value-Added Tax on Sales and Services	0–25%
IPI - Excise tax	0–45%
Contribution for social security funding–COFINS	3% and 7.6%
Social integration program–PIS	0.65% and 1,65%

	Consolidated		**Parent company**	
	2015	**2014**	**2015**	**2014**
Sales of goods	**956,254**	702,998	**500,887**	333,225
Rendering of services	**622**	141	**622**	141
Adjustment to present value	**(7,258)**	(8,386)	**(2,310)**	(3,046)
Total gross revenue	**949,618**	694,753	**499,199**	330,320
Sales tax	**(119,054)**	(92,950)	**(44,000)**	(36,719)
Refunds and rebates	**(6,755)**	(10,267)	**(3,398)**	(6,975)
Total net operating income	**823,809**	591,536	**451,801**	286,626

Notes to the financial statements
Forjas Taurus S.A.

Notes to the financial statements – Continued
December 31, 2015 and 2014
(In thousands of Reais, unless otherwise indicated)

24. Financial income and expenses

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

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Financial expenses				
Interest	**(73,076)**	(62,526)	**(66,697)**	(50,131)
Exchange variation	**(249,198)**	(118,824)	**(228,805)**	(114,932)
IOF	**(2,144)**	(1,369)	**(705)**	(126)
Swap on financial operations	**(16,746)**	(27,276)	**(16,746)**	(27,166)
Adjustment to present value	**(10,156)**	(5,946)	**(9,163)**	(5,270)
Other expenses	**(8,005)**	(6,029)	**(1,109)**	(218)
	(359,325)	(221,970)	**(323,225)**	(197,843)
Financial income				
Interest	**6,590**	12,615	**7,611**	11,348
Exchange variation	**86,380**	79,273	**79,546**	77,774
Swap on financial operations	**30,722**	23,878	**30,722**	23,808
Adjustment to present value	**11,290**	9,239	**2,975**	3,309
Other income	**5,768**	4,784	**1,934**	311
	140,750	129,789	**122,788**	116,550
Net financial income (loss)	**(218,575)**	(92,181)	**(200,437)**	(81,293)

25. Expenses per type

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Expenses according to the role				
Cost of goods sold	**(581,736)**	(450,272)	**(331,956)**	(215,782)
Sales expenses	**(108,839)**	(113,750)	**(38,820)**	(50,401)
General and administrative expenses	**(122,235)**	(78,916)	**(49,218)**	(35,367)
Other operating expenses	**(87,941)**	(52,285)	**(19,331)**	(16,193)
	(900,751)	(695,223)	**(439,325)**	(317,743)
Expenses per type				
Depreciation and amortization	**(35,300)**	(33,343)	**(7,606)**	(11,152)
Personnel expenses	**(306,040)**	(227,812)	**(140,732)**	(130,052)
Judicial claims	**(82,548)**	(32,967)	**(12,636)**	(1,359)
Raw materials and use and consumption materials	**(243,853)**	(260,388)	**(182,117)**	(62,385)
Freight fees and commissions	**(42,468)**	(36,347)	**(13,888)**	(16,045)
Third party services	**(35,676)**	(20,940)	**(14,854)**	(50,763)
Advertising and publicity	**(19,335)**	(2,722)	**(1,696)**	(1,593)
Provision for losses with securities - Renill	**(2,510)**	(4,348)	**-**	-
Expenses with product warranty	**(4,035)**	(2,923)	**520**	(2,923)
Water and electricity	**(18,752)**	(10,588)	**(7,922)**	(4,407)
Travel and accommodation	**(5,064)**	(2,789)	**(3,193)**	(2,718)
Insurance expenses	**(15,878)**	(2,321)	**(5,201)**	(2,017)
Cost of write-off property, plant and equipment	**(12,662)**	(2,899)	**(11,321)**	(2,724)
Losses in the production process	**(16,653)**	(23,477)	**(9,942)**	(6,365)
Other expenses	**(59,977)**	(31,359)	**(28,737)**	(23,240)
	(900,751)	(695,223)	**(439,325)**	(317,743)

Notes to the financial statements
Forjas Taurus S.A.

Notes to the financial statements – Continued
December 31, 2015 and 2014
(In thousands of Reais, unless otherwise indicated)

26. Cost of goods sold

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Cost of leased and sold products	**565,083**	426,795	322,014	209,417
Costs not separated	**16,653**	23,477	9,942	6,365
Total cost of products sold	**581,736**	450,272	331,956	215,782

Unallocated costs are represented by unusual values or indirect production costs eventually not allocated to products, mainly related to low production volume, directly recorded in income (loss) for the period in which they occur in a separate account of cost of goods sold.

27. Insurance coverage

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

In 2015, insurance coverage for the Company was as follows:

	2015	
	Consolidated	**Parent company**
Material damages	**424,068**	**33,789**
Civil liability	**226,050**	**8,000**
Loss of profit	**5,841**	**-**

28. Provision for product warranty

The company provides a product warranty of one year to the buyer. In some specific cases, the warranty is lifetime. The Company quantifies and records an estimate for the costs related to the warranty, according to historical and current repair costs. The provision for product warranty ensures that the repair costs in case of replacement or repair do not affect the operating results for the periods in which these additional costs occurred. Therefore, amounts are recorded for the accrual basis of accounting. At December 31, 2015 and 2014, the balances are shown as follow:

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Domestic market	**7,054**	4,802	**5,586**	3,562
Foreign market	**11,079**	6,226	**1,477**	505
Total	**18,133**	11,028	**7,063**	4,067
Current liabilities	**12,913**	11,028	**7,063**	4,067
Non-current liabilities	**5,220**	-	**-**	-

Notes to the financial statements
Forjas Taurus S.A.

Notes to the financial statements – Continued
December 31, 2015 and 2014
(In thousands of Reais, unless otherwise indicated)

29. Subsequent events

On January 6, 2016, the Board of Directors approved the increase of the Company's share capital, within the authorized capital limit, in the amount of R$ 11,701,400.00 for the year, by the shareholder Companhia Brasileira de Cartuchos (CBC) of 7,135,000 class 1 subscription bonds, with the consequent issuance of 7,135,000 new common shares, fully subscribed by CBC at the issuance price of R$ 1.64 per share, according to terms and conditions approved under the capital increase of the Company approved at the Company's General Meeting held on September 29, 2015.

In view of such capital increase, the Company's new capital amounted to R$376,436,699.65 (three hundred seventy six million four hundred thirty six thousand six hundred ninety nine reais and sixty five centavos), represented by 47,583,248 (forty seven million five hundred eighty three thousand two hundred forty eight) shares, of which 34,581,627 (thirty four million five hundred eighty one thousand six hundred twenty seven) are common shares and 13,001,621 (thirteen million one thousand six hundred twenty one) are preferred shares, all of which are registered and with no par value. The new common shares shall entitle to full dividends that may be declared and all other rights and benefits conferred to the other holders of common shares issued by the Company, on equal conditions. The amendment to the Company's by-laws, to assign the new capital amount, shall be submitted to the resolution in the following Shareholders' Meeting to be held on April 29, 2016, according to the terms and conditions approved in the scope of capital increase approved in the Special Shareholders' Meeting held on September 29, 2015.

Capital budget proposal

CAPITAL INCREASE 2016

Description	Investments	
Forjas Taurus - São Leopoldo (RS) Unit	**R$ Million**	**USD Million**
Research and development of products	11.7	3.1
Modernization and expansion of capacity	15.8	4.2
Information technology	4.6	1.2
Property security	0.2	0.0
	32.3	3.5
Taurus Blindagens Ltda. - PR and BA units		
Research and development of products	2.0	0.5
Modernization and expansion of capacity	0.3	0.1
	2.3	0.6
Polimetal Metalurgia e Plásticos Ltda. - São Leopoldo (RS)		
Modernization and expansion of capacity	6.1	1.6
Occupational Safety and Environment	0.3	0.1
Property security	0.1	0.0
	6.5	1.7
CAPEX - Forjas Taurus S.A. Consolidado Brasil	**41.0**	**10.3**
Taurus Holdings, Inc. and Subsidiaries - Miami - Florida (USA)		
Research and development of products	16.4	4.3
Modernization and expansion of capacity	1.1	0.3
Information technology	7.8	2.0
	25.3	6.6
CAPEX Forjas Taurus S.A. - Consolidated	**66.3**	**17.4**

* Dollar R$/USD 3.80

Other information the Company deems to be relevant

OPINION OF THE AUDIT AND RISK COMMITTEE OF FORJAS TAURUS S.A.

The members of the Audit and Risk Committee of Forjas Taurus S.A., in the exercise of its legal duties and responsibilities, as provided for in the Internal Rules of the Advisory Committees to the Board of Directors, carried out the examination and analysis of the financial statements, together with the independent auditors' report and the Management Report for the year 2015 (“2015 Annual Financial Statements”) and, considering information provided by Company’s management and by KPMG Auditores Independentes, unanimously declare that they reflect fairly, in all material respects, the financial position of the Company and its subsidiaries, and recommend the approval of the documents by the Board of Directors and its submission to the Annual General Meeting, pursuant to the Corporate Law.

Porto Alegre, March 22, 2016.

João Verner Juenemann
Fábio Mazzaro
Thiago Piovesan

Opinions and Statements / Independent auditors' report – Unqualified

Forjas Taurus S.A.

Independent auditors' report on the financial statements as of December 31, 2015

Independent auditors' report on financial statements

To the Shareholders, Board Members and Directors of Forjas Taurus S.A.

São Leopoldo - RS

We have examined the individual and consolidated financial statements of Forjas Taurus S.A. ("Company"), identified as Parent Company and Consolidated, respectively, comprising the balance sheet as of December 31, 2015 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows, for the year then ended, as well as the summary of the significant accounting practices and other explanatory notes.

Responsibility of management for the financial statements

The Company's management is responsible for the preparation and adequate presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB, as well as for the internal controls that it deemed necessary to enable the preparation of these financial statements free of significant distortions, regardless of whether the latter were caused by fraud or error.

Responsibility of the independent auditors

Our responsibility is to express an opinion on these financial statements based on our auditing, carried out in accordance with the Brazilian auditing and international accounting standards. These standards require compliance with ethical requirements by the auditors and that the audit be planned and executed with the objective of obtaining reasonable assurance that the financial statements are free from significant distortions.

An audit involves the carrying out of procedures selected to obtain evidence related to the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of significant distortion in the financial statements, regardless of whether the latter are caused by fraud or error. In this risk assessment, according to auditing standards, the auditor considers relevant internal controls for the preparation and adequate presentation of the financial statements of the Company, to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the efficacy of these internal controls of the Company. An audit also includes the evaluation of the adequacy of adopted accounting practices and reasonability of accounting estimates made by Management, as well as an assessment of the presentation of financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the financial statements

In our opinion, the individual and consolidated aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of Forjas Taurus S.A. as of December 31, 2015, the individual and consolidated performance of its operations and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB.

Other issues

Audit of financial statements for the prior year

The individual and consolidated balance sheets as of December 31, 2014, and the individual and consolidated statements of income, comprehensive income, changes in shareholders' equity, cash flows and added value, and respective explanatory notes for the year ended December 31, 2014 were previously audited by other auditors who issued an unqualified report dated March 26, 2015.

Statements of added value

We have also examined the individual and consolidated statements of value added (DVA) for the year ended December 31, 2015, prepared under responsibility of Company's management, whose presentation is required by Brazilian Corporate Law for publicly-held companies and as supplementary information under IFRS that do not require the presentation of a statement of value added. These statements were submitted to the same audit procedures previously described and, in our opinion, these supplementary statements are adequately presented, in all material respects, in relation to the basic financial statements taken as a whole. Amounts corresponding to the statement of added value for the year ended December 31, 2014 were previously audited by other independent auditors that issued a report dated March 26, 2015, with no changes.

Porto Alegre, March 23, 2016.

KPMG Auditores Independentes

CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

Opinions and Statements / Fiscal Council opinion or equivalent body

FISCAL COUNCIL' OPINION

The Fiscal Council of Forjas Taurus S.A., in compliance with legal and statutory provisions, examined the Management Report and the Financial Statements for the year ended December 31, 2015, approved by the Board of Directors in the meeting held on March 23, 2016.

Based on the examinations performed and also considering the Independent auditors' report of KPMG Auditores Independentes, issued with no qualifications on March 23, 2016, and information and clarification received from the Company's management during the year, we conclude that such documents may be examined by the Annual General Meeting.

Porto Alegre, March 23, 2016.

Haroldo Zago Amoreti Franco Gibbon

Mauro César Medeiros de Mello

Reinaldo Fujimoto

Juliano Puchalski Teixeira

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

STATEMENT OF THE EXECUTIVE BOARD ON THE FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2015

Messrs. Marcus Aurelius Salvany, Salésio Nuhs, and Thiago Piovesan, Directors of Forjas Taurus S.A., a company headquartered at Av. São Borja, 2181/Prédio A - São Leopoldo/RS, enrolled in the corporate taxpayers' registry (CNPJ) under number 92781335/000l-02, in compliance with the provisions of sections V and VI of Article 25 of CVM Instruction No. 480, of December 7, 2009, state that they have reviewed, discussed and agreed with the Financial Statements of Forjas Taurus S.A. and the consolidated companies for the year ended December 31, 2015.

Porto Alegre, March 24, 2016.

Marco Aurélio Salvany

CEO

Salésio Nuhs

Director Vice-President of Sales and Marketing

Thiago Piovesan

Administrative and Financial Director Vice-President

Investor Relations Director

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

STATEMENT OF THE EXECUTIVE BOARD ON THE INDEPENDENT AUDITORS' REPORT

Messrs. Marcus Aurelius Salvany, Salésio Nuhs, and Thiago Piovesan, Directors of Forjas Taurus S.A., a company headquartered at Av. São Borja, 2181/Prédio A - São Leopoldo/RS, enrolled in the corporate taxpayers' registry (CNPJ) under number 92.781.335/0001-02, in compliance with the provisions of sections V and VI of Article 25 of CVM Instruction No. 480, of December 7, 2009, state that they have reviewed, discussed and agreed with the opinions issued by KPMG Auditores Independentes, contained in Independent auditors' report on the Financial Statements for the year ended December 31, 2015, issued on March 23, 2016.

Porto Alegre, March 24, 2016.

Marco Aurélio Salvany

CEO Salésio Nuhs

Director Vice-President of Sales and Marketing

Thiago Piovesan

Administrative and Financial Director Vice-President

Investor Relations Director