Contents

Company information

Breakdown of capital 1

Individual financial statements

Balance sheet - Assets 2

Balance sheet - Liabilities 3

Statement of income 5

Statement of comprehensive income 6

Statement of cash flows 7

Statement of changes in shareholders’ equity

Statement of changes in shareholders' equity (DMPL) - 01/01/2019–09/30/2019 8

Statement of changes in shareholders' equity (DMPL) - 01/01/2018–09/30/2018 9

Statement of added value 10

Consolidated financial statements

Balance sheet - Assets 11

Balance sheet - Liabilities 12

Statement of income 14

Statement of comprehensive income 16

Statement of cash flows 17

Statement of changes in shareholders’ equity

Statement of changes in shareholders' equity (DMPL) - 01/01/2019–09/30/2019 18

Statement of changes in shareholders' equity (DMPL) - 01/01/2018–09/30/2018 19

Statement of added value 20

Performance comment 21

Notes 38

Opinions and Statements

Special review report - Unqualified 88

Tax Council opinion or equivalent body 89

Statement of the Executive Officers on the Financial Statements 90

Statement of the Executive Officers on Independent Auditor’s Report 91

Company information / Breakdown of capital

Quantity of shares (Units)	Current quarter 09/30/2019
Paid-in capital	
Common	46,445,314
Preferred	42,015,334
Total	88,460,648
Treasury	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet - Assets

(In thousands of reais)

Code of account	Account description	Current quarter 09/30/2019	Prior year 12/31/2018
1	Total assets	952,251	826,985
1.01	Current assets	384,088	274,335
1.01.01	Cash and cash equivalents	2,546	5,157
1.01.01.01	Cash and banks	283	2,056
1.01.01.02	Interbank funds applied	2,263	3,101
1.01.02	Interest earning bank deposits	884	1,801
1.01.03	Accounts receivable	150,959	114,744
1.01.03.01	Trade accounts receivable	150,959	114,744
1.01.04	Inventories	151,736	103,818
1.01.06	Recoverable taxes	49,681	14,991
1.01.06.01	Recoverable current taxes	49,681	14,991
1.01.07	Prepaid expenses	1,033	2,366
1.01.08	Other current assets	27,249	31,458
1.01.08.03	Other	27,249	31,458
1.01.08.03.03	Related parties - Financial loan	19,056	24,978
1.01.08.03.04	Other accounts receivable	8,193	6,480
1.02	Non-current assets	568,163	552,650
1.02.01	Long term assets	73,685	69,017
1.02.01.03	Interest earning bank deposits measured at fair value	46	746
1.02.01.07	Interest earning bank deposits measured at amortized cost	44,653	44,653
1.02.01.07.01	Deferred taxes	44,653	44,653
1.02.01.09	Deferred income tax and social contribution	21,041	18,164
1.02.01.09.04	Related party credits	21,041	18,164
1.02.01.10	Other non-current assets	7,945	5,454
1.02.01.10.03	Investments	121	121
1.02.01.10.04	Equity interest	7,824	5,333
1.02.02	Interest in subsidiaries	450,551	444,978
1.02.02.01	Other equity interest	450,551	444,978
1.02.02.01.02	Property, plant and equipment	450,361	444,788
1.02.02.01.04	Fixed assets in operation	190	190
1.02.03	Constructions in progress	34,424	32,599
1.02.03.01	Intangible assets	27,706	30,201
1.02.03.03	Intangible assets	6,718	2,398
1.02.04	Other non-current assets	9,503	6,056
1.02.04.01	Investments	9,503	6,056

Individual financial statements/ Balance sheet - Liabilities

(In thousands of reais)

Code of account	Account description	Current quarter 09/30/2019	Prior year 12/31/2018
2	Total liabilities	952,251	826,985
2.01	Current liabilities	652,159	546,826
2.01.01	Social and labor obligations	14,819	14,116
2.01.01.01	Social charges	1,531	4,905
2.01.01.02	Labor obligations	13,288	9,211
2.01.02	Suppliers	175,664	155,932
2.01.02.01	Domestic suppliers	162,887	129,968
2.01.02.02	Foreign suppliers	12,777	25,964
2.01.03	Tax liabilities	20,742	14,903
2.01.03.01	Federal tax liabilities	18,258	11,157
2.01.03.01.01	Income tax and social contribution payable	4,695	0
2.01.03.01.02	Other Taxes	13,563	11,157
2.01.03.02	State tax liabilities	2,401	3,744
2.01.03.03	Municipal tax liabilities	83	2
2.01.04	Loans and financing	128,470	113,126
2.01.04.01	Loans and financing	115,208	103,676
2.01.04.01.01	In domestic currency	11,591	8,260
2.01.04.01.02	In foreign currency	103,617	95,416
2.01.04.02	Debentures	13,262	9,450
2.01.05	Other liabilities	241,140	183,594
2.01.05.02	Other	241,140	183,594
2.01.05.02.01	Dividends and interest on own capital	3	3
2.01.05.02.04	Financial loan	45,286	59,057
2.01.05.02.05	Foreign exchange withdrawals	68,799	43,795
2.01.05.02.07	Advance from receivables	58,866	48,455
2.01.05.02.08	Advance from clients	61,397	27,848
2.01.05.02.09	Other liabilities	6,789	4,436
2.01.06	Provisions	71,324	65,155
2.01.06.01	Tax, social security, labor and civil provisions	56,599	52,501
2.01.06.01.01	Tax provisions	27,689	27,689
2.01.06.01.02	Social security and labor provisions	5,213	3,162
2.01.06.01.04	Civil provisions	23,697	21,650
2.01.06.02	Other provisions	14,725	12,654
2.01.06.02.01	Provision for guarantees	14,725	12,654
2.02	Non-current liabilities	620,261	687,122
2.02.01	Loans and financing	506,643	576,766
2.02.01.01	Loans and financing	444,891	501,128
2.02.01.01.01	In domestic currency	13,592	18,131
2.02.01.01.02	In foreign currency	431,299	482,997
2.02.01.02	Debentures	61,752	75,638
2.02.02	Other liabilities	66,840	66,257
2.02.02.01	Liabilities from Related parties	49,947	49,310
2.02.02.01.02	Debits with subsidiaries	6,708	6,241
2.02.02.01.04	Debts with other related parties	43,239	43,069
2.02.02.02	Other	16,893	16,947
2.02.02.02.03	Taxes payable	214	549

Individual financial statements/ Balance sheet - Liabilities

(In thousands of reais)

Code of account	Account description	Current quarter 09/30/2019	Prior year 12/31/2018
2.02.02.02.04	Provision for unsecured liability	16,679	16,165
2.02.02.02.06	Suppliers	0	233
2.02.04	Provisions	46,778	44,099
2.02.04.01	Tax, social security, labor and civil provisions	46,778	44,099
2.02.04.01.02	Social security and labor provisions	31,883	32,583
2.02.04.01.04	Civil provisions	14,895	11,516
2.03	Shareholders' equity	-320,169	-406,963
2.03.01	Realized capital	520,259	465,218
2.03.02	Capital reserves	-31,116	-31,170
2.03.02.03	Disposal of subscription bonus	9,880	9,826
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-990,794	-1,012,915
2.03.06	Equity valuation adjustments	46,204	47,023
2.03.07	Accumulated translation adjustments	135,278	124,881

Individual financial statements / Statement of income

(In thousands of reais)

Code of account	Account description	Actual quarter 07/01/2019 a 09/30/2019	Accumulated of the current year 01/01/2019-09/30/2019	Equal to same quarter Prier year 07/01/2018 a 09/30/2018	Accumulated of the prior year 01/01/2018-09/30/2018
3.01	Revenue from sales of goods and/or services	197,639	521,343	167,76	470,017
3.02	Cost of goods and/or services sold	-130,277	-348,631	-110,312	-318,8
3.03	Gross income	67,362	172,712	57,448	151,217
3.04	Operating expenses/revenue	-43,8	-70,468	-15,502	-61,17
3.04.01	Sales expenses	-14,841	-38,792	-11,243	-31,195
3.04.02	General and administrative expenses	-19,061	-50,189	-17,415	-43,266
3.04.03	Loss due to the non-recoverability of assets	208	-573	4,422	3,738
3.04.04	Other operating revenue	840	38,769	2,435	7,605
3.04.05	Other operating expenses	-4,513	-14,345	-2,858	-6,121
3.04.06	Equity in net income of subsidiaries	-6,433	-5,338	9,157	8,069
3.05	Income (loss) before financial income and taxes	23,562	102,244	41,946	90,047
3.06	Financial income (loss)	-63,705	-76,246	-37,224	-177,256
3.06.01	Financial revenues	-225	33,042	18,596	36,107
3.06.02	Financial expenses	-63,48	-109,288	-55,82	-213,363
3.07	Income (loss) before income tax	-40,143	25,998	4,722	-87,209
3.08	Income tax and social contribution	13,771	-4,695	43,249	42,596
3.08.01	Current	13,771	-4,695	-3,967	-4,62
3.08.02	Deferred	0	0	47,216	47,216
3.09	Net income (loss) from continued operations	-26,372	21,303	47,971	-44,613
3.11	Income/loss for the period	-26,372	21,303	47,971	-44,613
3.99	Earnings per share - (Reais / Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	-0,33670	0,25630	0,74150	-0,68970
3.99.01.02	Preferred shares	-0,33670	0,25630	0,74150	-0,68970
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	-0,29820	0,24080	0,74150	-0,68970
3.99.02.02	Preferred shares	-0,29810	0,24090	0,74150	-0,68970

Individual financial statements / Statement of comprehensive income

(In thousands of reais)

Code of account	Account description	Actual quarter 07/01/2019 a 30/09/2019	Accumulated of the current year 01/01/2019-09/30/2019	Equal to same quarter Prier year 07/01/2018 a 09/30/2018	Accumulated of the prior year 01/01/2018-09/30/2018
4.01	Net income for the period	-26,372	21,303	47,971	-44,613
4.02	Other comprehensive income	11,913	10,396	5,799	34,507
4.02.01	Translation adjustments in the period	11,913	10,396	6,100	35,425
4.02.02	Realization of equity valuation adjustments	0	0	-301	-918
4.03	Comprehensive income for the period	-14,459	31,699	53,770	-10,106

Individual financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2019–09/30/2019	Accumulated of the prior year 01/01/2018–09/30/2018
6.01	Net cash from operating activities	54,316	7,746
6.01.01	Cash generated in operations	120,256	62,254
6.01.01.01	Net income (loss) before income tax and social contribution	25,998	-87,209
6.01.01.02	Depreciation and amortization	4,061	5,55
6.01.01.03	Cost of permanent asset written-off	226	80
6.01.01.04	Allowance for doubtful accounts	573	-3,738
6.01.01.05	Equity in net income of subsidiaries	5,338	-8,069
6.01.01.08	Provision for interest on loans and financing	26,259	43,725
6.01.01.10	Provision for inventory loss	-222	-6,085
6.01.01.11	Provision for guarantees	7,638	1,832
6.01.01.12	Provision for contingencies	2,071	595
6.01.01.13	Exchange rate change on loans and other	48,314	115,573
6.01.02	Changes in assets and liabilities	-65,94	-54,508
6.01.02.01	(Increase) decrease in trade accounts receivable	-36,788	-115,112
6.01.02.02	Decrease (increase) in inventories	-47,696	-3,653
6.01.02.03	Decrease (increase) in other accounts receivable	-37,561	8,881
6.01.02.04	(Decrease) increase in suppliers	19,499	19,117
6.01.02.05	Increase (Decrease) in accounts payable	36,606	36,259
6.02	Net cash used in investment activities	-4,897	-5,406
6.02.01	Receivables with related companies	3,045	-2,716
6.02.04	In property, plant and equipment	-5,463	-2,509
6.02.05	In intangible assets	-4,096	-35
6.02.06	Interest earning bank deposits	1,617	-146
6.03	Net cash from financing activities	-52,03	-2,575
6.03.02	Loans obtained	61,378	49,249
6.03.03	Payments of loans	-115,908	-23,691
6.03.05	Capital increase	55,041	0
6.03.06	Payment of Interest on loans	-39,407	-21,344
6.03.09	Debts with related companies	-13,134	-6,789
6.05	Increase (decrease) in cash and cash equivalents	-2,611	-235
6.05.01	Opening balance of cash and cash equivalents	5,157	2,543
6.05.02	Closing balance of cash and cash equivalents	2,546	2,308

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2019–09/30/2019

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	465,218	-31,170	0	-1,012,915	171,904	-406,963
5.03	Adjusted opening balances	465,218	-31,170	0	-1,012,915	171,904	-406,963
5.04	Capital transactions with partners	55,041	54	0	0	0	55,095
5.04.01	Capital increases	55,041	0	0	0	0	55,041
5.04.02	Expenses with issuance of shares	0	54	0	0	0	54
5.05	Total comprehensive income	0	0	0	22,121	9,578	31,699
5.05.01	Net income for the period	0	0	0	21,303	0	21,303
5.05.02	Other comprehensive income	0	0	0	818	9,578	10,396
5.05.02.04	Translation adjustments in the period	0	0	0	0	10,396	10,396
5.05.02.06	Realization of revaluation reserve	0	0	0	818	-818	0
5.07	Closing balances	520,259	-31,116	0	-990,794	181,482	-320,169

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018–09/30/2018

(In thousands 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	404,489	-40,996	0	-952,635	143,909	-445,233
5.02	Previous Year Adjustments	0	0	0	-1,635	0	-1,635
5.02.01	Initial adoption of IFRS 9	0	0	0	-1,635	0	-1,635
5.03	Adjusted opening balances	404,489	-40,996	0	-954,270	143,909	-446,868
5.05	Total comprehensive income	0	0	0	-43,695	34,507	-9,188
5.05.01	Net income for the period	0	0	0	-44,613	0	-44,613
5.05.02	Other comprehensive income	0	0	0	918	34,507	35,425
5.05.02.0	Translation adjustments in the period	0	0	0	0	35,425	35,425

Individual financial statements/ Statement of added value

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2019–09/30/2019	Accumulated of the prior year 01/01/2018–09/30/2018
7.01	Revenues	665,235	478,46
7.01.01	Sale of goods, products and services	627,039	467,115
7.01.02	Other revenues	38,769	7,605
7.01.04	Formation/reversal of allowance for doubtful accounts	-573	3,74
7.02	Inputs acquired from third parties	-390,376	-330,823
7.02.01	Cost of products, goods and services sold	-347,438	-326,093
7.02.02	Materials, Energy, Third-party services and other	-42,938	-4,73
7.03	Gross added value	274,859	147,637
7.04	Retentions	-4,063	-5,549
7.04.01	Depreciation, amortization and depletion	-4,063	-5,549
7.05	Net added value produced	270,796	142,088
7.06	Added value received as transfer	27,704	44,176
7.06.01	Equity in net income of subsidiaries	-5,338	8,069
7.06.02	Financial revenues	33,042	36,107
7.07	Total added value payable	298,5	186,264
7.08	Distribution of added value	298,5	186,264
7.08.01	Personnel	46,439	49,465
7.08.01.01	Direct remuneration	35,186	41,822
7.08.01.02	Benefits	8,734	6,869
7.08.01.03	Severance Pay Fund (FGTS)	2,519	774
7.08.02	Taxes, duties and contributions	121,254	-32,236
7.08.02.01	Federal	89,042	-32,268
7.08.02.02	State	32,179	0
7.08.02.03	Municipal	33	32
7.08.03	Third-party capital remuneration	109,504	213,648
7.08.03.01	Interest	109,287	213,512
7.08.03.02	Rentals	217	136
7.08.04	Remuneration of own capital	21,303	-44,613
7.08.04.03	Retained earnings / Loss for the period	21,303	-44,613

Consolidated financial statements / Balance sheet – Assets

(In thousands of reais)

Code of account	Account description	Current quarter 09/30/2019	Prior year 12/31/2018
1	Total assets	1,084,833	921,156
1.01	Current assets	763,364	616,217
1.01.01	Cash and cash equivalents	26,425	26,766
1.01.01.01	Cash and banks	23,589	23,562
1.01.01.02	Interbank funds applied	2,836	3,204
1.01.02	Interest earning bank deposits	884	1,801
1.01.03	Accounts receivable	167,159	140,420
1.01.03.01	Trade accounts receivable	167,159	140,420
1.01.04	Inventories	351,489	277,037
1.01.06	Recoverable taxes	75,760	29,461
1.01.06.01	Recoverable current taxes	75,760	29,461
1.01.07	Prepaid expenses	7,571	6,309
1.01.08	Other current assets	134,076	134,423
1.01.08.01	Non-current assets held for sale	122,006	122,551
1.01.08.03	Other	12,070	11,872
1.01.08.03.02	Non-current assets	12,070	11,872
1.02	Long term assets	321,469	304,939
1.02.01	Interest earning bank deposits measured at fair value	91,029	84,539
1.02.01.03	Interest earning bank deposits measured at amortized cost	46	1,053
1.02.01.07	Deferred taxes	77,071	73,419
1.02.01.07.01	Deferred income tax and social contribution	77,071	73,419
1.02.01.10	Other non-current assets	13,912	10,067
1.02.01.10.03	Recoverable taxes	246	246
1.02.01.10.04	Other	13,666	9,821
1.02.02	Investments	192	192
1.02.02.01	Equity interest	192	192
1.02.02.01.05	Other equity interest	192	192
1.02.03	Property, plant and equipment	151,029	144,429
1.02.03.01	Fixed assets in operation	136,025	140,137
1.02.03.03	Constructions in progress	15,004	4,292
1.02.04	Intangible assets	79,219	75,779
1.02.04.01	Intangible assets	79,219	75,779

Consolidated financial statements / Balance sheet - Liabilities

(In thousands of reais)

Code of	Account description	Current quarter 09/30/2019	Prior year 12/31/2018
2	Total liabilities	1.084.833	921,156
2.01	Current liabilities	679,214	535,626
2.01.01	Social and labor obligations	41,922	31,946
2.01.01.01	Social charges	12,389	14,695
2.01.01.02	Labor obligations	29,533	17,251
2.01.02	Suppliers	127,129	94,707
2.01.02.01	Domestic suppliers	72,973	55,921
2.01.02.02	Foreign suppliers	54,156	38,786
2.01.03	Tax liabilities	57,073	41,902
2.01.03.01	Federal tax liabilities	54,532	37,729
2.01.03.01.01	Income tax and social contribution payable	18,553	8,135
2.01.03.01.02	Other Taxes	35,979	29,594
2.01.03.02	State tax liabilities	2,45	4,165
2.01.03.03	Municipal tax liabilities	91	8
2.01.04	Loans and financing	128,47	113,126
2.01.04.01	Loans and financing	115,208	103,676
2.01.04.01.01	In domestic currency	11,591	8,26
2.01.04.01.02	In foreign currency	103,617	95,416
2.01.04.02	Debentures	13,262	9,45
2.01.05	Other liabilities	237,842	175,769
2.01.05.02	Other	237,842	175,769
2.01.05.02.01	Dividends and interest on own capital	3	3
2.01.05.02.05	Foreign exchange withdrawals	68,799	43,795
2.01.05.02.08	Advance from receivables	58,866	48,455
2.01.05.02.09	Advance from clients	61,648	28,793
2.01.05.02.10	Liabilities from non-current assets held for sale	29,862	33,27
2.01.05.02.11	Other liabilities	18,664	21,453
2.01.06	Provisions	86,778	78,176
2.01.06.01	Tax, social security, labor and civil provisions	66,522	60,273
2.01.06.01.01	Tax provisions	27,689	27,689
2.01.06.01.02	Social security and labor provisions	9,659	5,235
2.01.06.01.04	Civil provisions	29,174	27,349
2.01.06.02	Other provisions	20,256	17,903
2.01.06.02.01	Provision for guarantees	20,256	17,903
2.02	Non-current liabilities	725,788	792,493
2.02.01	Loans and financing	639,414	703,565
2.02.01.01	Loans and financing	577,662	627,927
2.02.01.01.01	In domestic currency	13,592	18,131
2.02.01.01.02	In foreign currency	564,07	609,796
2.02.01.02	Debentures	61,752	75,638
2.02.02	Other liabilities	234	987
2.02.02.02	Other	234	987
2.02.02.02.04	Taxes payable	234	592
2.02.02.02.06	Suppliers	0	395
2.02.03	Deferred taxes	21,101	20,804
2.02.03.01	Deferred income tax and social contribution	21,101	20,804

Consolidated financial statements / Balance sheet - Liabilities

(In thousands of reais)

Code of	Account description	Current quarter 09/30/2019	Prior year 12/31/2018
2.02.04	Provisions	65,039	67,137
2.02.04.01	Tax, social security, labor and civil provisions	59,043	61,558
2.02.04.01.02	Social security and labor provisions	44,148	49,842
2.02.04.01.04	Civil provisions	14,895	11,716
2.02.04.02	Other provisions	5,996	5,579
2.02.04.02.01	Provision for guarantees	5,996	5,579
2.03	Consolidated shareholders' equity	-320,169	-406,963
2.03.01	Realized capital	520,259	465,218
2.03.02	Capital reserves	-31,116	-31,170
2.03.02.03	Disposal of subscription bonus	9,880	0
2.03.02.09	Capital transactions	-40,996	-31,170
2.03.05	Retained Earnings/Losses	-990,794	-1,012,915
2.03.06	Equity valuation adjustments	46,204	47,023
2.03.07	Accumulated translation adjustments	135,278	124,881

Consolidated financial statements / Statement of income

(In thousands of reais)

Code of account	Account description	Actual quarter 07/01/2019 a 09/30/2019	Accumulated of the current year 01/01/2019 - 09/30/2019	Equal same quarter prior year 07/01/2018 a 09/30/2018	Accumulated of the prior year 01/01/2018- 09/30/2018
3.01	Revenue from sales of goods and/or services	242,301	727,371	192,292	623,535
3.02	Cost of goods and/or services sold	-158,439	-471,110	-114,625	-387,423
3.03	Gross income	83,862	256,261	77,667	236,112
3.04	Operating expenses/revenue	-65,239	-157,920	-60,710	-162,884
3.04.01	Sales expenses	-30,763	-87,517	-26,242	-74,409
3.04.02	General and administrative expenses	-31,488	-98,216	-37,614	-98,391
3.04.03	Loss due to the non-recoverability of assets	6	-262	4,183	3,811
3.04.04	Other operating revenue	2,085	42,268	2,530	18,554
3.04.05	Other operating expenses	-5,079	-14,193	-3,567	-12,449
3.05	Income (loss) before financial income and taxes	18,623	98,341	16,957	73,228
3.06	Financial income (loss)	-64,241	-77,762	-39,161	-183,922
3.06.01	Financial revenues	217	34,366	19,971	38,597
3.06.02	Financial expenses	-64,458	-112,128	-59,132	-222,519
3.07	Income (loss) before income tax	-45,618	20,579	-22,204	-110,694
3.08	Income tax and social contribution	18,401	-235	64,008	62,472
3.08.01	Current	15,982	-4,312	-4,580	-6,921
3.08.02	Deffered	2,419	4,077	68,588	69,393
3.09	Net income (loss) from continued operations	-27,217	20,344	41,804	-48,222
3.10	Net income (loss) from discontinued operations	845	959	6,167	3,609
3.10.01	Net income (loss) of discontinued operations	845	959	6,167	3,609
3.11	Income/loss for the period	-26,372	21,303	47,971	-44,613
3.11.01	Attributed to the Parent Company's shareholders	-26,372	21,303	47,971	-44,613
3.99	Earnings per share - (Reais / Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	-0.3367	0.2563	0.7415	-0.6897
3.99.01.02	Preferred shares	-0.3367	0.2563	0.7415	-0.6897
3.99.02	Diluted earnings per share				

Consolidated financial statements / Statement of income

(In thousands of reais)

Code of account	Account description	Actual quarter 06/01/2019 a 30/09/2019	Accumulated of the current year 01/01/2019 - 09/30/2019	Equal same quarter prior year 06/01/2018 a 30/09/2018	Accumulated of prior year 01-01/2018-09/30/2018
3.99.02.02	Preferred shares	-0.29810	0.24090	0.74150	-0.68970

Consolidated financial statements / Statement of comprehensive income

(In thousands of reais)

Code of account	Account description	Actual quarter 07/01/2019 a 09/30/2019	Accumulated of the current year 01/01/2019-09/30/2019	Equal same quarter prior year 07/01/2018 a 09/30/2018	Accumulated of the prior year 01/01/2018-09/30/2018
4.01	Consolidated net income for the period	-26,372	21,303	47,971	-44,613
4.02	Other comprehensive income	11,913	10,396	5,799	34,507
4.02.01	Translation adjustments in the period	11,913	10,396	6,1	35,425
4.02.02	Realization of equity valuation adjustments	0	0	-301	-918
4.03	Consolidated comprehensive income for the period	-14,459	31,699	53,77	-10,106
4.03.01	Attributed to the Parent Company's shareholders	-14,459	31,699	53,77	-10,106

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Accumulated of the current year 01/01/2019–09/30/2019	Accumulated of the prior year 01/01/2018–09/30/2018
6.01	Net cash from operating activities	60,847	24,368
6.01.01	Cash generated in operations	130,349	102,136
6.01.01.01	Net income (loss) before income tax and social contribution	20,579	-110,694
6.01.01.02	Depreciation and amortization	16,433	25,092
6.01.01.03	Cost of permanent assets written-off	1,995	7,199
6.01.01.06	Provision for Derivative financial instruments	0	-224
6.01.01.07	Allowance for doubtful accounts	262	-3,811
6.01.01.10	Provision for interest on loans and other	26,259	49,434
6.01.01.16	Provision for guarantees	-41	-6,26
6.01.01.17	Exchange-rate change on loans and financing	2,77	2,38
6.01.01.18	Provision for contingencies	8,844	-76
6.01.01.19	Net cash from discontinued operations	7,243	2,389
6.01.01.20	Depreciation and amortization	46,005	136,707
6.01.02	Changes in assets and liabilities	-64,786	-76,609
6.01.02.01	(Increase) decrease in trade accounts receivable	-27,001	-70,598
6.01.02.02	(Increase) decrease in inventories	-74,411	-67,141
6.01.02.03	(Increases) in other accounts receivable	-47,927	17,273
6.01.02.04	Increase in suppliers	32,027	1,604
6.01.02.05	Increase in accounts payable	52,526	42,253
6.01.03	Other	-4,716	-1,159
6.01.03.02	Payment of IRPJ and CSLL	-4,716	-1,159
6.02	Net cash used in investment activities	-23,94	-12,604
6.02.04	In property, plant and equipment	-20,503	-9,078
6.02.05	In intangible assets	-3,373	-875
6.02.06	Interest earning bank deposits	1,924	-185
6.02.07	Net cash from investment activities - Discontinued	-1,988	-2,466
6.03	Net cash from financing activities	-37,248	-7,058
6.03.02	Loans obtained	74,108	67,072
6.03.03	Payment of loans	-120,357	-43,363
6.03.05	Capital increase	55,041	0
6.03.10	Payment of Interest on loans	-39,407	-21,355
6.03.13	Net cash from financing activities - Discontinued	-6,633	-9,412
6.05	Increase (decrease) in cash and cash equivalents	-341	4,706
6.05.01	Opening balance of cash and cash equivalents	26,766	6,679
6.05.02	Closing balance of cash and cash equivalents	26,425	11,385

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL – 01/01/2019–09/30/2019

(In thousands 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	Non-controlling interest	Shareholders' equity Consolidated
5.01	Opening balances	465,218	-31,170	0	-1,012,915	171,904	-406,963	0	-406,963
5.03	Adjusted opening balances	465,218	-31,170	0	-1,012,915	171,904	-406,963	0	-406,963
5.04	Capital transactions with partners	55,041	54	0	0	0	55,095	0	55,095
5.04.01	Capital increases	55,041	0	0	0	0	55,041	0	55,041
5.04.02	Expenses with issuance of shares	0	54	0	0	0	54	0	54
5.05	Total comprehensive income	0	0	0	22,121	9,578	31,699	0	31,699
5.05.01	Net income for the period	0	0	0	21,303	0	21,303	0	21,303
5.05.02	Other comprehensive income	0	0	0	818	9,578	10,396	0	10,396
5.05.02.04	Consolidated comprehensive income	0	0	0	0	10,396	10,396	0	10,396
5.05.02.06	Realization of equity valuation adjustments	0	0	0	818	-818	0	0	0
5.07	Closing balances	520,259	-31,116	0	-990,794	181,482	-320,169	0	-320,169

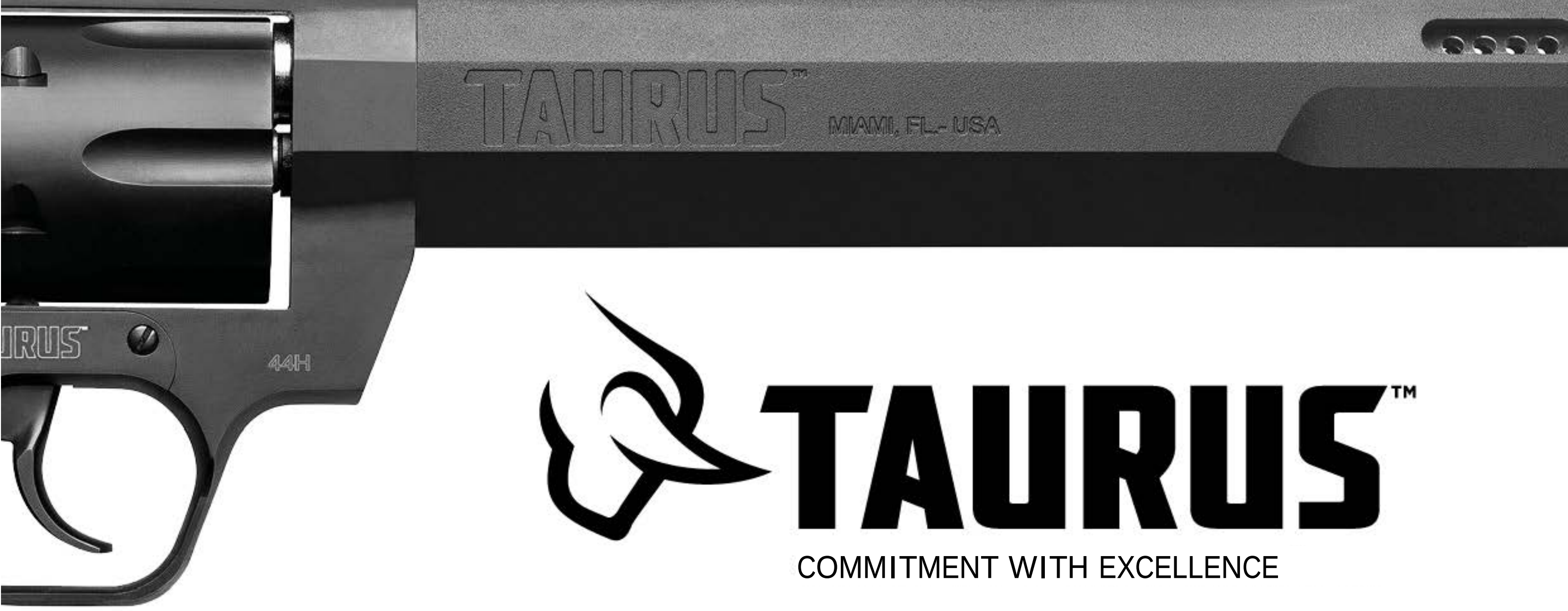
Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL – 01/01/2018–09/30/2018

(In thousands 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	Non-controlling interest	Shareholders' equity Consolidated
5.01	Opening balances	404,489	-40,996	0	-952,635	143,909	-445,233	0	-445,233
5.02	Prior-year adjustments	0	0	0	-1,635	0	-1,635	0	-1,635
5.02.01	Initial adoption of IFRS 9	0	0	0	-1,635	0	-1,635	0	-1,635
5.03	Adjusted opening balances	404,489	-40,996	0	-954,27	143,909	-446,868	0	-446,868
5.05	Total comprehensive income	0	0	0	-43,695	34,507	-9,188	0	-9,188
5.05.01	Net income for the period	0	0	0	-44,613	0	-44,613	0	-44,613
5.05.02	Other comprehensive income	0	0	0	918	34,507	35,425	0	35,425
5.05.02.04	Translation adjustments in the period	0	0	0	0	35,425	35,425	0	35,425
5.05.02.06	Realization of equity valuation adjustments	0	0	0	918	-918	0	0	0
5.07	Closing balances	404,489	-40,996	0	-997,965	178,416	-456,056	0	-456,056

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

Code of account	Account description	Accumulated of the current year 01/01/2019–09/30/2019	Accumulated of the prior year 01/01/2018–09/30/2018
7.01	Revenues	889,703	641,958
7.01.01	Sale of goods, products and services	847,697	620,601
7.01.02	Other revenues	42,268	18,554
7.01.04	Formation/reversal of allowance for doubtful accounts	-262	2,803
7.02	Inputs acquired from third parties	-525,29	-431,198
7.02.01	Cost of products, goods and services sold	-479,597	-435,118
7.02.02	Materials, Energy, Third-party services and other	-45,693	3,92
7.03	Gross added value	364,413	210,76
7.04	Retentions	-16,433	-24,365
7.04.01	Depreciation, amortization and depletion	-16,433	-24,365
7.05	Net added value produced	347,98	186,395
7.06	Added value received as transfer	35,325	42,206
7.06.02	Financial revenues	34,366	38,597
7.06.03	Other	959	3,609
7.06.03.20	Undistributed value added from discontinued operations	959	3,609
7.07	Total added value payable	383,305	228,601
7.08	Distribution of added value	383,305	228,601
7.08.01	Personnel	106,653	97,744
7.08.01.01	Direct remuneration	81,933	81,327
7.08.01.02	Benefits	18,667	14,547
7.08.01.03	Severance Pay Fund (FGTS)	6,053	1,87
7.08.02	Taxes, duties and contributions	142,411	-42,084
7.08.02.01	Federal	109,045	-42,358
7.08.02.02	State	33,101	1
7.08.02.03	Municipal	265	273
7.08.03	Third-party capital remuneration	112,938	217,554
7.08.03.01	Interest	112,13	217,042
7.08.03.02	Rentals	808	512
7.08.05	Other	21,303	-44,613
7.08.05.01	Retained losses, net of realization of equity valuation adjustments - Continued Operation	20,344	-48,222
7.08.05.02	Retained losses, net of realization of equity valuation adjustments - Discontinued operation	959	3,609



TAURUS™

COMMITMENT WITH EXCELLENCE

TAURUS CLOSES FIRST NINE MONTHS OF 2019 WITH NET REVENUE OF R$ 727.4 MILLION AND GROSS MARGIN OVER 35%

***São Leopoldo, November 13, 2019** – Taurus Armas S.A. ("Taurus" or "Company"), listed on B3's Corporate Governance Level 2 (Symbols: TASA3, TASA4), one of the world's largest firearm manufacturers, operating with the brands Taurus, Rossi and Heritage, hereby reports its results for the **third quarter of 2019 (3Q19)** and year-to-date for the **first nine months of 2019 (9M19).** Financial and operating information below, except where otherwise indicated, are presented in Brazilian Reais (R$), follow international accounting standards (IFRS) and Brazilian accounting principles. Comparisons refer to the same periods of 2018, unless otherwise indicated.*

Consolidated Financial Highlights 9M19 x 9M18

16.7% increase in net operating revenue, totaling R$ 727.4 million, and gross margin of 35.2%.

Record EBITDA of R$ 114.8 million, 18.2% higher than 9M18.

Operating highlights 9Q19

The TX22 Pistol, the first model developed and launched by the current company management, is named the "American Handgun of the Year 2019."

Launch of the G3 pistol on the US market and recognition as best buy of the year in the USA.

Main Indicators

R$ million	3Q19	3Q18	Change %	2Q19	Change %	9M19	9M18	Change %
Net operating revenue	242.3	192.3	*26.0%*	233.0	*4.0%*	727.4	623.5	*16.7%*
Domestic market	48.3	38.5	*25.5%*	37.2	*29.8%*	123.2	106.9	*15.2%*
Foreign market	194.0	153.8	*26.1%*	195.8	*-0.9%*	604.1	516.6	*16.9%*
CPV	-158.4	-114.6	*38.2%*	-152.6	*3.8%*	-471.1	-387.4	*21.6%*
Gross income	83.9	77.7	*8.0%*	80.4	*4.4%*	256.3	236.1	*8.5%*
Gross margin (%)	*34.6%*	*40.4%*	*-5.8 p.p.*	*34.5%*	*+0.1 p.p.*	*35.2%*	*37.9%*	*-2.7 p.p.*
Operating expenses - SG&A	-65.2	-60.7	*7.5%*	-31.5	*107.0%*	-157.9	-162.9	*-3.0%*
Operating income (EBIT)	18.6	17.0	*9.8%*	48.8	*-61.9%*	98.3	73.2	*34.3%*
EBIT margin %	*7.7%*	*8.8%*	*-1.1 pp.*	*21.0%*	*-13.3 p.p*	*13.5%*	*11.7%*	*+1.8 p.p.*
Net financial income (loss)	-64.2	-39.2	*64.0%*	-1.5	*4199.9%*	-77.8	-183.9	*-57.7%*
Income tax and social contribution	18.4	64.0	*-71.2%*	-4.4	-	-0.2	62.5	-
Net income / (loss) (continued operations)	**-27.2**	**41.8**	-	**43.0**	-	**20.3**	**-48.2**	-
Net income (loss) from discontinued operations	0.8	6.2	*-86.3%*	0.6	*32.0%*	1.0	3.6	*-73.4%*
Net income / (loss)	**-26.4**	**48.0**	-	**43.6**	-	**21.3**	**-44.6**	-
Ebitda*	**19.9**	24.3	*-18.2%*	56.4	*-64.7%*	**114.8**	97.1	*18.2%*
*Ebitda margin**	8.2%	12.6%	*-5.0 p.p.*	*24.2%*	*-16.0 p.p.*	15.8%	15.6%	*+0.2 p.p.*

Note - Ebitda (stands for income before interest, taxes, depreciation and amortization) is not an indicator used in accounting practices. The calculation spreadsheet is presented in "EBITDA" item of this report.

Message from the Board


92 Inox Pistol

The release of our results for 3Q19 coincides with a very special date for us: Taurus' 80th anniversary, having been founded in November 1939. The ability to transform, adapt and modernize is essential for any company to achieve such longevity. At Taurus, we reach our 80th anniversary with a renewed Company, including strategic planning defined by the new Management, following its course and showing effective results. The measures adopted, both in management and operational processes, translate into solid results, confirmed by increased sales and improved operating and financial indicators.

We continued with the operational restructuring of our unit in the USA, as we did in the Brazilian operation. With support from consulting firm Galeazzi & Associados, we are adopting new administrative and operational processes at our US subsidiary. In December, we will be holding the grand opening event of our factory in Georgia, with 23,000 square meters of floor space, where the new infrastructure provides greater industrial efficiency and, therefore, reduced operating costs. The first production line at the new facility began in August; 100% of the US operation will be at the new plant by December. This change in physical structure, accompanied by ongoing administrative and operational restructuring, will give us real opportunities to expand our position in the US, the world's largest firearm consumer market.


RT44H Raging Hunter

Regarding business performance, the results for 9M19 show an upswing compared to the same period in 2018, a year that had outperformed the previous year. In the nine months from January to September of this year, with accumulated net revenue of R$ 727.4 million and EBITDA of R$ 114.8 million, we have already achieved 86% of revenue and nearly equaled (99.0%) adjusted EBITDA of all 12 months of the previous fiscal year. Gross margin remained above 35%, in line with our target, which we consider appropriate for a healthy operation in the firearms' industry. The Company accumulated net income of R$ 21.3 million in 9M19, reversing the negative net income for the same period last year. The goal of improving operational and financial indicators has thus been achieved.

A major highlight in the year – and part of the strategic planning currently in force – is our portfolio renewal, presenting strong, reliable, innovative and safe product launches that meet consumer demands. The fact that 62% of the Company's revenue in the first nine months of 2019 came from the sale of new products indicates the success of this strategy. This is also confirmed by the recognition our products have received. Another project developed and launched by the Company's current management, the TX22 pistol, was recognized as the best small firearm of the year, when it was named on November 5 as the winner of one of the foremost awards in the sector: "American Handgun of the Year 2019," organized by the renowned US-based *Guns & Ammo* magazine. Receiving this award fills us with pride and encourages us to continue the work of building this new Taurus.

608 Inox Revolver

And the recognition doesn't stop there. Another highlight of the period is the Taurus G3 9-mm pistol, an evolution of the G2 model, the best-selling item in the Company's portfolio, which incorporates an innovative modular firing system. Launched on August 30 on US market, the innovations incorporated in the G3 meet consumer demands, with new developments in terms of grip and trigger ergonomics, firing capacity, among others. Soon after its release, the pistol was already featured in a cover story by the same magazine (*Guns & Ammo*), as the best buy of the year in its category.

In our judgment, we reached the end of 3Q19 with several major achievements at the Company. And the last quarter will be festive here at Taurus, with our 80th anniversary, the grand opening of our new US factory, and the 2019 "Best Handgun of the Year" award. We remain confident that we are on the right track and that new achievements are forthcoming.

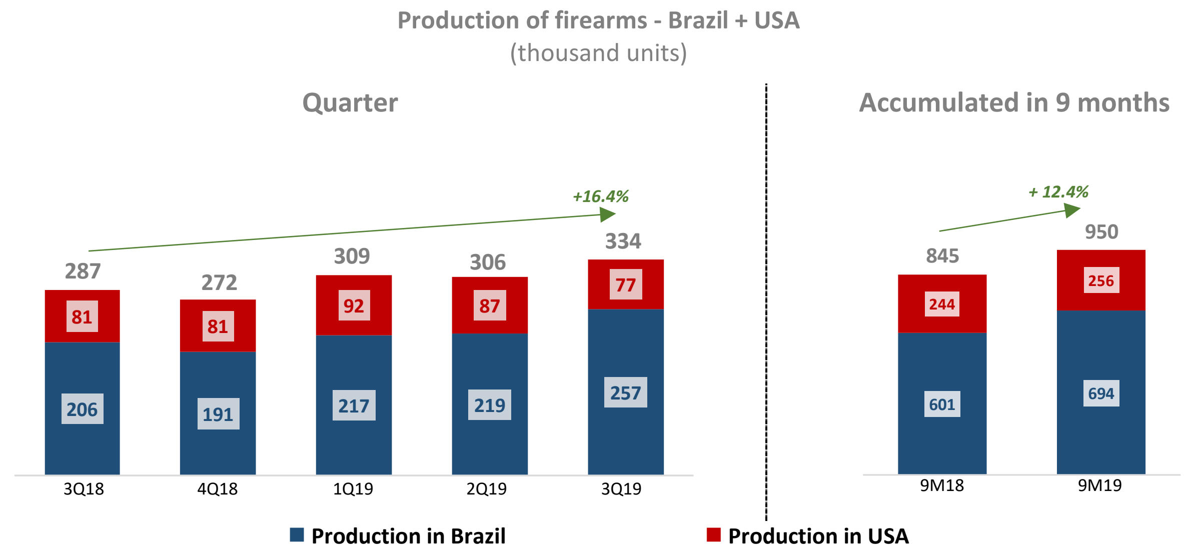
Salesio Nuhs

CEO

OPERATING PERFORMANCE

One of the world's largest small firearm manufacturers, in November 2019 Taurus Armas S.A. celebrates the 80th anniversary of its founding. Combining tradition and innovation, its focus is the production and marketing of firearms that are sold in over 100 countries, under the Taurus, Heritage and Rossi brands. The Company has two factories: São Leopoldo, RS (headquarters) and USA.

The Company also operates in the manufacture and sale of MIM (Metal Injection Molding) parts, with production mostly for its own use, as well as sales to third parties. In 2018, Taurus put helmet operation on sale, so that income from this segment started to be accounted for, since then, as "discontinued operations" in its Financial Statements.



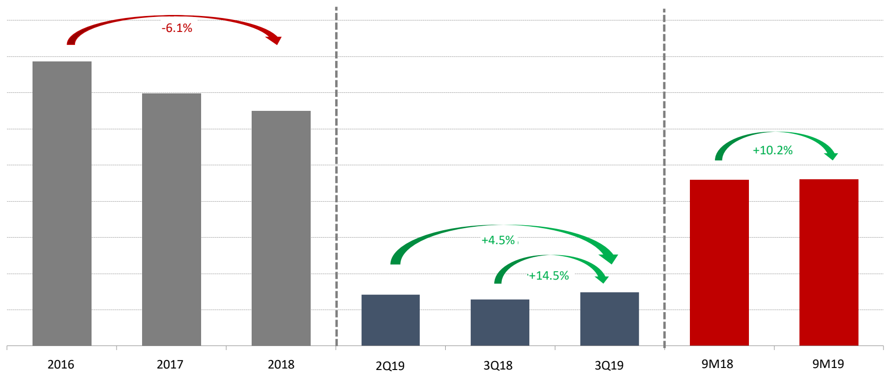
Production of firearms in the industrial unit of São Leopoldo, Rio Grande do Sul State (RS), is directed to the domestic market, as well as to sale to USA, and for export to other countries. Taurus unit in the US directs its entire production to the US market. In the 9M19, the Company's total firearm production exceeded by 16.4% production recorded in the same period of 2018, reaching 334 thousand units, with 77.0% manufactured in Brazil. Considering the first nine-month period of 2019, production totaled 950 thousand units, a 12.4% higher than the production recorded in the 9M18.

Currently, the daily production capacity of Taurus is more than 5,000 firearms a day, which is equivalent to 1.4 million firearms a year, of which 1 million are made at the Brazilian unit. With transfer of the US plant from Florida to the new unit in Georgia up to the end of 2019, the installed capacity in that country will double from current 400 thousand firearms/year to 800 thousand firearms/year.

The index of intented purchase of firearms on the **US market**, measured by the "Adjusted NICS (National Instant Background Check System)" had been declining from 2017 until the first half of this year, indicating a very competitive market for manufacturers. In 3Q19, this retraction was reversed, rising 4.5% compared to the immediately previous quarter and 14.5% compared to the same quarter in 2018, but still without an effective indication of a growth trend in sales, since this increase took place in relation to a somewhat reduced basis of comparison. The indicator may have even been influenced by the discounts offered by certain brands during the quarter. In the first nine months of the year, the number of consultations for firearm purchases on the US market remained virtually stable (+0.2%) compared to the same period in 2018.

It is worth noting that, while being a good indicator of market performance, the NICS measures the number of orders of firearms in the US, which does not necessarily represent the actual quantity of firearms sold.

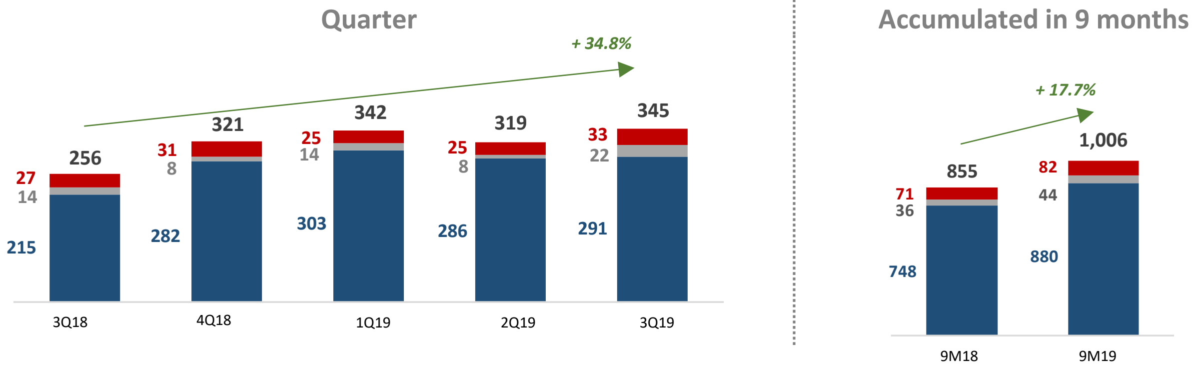
Adjusted NICS - National Instant Background Check System
Number of inquiries



The Company's **sales** in the **US** for the 3Q19 totaled 291 thousand units, leading to a total volume of 880 thousand units in the 9M19, representing an increase of 35.3% and 17.6%, respectively, compared to the same periods of the previous year. In Q319, the strongest growth in sales volume was driven by promotions, with special sale prices during the holiday period, when sales tend to fall.

Despite the downswing in the US arms market in the last two years, the Company has recorded successive increases in sales volume in that nation. This is largely due to the success of the product launches carried out during the last two years, with models that meet consumer demands by combining innovation, quality and price. An example of this is the TX22 pistol, introduced to the market in January at the SHOT Show, the world's largest arms fair, and available a few weeks later at dealers across the US. In early November, the TX22 was honored with the "American Handgun of the Year 2019" award by *Guns & Ammo* magazine, widely considered to be one of the industry's top recognitions. The pistol won over consumers over its performance, quality, design and price, becoming a hit with users in the US and worldwide. In September we launched the G3 pistol, an evolution of the G2 model, which was already the Company's best-selling firearm. The new features incorporated in the G3 model, combined with the firearm's competitive price, provided immediate recognition among consumers; the model was named as the year's best purchase in its category, also by *Guns & Ammo* magazine.

Volume of sales - total
(thousand units)



■ USA ■ Export (Other countries) ■ Brazil

Sales on the Brazilian market were outstanding in the quarter, with a total of 32,700 units sold, representing an increase of 20.9% over 3Q18. Considering YTD from January to September, the number of arms sold on the Brazilian market totaled 82,3000 units, surpassing the sales made during the same period in 2018 by 15.6%. The good sales performance reflects the resumption of consumer confidence and admiration for Taurus products, as a result of all the work being done at the Company on the renovation of processes and dedication to launching products with built-in innovation.

Taurus's participation in the "Brazil Week" event created by the federal government to stimulate consumption also contributed to the positive performance of the Company's sales on the domestic market. The promotion was held September 6–15, offering the entire line of firearms with a 20% discount for orders registered on the e-commerce site in the period. The initiative had excellent consumer response, with more than 2,000 orders per day included on the Taurus website, totaling more than 20,000 orders in the period. Among the most popular models are the G2C 9mm and TS9 pistols, and the RT627 revolver. All paid and authorized orders, with submission of the required documentation, are being fulfilled immediately. However, considering the legal requirements for firearm purchases in Brazil, there is a period for the realization of these sales that will therefore be effective in the 4Q19, not substantially influencing the sales made during 3Q19.

G2c .40 S&W Inox Pistol

TS9 Pistol

RT627 Revolver

In 3Q19, the sale to the Philippine National Police of the third lot of Striker TS9 pistols – a model developed for law enforcement and military use – was Taurus' main **export of Taurus firearms to other countries**, not considering sales to the US. Sales to countries in Africa and Central America are also noteworthy. The Company continues to develop contacts to open new international markets.

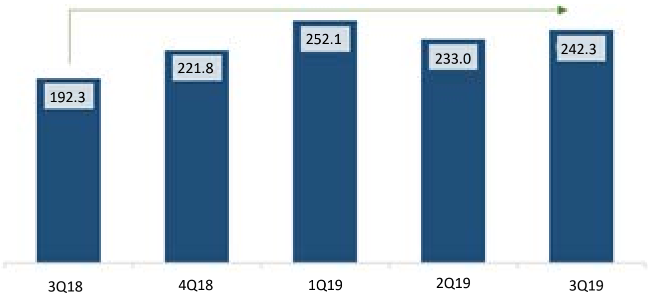
ECONOMIC FINANCIAL PERFORMANCE

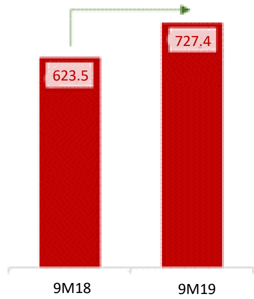
Net operating revenue

Consolidated net operating revenue
(R$ million)

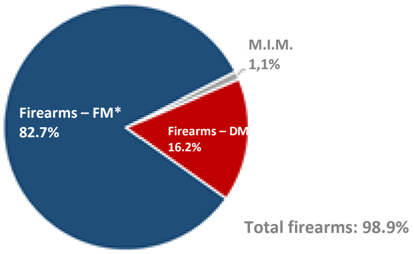
Quarter | Accumulated in 9 months

+26.0% +16.7





Consolidated Revenue per Segment - 9M19



* Firearms – FM includes revenue in the US and exports to other countries

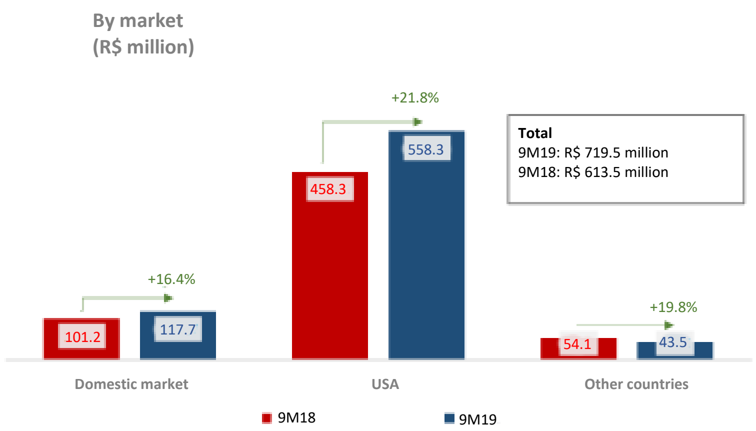
Accumulated revenue in the first nine months of the year remains high compared to the same period of 2018, totaling R$ 727.4 million – another new record in the history of Taurus for this period.

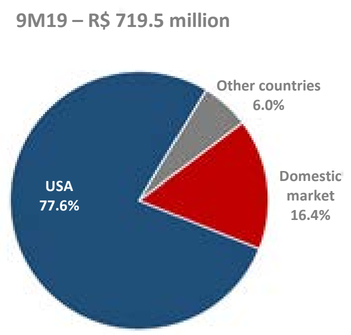
In 9M19, the Company recorded **consolidated net revenue** growth when compared to the same period of the previous year, with increased revenue from firearm sales both domestically and internationally. Revenue of R$ 242.3 million in 3Q19, which was 26.0% higher than 3Q18, led to the 2019 nine-month YTD totaling R$ 727.4 million – 16.7% higher than 9M18. Foreign-exchange gains contributed to the company's performance when recording sales made abroad in domestic currency. It is worth noting that there is seasonality in firearm sales, especially on the US market, which accounts for most of the Company's revenue. Accordingly, comparison between equal period is the most indicated, as it eliminates possible distortions in evaluation.

The upswing in operating revenue has been consistent quarter by quarter since the beginning of 2018, reflecting the strategic actions taken by the Company and, therefore, is not just related to random and occasional occurrences. The renewal of the product portfolio – with launches of models that meet consumer demands in terms of quality and innovation – is a fundamental part of Taurus' current positioning on the Brazilian and international firearms market. In the 9M19, sales of new products accounted for 61.8% of firearms sales revenue, or 61.2% of the Company's total net sales.

In addition to producing and trading light firearms, the Company carries out occasional sale of metal-injected parts (M.I.M. *metal injection molding*). MIM production is mainly for own use, therefore, revenue deriving from sales to third parties is not very expressive to Taurus. The segment had a net revenue of R$ 7.9 million in the 9M19, which represents 1.1% of total revenue for the period.

FIREARMS - Net operating revenue





The Company's revenue from **firearm sales on the US market** in 9M19 increased 21.8% compared to the same period in 2018, totaling R$ 558.3 million. This evolution is a result of increased sales volume and foreign exchange gains, due to the recording of sales in US dollars in local currency, especially considering that arms sales in the US are responsible for most of the Company's revenue (71.5% in 3Q19 and 77.6% in 9M19). It is also worth considering that, given that the changes in the average exchange rate of US Dollar to Brazilian Real in the period was 7.9%, the Company obtained real revenue increase in the comparison between the periods.

The Company's broad-based product portfolio, including innovative model launches and a focus on quality, has attracted consumers to Taurus products. The new US factory, which has been operating with some assembly lines since August 2019, will double its installed capacity to 800,000 firearms / year, with greater efficiency and thus lower operating costs. By the end of the year, all production lines at the Miami plant are expected to be transferred to the new facility in Georgia. The new operational structure, also under new management in the USA, with the new Global CEO, Mr. Salesio Nuhs, combined with the restructuring process in this country (being conducted with the support of external consulting firm Galeazzi & Associados) has left Taurus fully poised to expand its market share on the US market, as well as to benefit from a possible increase in demand in the world's largest market for firearms.

Sales of firearms in the **domestic market** are directed to police, armed forces, their members and CAC's (hunters, sports shooters and collectors). Sales in Brazil – the Company's second market after the US – have been growing, confirming local admiration for the brand and the growing interest in Taurus products by Brazilian consumers. Revenue from arms sales on the domestic market increased by 27.6% when comparing the performance in 3Q19 with the same quarter in 2018, totaling R$ 117.7 million in the first nine months, up 16.4% compared to 9M18. As mentioned above, the success of sales during "Brazil Week," a sales promotion held September 6–15, is not yet fully reflected in the 3Q19 performance, since most of these sales will be billed during the following quarter.

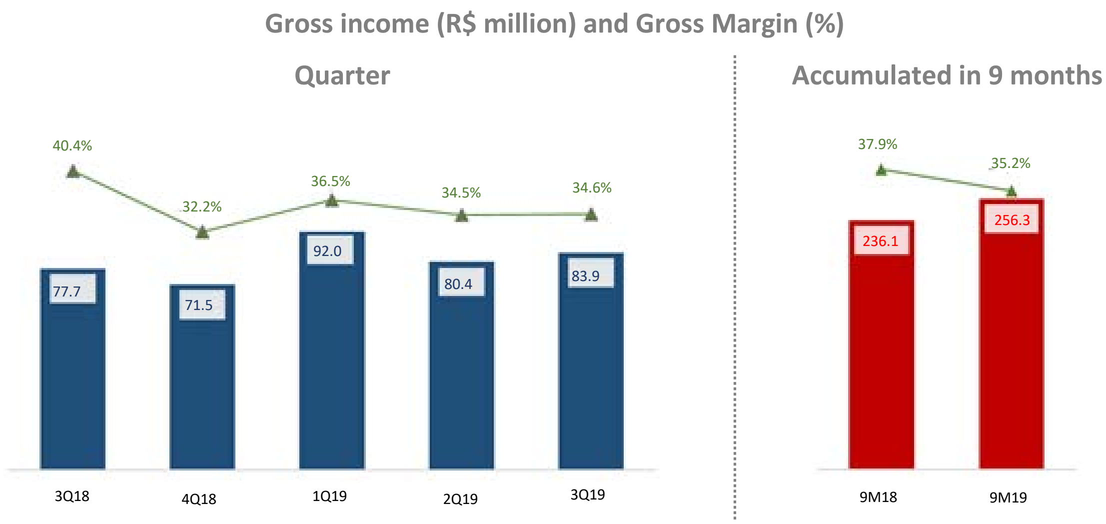
The upswing in revenue from firearm sales has been recurring, thus reflecting the operational and managerial changes adopted by Taurus, including the renewal of the portfolio focused on product quality and innovation, which has been bringing a new level of performance for the Company.

Revenue from **firearm exports to other countries** is less representative for Taurus, accounting for 6.0% of the Company's net revenue from firearm sales in 9M19. Commercial contacts and efforts are being undertaken in order to develop new markets, as well as to strengthen sales in countries that already import the Company's products, thereby seeking to expand the geographical diversification of sales, and consequently reduce dependence on the US market. Considering 9M19, these sales generated revenues of R$ 43.5 million.

Gross income

With an increase in revenues in the first three quarters of the year compared to the same period in 2018, while maintaining firm management of costs and obtaining the results of the measures taken under the Company's restructuring process, gross profit totaled R$ 256.3 million in 9M19, outperforming the same period last year by 8.5%. As occurred in the January-to-July 2019 YTD, the performance of the nine-month period is also the best gross result in Taurus' history for this period, being generated almost exclusively by the firearms operation.

Gross margin in the first nine months of the year was 35.2%, a performance that – although 2.7 % lower than in 9M18 – is in line with management's expectation that profitability will stabilize at around 35%. The reduced margin is explained by Taurus promotions on the US market due to the typical seasonality of the US summer vacation period, keep abreast of the promotions also made by other prominent brands on the market.



Operating expenses

	3Q19	3Q18	Change %	2Q19	Change %	9M19	9M18	Change %
Sales expenses	-30.8	-26.2	*17.4%*	-28.8	*6.7%*	-87.5	-74.4	*17.6%*
General and administrative expenses	-31.5	-37.6	*-16.3%*	-34.2	*-8.0%*	-98.2	-98.4	*-0.2%*
Losses due to the non-recoverability of assets	-	4.2	-	0.6	-	-0.3	3.8	-
Other operating revenues/expenses	-3.0	-1.0	*188.7%*	30.9	-	28.1	6.1	*360.7%*
Operating expenses (SG&A)	-65.2	-60.7	*7.4%*	-31.5	*107.0%*	-157.9	-162.9	*-3.1%*
Net Oper. Exp./ Revenue (%)	*26.9%*	*31.5%*	*-4.7 p.p.*	*12.5%*	*+14.4 p.p.*	*21.7%*	*26.1%*	*-4.4 p.p.*

Cost of Sales totaled R$ 87.5 million in 9M19, an increase of 17.6% compared to the same period last year. Part of this increase is related to the variable expenses that accompany the increase in sales, as well as greater marketing efforts, with actions geared toward reinforcing brand recognition in Brazil and abroad, and other extraordinary expenses recorded in 3Q19.

General and administrative expenses remained practically stable when compared to the YTD from January through September 2019 and 2018, with 0.2% reduction in the period. The performance is explained by the reduction of R$ 6.1 million (or 16.3%) in this expense group in 3Q19 compared to 3Q18.

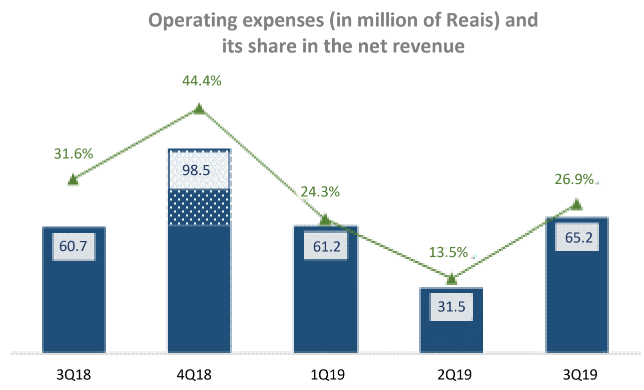
The **Other Operating Revenues/(Expenses)** account recorded a positive balance of R$ 28.1 million in the first nine months of 2019, a nearly five-fold increase over the net revenue of R$ 6.1 million recorded in 9M18, mainly due to extraordinary revenue in 2Q19 related to the recovery of taxes from previous years, excluding ICMS (Brazilian sales tax) from the calculation base of social contributions (PIS and COFINS).

Thus, total **operating expenses** totaled R$ 157.9 million in the 9M19, affected by extraordinary operating revenues recorded in the second quarter of the year. Compared to 9M18, the account shows a 3.1% reduction in nominal terms. Considering that in the same period of comparison, the Company had a 16.7% increase in net revenue, the evolution relating to operating expenses – based on the share of these expenses in net revenue – decreased by 4.4%, with operating margin gain (EBIT –

earnings before interest and taxes). In the comparison between 3Q19 and 3Q18, the Company recorded an increase of R$ 4.5 million (or 7.5%) in total operating expenses, given the performance of cost of sales, as mentioned above, and the recording of extraordinary expenses. Nonetheless, given the increase in revenue in the period, there was a greater dilution of operating expenses in relation to net revenue.

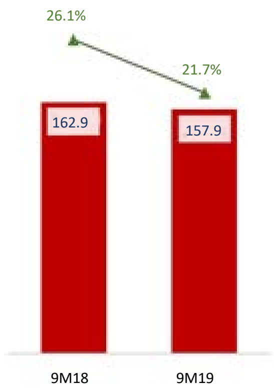
Operating expenses (in million of Reais) and its share in the net revenue

Quarter



** 4Q18 includes R$ 37.1 million of non-recurring extraordinary expenses referring to lawsuit ("Burrow Case").*

Accumulated in 9 months



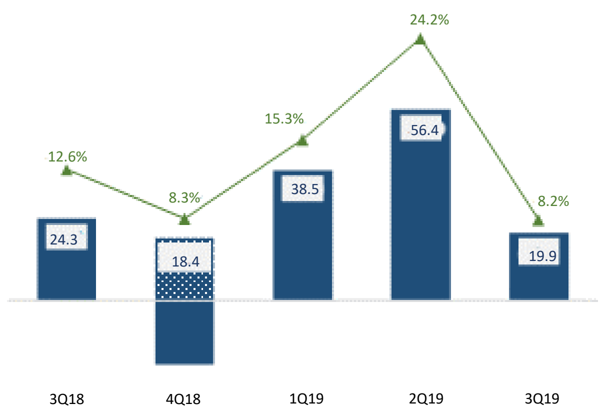
Ebitda

Considering the 9M19, Ebitda (stands for revenue before interest, taxes, depreciation and amortization) totaled R$ 114.8 million, with margin of 15.8%. Performance was 18.0% higher than in 9M18 in terms of amount and 0.2% in terms of margin; just as in the first half of 2019, this is a new record for Taurus based on the period from January to September. As evidence of the progress in Company performance, in the first nine months of 2019, EBITDA already represents 99.0% of the EBITDA accumulated in all twelve months of 2018 (adjusted EBITDA of R$ 116.0 million). Sales growth, leading to higher revenues, plus the greater dilution of operating expenses, contributed positively to this upswing in the period.

The quarterly evolution of the indicator, when comparing 3Q19 with the same period in the previous year, shows a reduction in EBITDA and its margin, mainly due to higher expenses related to higher sales volume, such as payment of sales commissions, as well as extraordinary expenses incurred in the quarter such as expenses related to the international certification of the new model of firearm.

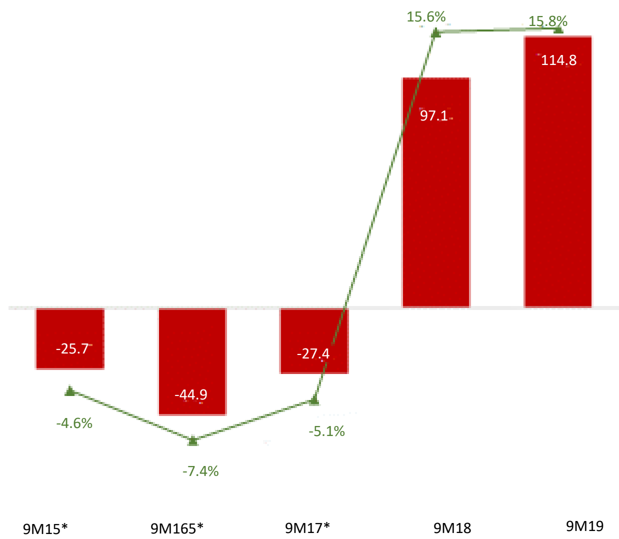
EBITDA (R$ million) and its margin (%)

Quarter



** Ebitda and Ebitda Margin adjusted in 4Q18 excluding R$ 37.1 million in extraordinary non-recurring expenses related to legal advisory and claims of court settlement signed in the USA ("Burrow Case").*

Accumulated in 9 months



* Adjusted EBITDA
**Disregarding the result of the motorcycle helmet operation

Taurus' strategic plan, which seeks to improve operating and financial indicators simultaneously, has been showing its positive effects on business performance. The success of this strategy has provided greater operating efficiency and cash-generating capacity. With the exception of the 4Q18, when extraordinary and non-recurring expenses related to a legal settlement signed in the US ("Burrow Case"), the Company posted a positive EBITDA in every quarter as from 1Q18 - reversing the negative performance of this indicator from 2015 to 2017 - and at levels compatible with or even higher than foreign firearms companies that disclose their income (loss) because they are, like Taurus, publicly traded.

Ebitda calculation – reconciliation in accordance with ICVM 527/12

R$ million	3Q19	3Q18	*Change %*	2Q19	*Change %*	9M19	9M18	*Change %*
Income (loss) before financial income (loss) and taxes (Ebit)	18.6	17.0	*9.8%*	48.8	*-61.9%*	98.3	73.2	*34.3%*
Depreciation and amortization	1.3	7.3	*-82.8%*	7.5	*-83.3%*	16.4	23.9	*-31.2%*
EBITDA	19.9	24.3	*-18.0%*	56.4	*-64.7%*	114.8	97.1	*18.2%*
EBITDA margin	*8.2%*	*12.6%*	*-4.4 p.p.*	*24.2%*	*- 16.0 p.p.*	*15.8%*	*15.6%*	*+ 0.2 p.p.*

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

Financial income (loss)

As well as in the operational sphere, measures taken with the objective of enabling the recovery of healthy results and the improvement in financial indicators are showing their positive results. Considering the first nine months of 2019, the 49.6% decrease in financial expenses offset the also lower financial revenues recorded in the period, resulting in a decrease of R$ 106.1 million in net expenses (57.7%) compared to 9M18. This evolution of the financial result is related to the agreement signed in July 2018 with the union of lending banks, which reduced the cost of debt by nearly 60% (57.7%).

Considering the quarterly evolution, it is worth mentioning the decrease in financial revenues from R$ 20.0 million in 3Q18 to R$ 0.2 million in 3Q19, which can be explained by the payment of the first installment of the debt principal of the bank union in 2Q19 and the consequent reduction in the amounts available for financial investment, in addition to the effect of changes in the foreign exchange rate.

R$ million	3Q19	3Q18	Change %	2Q19	Change %	9M19	9M18	Change %
Financial revenues	0.2	20.0	*-98.9%*	29.9	*-99.3%*	34.4	38.6	*-11.0%*
Financial expenses	-64.5	-59.1	*9.0%*	-31.4	*105.1%*	-112.1	-222.5	*-49.6%*
Net financial income (loss)	**-64.2**	**-39.2**	*64.0%*	**-1.5**	*4199.9%*	**-77.8**	**-183.9**	*-57.7%*

Net income

As a result of higher revenues, lower operating expenses and financial expenses, Taurus recorded net income of R$ 21.3 million in the period from January to September 2019, reversing the negative result of R$ 44.6 million in 9M18. Also contributing to the net income obtained in 9M19, the positive result of R$ 1.0 million generated by the motorcycle helmet operation that is for sale and, therefore, is classified as "discontinued operation."

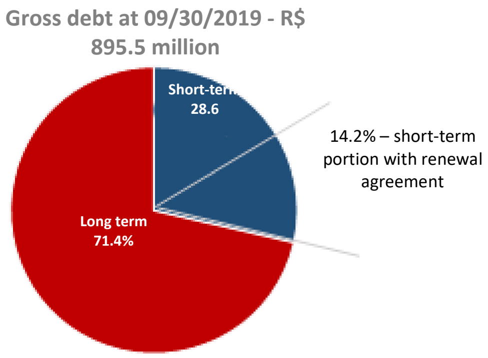
The result for 3Q19 reduced the Company's 2019 YTD net income by R$ 26.4 million. This negative result for the quarter is explained by the following factors: (i) increase in net financial expenses due to the 8.2% rise of the US Dollar against the Brazilian Real in the quarter, since the largest portion of Company debt is pegged to the US Dollar; (ii) lower profitability of the US operation due to local market conditions and sales promotions; and (iii) increase in operating expenses, with the recording of extraordinary expenses.

INDEBTEDNESS

The Company recorded gross debt of R$ 895.5 million on September 30, 2019, which, considering the cash position and interest earning bank deposits, represented net debt of R$ 868.1 million. Compared to the net debt position at the 2018 financial closing, there was a reduction of R$ 11.2 million in the period.

Since the completion of bank debt renegotiations in July 2018, the Company's debt profile has been revised, with a longer maturity and lower cost. By the end of September, 71.4% of total gross debt (or R$ 639.4 million) had long-term maturity.

Moreover, out of the R$ 256.1 million recorded in the short term at the end of September 2019, R$ 127.7 million (or 49.8% of this portion of debt) are represented by discounts on receivables and foreign currency withdrawals, which can be rolled over. Even recorded in the short term, the agreement signed with creditor bank provides for automatic renewal at every maturity, with the possibility of them being settled by 10/17/2022. Accordingly, the portion of debt that effectively matures in the short term represents 14.4% of total gross debt on September 31, 2019.

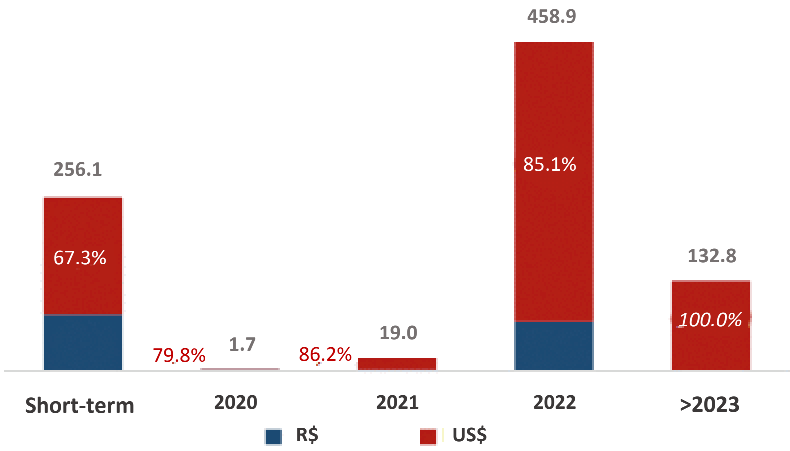


Gross Debt – Short Term

The value of the US Dollar against the Brazilian Real, which appreciated by 7.9% in the YTD through September, has a significant influence on the amount of Taurus's debt balance, since 82.2% of total debt was recorded in foreign currency as of September 31, 2017. At the same time, the Company has a natural hedge for this debt, given that most of its revenue – 83.0% in 9M19 – also comes from sales abroad and, therefore, made in US dollars.

R$ million	09/30/2019	06/30/2019	Change %	12/31/2018	Change %
Loans and financing	115.2	130.1	*-11.5%*	103.7	*11.1%*
Debentures	13.3	13.2	*0.2%*	9.5	*40.3%*
Advance from receivables	58.9	38.2	*54.0%*	48.5	*21.5%*
Foreign exchange withdrawals	68.8	50.2	*37.1%*	43.8	*57.1%*
Financial instruments	0.0	0.0	-	0.0	-
Short-term	**256.1**	**231.8**	***10.5%***	**205.4**	***24.7%***
Loans and financing	577.7	545.3	*5.9%*	627.9	*-8.0%*
Debentures	61.8	61.9	*-0.2%*	75.6	*-18.4%*
Long term	**639.4**	**607.2**	***5.3%***	**703.6**	***-9.1%***
Gross indebtedness	**895.5**	**839.0**	***6.7%***	**908.9**	***-1.5%***
Cash and investments	27.4	17.4	*57.2%*	29.6	*-7.6%*
Net indebtedness	868.1	821.6	*5.7%*	879.3	*-1.3%*

Schedule of debt expiration
Per Currency – R$ million as at September 30, 2019



PERFORMANCE OF SHARES

Starting on November 12, 2019, the Company's trading name on B3 – Brasil, Bolsa, Balcão (the São Paulo stock exchange) became "Taurus Armas", in line with its current corporate name, which was adopted following approval at the Extraordinary Shareholders' Meeting held on June 29, 2018. Accordingly, securities issued by Taurus Armas S.A. are now traded under the new ticker code: TASA.

	TASA3	TASA4	IBOV	Market value
09/30/2019	R$ 3.34	R$ 3.36	105,077	R$ 296.3 million

Attachments

Statement of income

	3Q19	3Q18	Change %	9M19	9M18	Change %
Revenue from sales of goods and/or services	242.3	192.3	*26.0%*	727.4	623.5	*16.7%*
Cost of goods and/or services sold	-158.4	-114.6	*38.2%*	-471.1	-387.4	*21.6%*
Gross income	83.9	77.7	*8.0%*	256.3	236.1	*8.5%*
Operating expenses/revenue	-65.2	-60.7	*7.5%*	-157.9	-162.9	*-3.0%*
Losses due to the non-recoverability of assets	0.0	4.2	-	-0.3	3.8	*-25.0%*
Sales expenses	-30.8	-26.2	*17.2%*	-87.5	-74.4	*17.6%*
General and administrative expenses	-31.5	-37.6	*-16.3%*	-98.2	-98.4	*-0.2%*
Other operating revenue	2.1	2.5	*704.1%*	42.3	18.6	*151.3%*
Other operating expenses	-5.1	-3.6	*672.7%*	-14.2	-12.4	*14.0%*
Equity income (loss)	0.0	0.0	-	0.0	0.0	-
Income (loss) before financial income (loss) and taxes	**18.6**	**17.0**	*79.4%*	**98.3**	**73.2**	*41.6%*
Financial income (loss)	-64.2	-39.2	*64.0%*	-77.8	-183.9	*-57.7%*
Financial revenues	0.2	20.0	*-98.9%*	34.4	38.6	*-11.0%*
Financial expenses	-64.5	-59.1	*9.0%*	-112.1	-222.5	*-49.6%*
Income (loss) before income tax	**-45.6**	**-22.2**	**-**	**20.6**	**-110.7**	**-**
Income tax and social contribution	18.4	64.0	-	-0.2	62.5	*1140.0%*
Current	16.0	-4.6	*2100.0%*	-4.3	-6.9	*782.6%*
Deferred	2.4	68.6	*228.6%*	4.1	69.4	*112.5%*
Net income (loss) of continued operations	**-27.2**	**41.8**	**-**	**20.3**	**-48.2**	**-**
Net income (loss) from discontinued operations	0.8	6.2	-	1.0	3.6	-
Consolidated income/loss for the period	**-26.4**	**48.0**	**-**	**21.3**	**-44.6**	**-**
Attributed to the Parent company's partners	-26.4	48.0	-	21.3	-44.6	-
Earnings per share - (Reais / Shares)						
Basic earnings per share						
Common shares	*-0.30928*	*-1.4312*	*-78.4%*	*0.5930*	*-1.4312*	-
Preferred shares	*-0.30928*	*-1.4312*	*-78.4%*	*0.5930*	*-1.4312*	-
Diluted earnings per share						
Common shares	*-0.30928*	*-1.4312*	*-78.4%*	*0.5930*	*-1.4312*	-
Preferred shares	*-0.30928*	*-1.4312*	*-78.4%*	*0.593*	*-1.4312*	-

Assets

R$ million	09/30/2019	12/31/2018	Change %
Total assets	**1,084.8**	**921.2**	*17.8%*
Current assets	**763.4**	**616.2**	*23.9%*
Cash and cash equivalents	26.4	26.8	*-1.3%*
Cash and banks	23.6	23.6	*0.1%*
Marketable securities	2.8	3.2	*-11.5%*
Interest earning bank deposits	0.9	1.8	*-50.9%*
Accounts receivable	167.2	140.4	*19.0%*
Inventories	351.5	277.0	*26.9%*
Recoverable taxes	75.8	29.5	*157.2%*
Prepaid expenses	7.6	6.3	*20.0%*
Other current assets	134.1	134.4	*-0.3%*
Non-current assets held for sale	122.0	122.6	*-0.4%*
Assets from discontinued operations	0.0	0.0	-
Other	12.1	11.9	*1.7%*
Non-current assets	**321.4**	**304.9**	*5.4%*
Long term assets	91.0	84.5	*7.6%*
Interest earning bank deposits valued at fair value	0.0	1.1	*-100.0%*
Deferred taxes	77.1	73.4	*5.0%*
Other non-current assets	13.9	10.1	*38.2%*
Recoverable taxes	0.2	0.2	*0.0%*
Other	13.7	9.8	*39.2%*
Investments	0.2	0.2	*0.0%*
Property, plant and equipment	151.0	144.4	*4.6%*
Fixed assets in operation	136.0	140.1	*-2.9%*
Constructions in progress	15.0	4.3	*249.6%*
Intangible assets	79.2	75.8	*4.5%*

Liabilities

R$ million	09/30/2019	12/31/2018	Change %
Total liabilities	**1084.8**	**921.2**	*17.8%*
Current liabilities	**679.2**	**535.6**	*26.8%*
Social and labor obligations	41.9	31.9	*31.2%*
Social charges	12.4	14.7	*-15.7%*
Labor obligations	29.5	17.3	*71.2%*
Suppliers	127.1	94.7	*34.2%*
Domestic suppliers	73.0	55.9	*30.5%*
Foreign suppliers	54.2	38.8	*39.6%*
Tax liabilities	57.1	41.9	*36.2%*
Federal tax liabilities	54.5	37.7	*44.5%*
Income tax and social contribution payable	18.6	8.1	*128.1%*
Other Taxes	36.0	29.6	*21.6%*
State tax liabilities	2.5	4.2	*-41.2%*
Municipal tax liabilities	0.1	0.0	
Loans and financing	128.5	113.1	*13.6%*
In domestic currency	11.6	8.3	*40.3%*
In foreign currency	103.6	95.4	*8.6%*
Debentures	13.3	9.5	*40.3%*
Other liabilities	237.8	175.8	*35.3%*
Dividends and interest on own capital	0.0	0.0	*0.0%*
Foreign exchange withdrawals	68.8	43.8	*57.1%*
Advance from receivables	58.9	48.5	*21.5%*
Advances from clients	61.6	28.8	*114.1%*
Liabilities in non-current assets held for sale	29.9	33.3	*-10.2%*
Other liabilities	18.7	21.5	*-13.0%*
Provisions	86.8	78.2	*11.0%*
Tax, social security, labor and civil provisions	66.5	60.3	*10.4%*
Tax provisions	27.7	27.7	*0.0%*
Social security and labor provisions	9.7	5.2	*84.5%*
Civil provisions	29.2	27.3	*6.7%*
Other provisions	20.3	17.9	*13.1%*
Provision for guarantees	20.3	17.9	*13.1%*
Non-current liabilities	**725.8**	**792.5**	*-8.4%*
Loans and financing	639.4	703.6	*-9.1%*
In domestic currency	13.6	18.1	*-25.0%*
In foreign currency	564.1	609.8	*-7.5%*
Debentures	61.8	75.6	*-18.4%*
Other liabilities	0.2	1.0	*-76.3%*
Taxes payable	0.2	0.6	*-60.5%*
Suppliers	0.0	0.4	*-100.0%*
Deferred income tax and social contribution	21.1	20.8	*1.4%*
Provisions	65.0	67.1	*-3.1%*
Social security and labor provisions	44.1	49.8	*-11.4%*
Civil provisions	14.9	11.7	*27.1%*
Other provisions	6.0	5.6	*7.5%*
Consolidated shareholders' equity	**-320.2**	**-407.0**	*-21.3%*
Realized capital	520.3	465.2	*11.8%*
Capital reserves	-31.1	-31.2	*-0.2%*
Disposal of subscription bonus	9.9	0.0	
Options granted	0.0	0.0	
Capital transactions	-41.0	-31.2	*31.5%*
Retained Earnings/Losses	-990.8	-1012.9	*-2.2%*
Equity valuation adjustments	46.2	47.0	*-1.7%*
Accumulated translation adjustments	135.3	124.9	*8.3%*

1. Operations

Taurus Armas S.A. (“Company”) is headquartered in São Leopoldo/RS, established on November 17, 1939, a Brazilian publicly-held company since 1982, and since 2011, ranked Level 2 in Corporate Governance of B3 (former BM&FBOVESPA) (trading symbols are FJTA3, FJTA4).

On June 29, 2018, the Annual Shareholders' Meeting approved change of trade name from Forjas Taurus S.A. to Taurus Armas S.A.

The Company operates in the segments of Firearms and Accessories and Metal Injection Molding (MIM), with two industrial plants, one in Brazil, located in the state of Rio Grande do Sul, and another in Miami, Florida, USA.

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

Abroad, besides distributing products of the TAURUS and ROSSI trademarks produced in Brazil, the Miami unit manufactures models of TAURUS pistols and HERITAGE revolvers. Sales to the United States cover, mainly, the U.S. civil market and government bodies in the other regions.

In March 2018, Company Management assumed the commitment to dispose of the helmets’ operation. To carry out this process, a specialized consulting firm was engaged. Due to the decision to sell the investment, it was classified as “held for sale” and accounted for according to technical pronouncement CPC 31 and IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations. The helmet operation has two production units, one in Mandirituba, Paraná, and another in Simões Filho, Bahia.

On December 3, 2018, production activities in Simões Filho, Bahia State, BA, were ended.

On April 12, 2018, the United States unit signed a memorandum of understanding with the Georgia’s Government to relocate the US factory from Miami, Florida to the city of Bainbridge, Georgia.

The purpose of this transfer is to optimize US production to better meet local demand in terms of production volume, new products development and improving perception of Taurus brand. It is also expected that this change will bring cost reductions, with state concessions and incentives, and consequently, increased profitability of the operation.

The plant is in the final stages of construction and has started a pre-operation in September, and the full migration of its activities to Georgia will take place by the end of December, so that by early 2020, all operations of Taurus USA will happen in Georgia.

Economic /Financial Balance

On July 18, 2018, Company’s Management concluded the process of rescheduling and formalization of debt agreements with the Bank Syndicate (Banco do Brasil, Banco Santander, Banco Itaú and Banco Bradesco), as well as the process of rescheduling of its 3rd public issuance of debentures with Haitong Bank. The terms of the Operation include the extension of the maturity term of debts with Creditors in the approximate amount of US$ 162.000 million. The total term for payment of the operations is now 5 (five) years, with grace period for payment of principal and interest in year 2018. The amortization of principal and interest will be made in monthly payments, starting on January 21, 2019. The costs of the operation were Libor Month + 3% p.a. for operations in U.S. dollar and CDI + 2.00% for the 3rd Issue of debentures.

The operation is backed by the following real guarantees: (i) Lien of all quotas of the companies Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda. ("Chattel Mortage"); (ii) 2nd degree mortgage of 02 properties located in Mandirituba/PR, and 02 properties located in Porto Alegre, RS and 1st degree mortgage of 01 property located in São Leopoldo, RS ("Mortgage"); and (iii) lien of credit receivables derived from total funds object of possible sale of quotas object of the Lien and Mortgage, as well as rights inherent in the title of the Company's restricted account to be opened with the purpose of receiving the funds.

As additional option to assist in the economic and financial rebalance, the Company maintains its strategy: (a) divestitures of non-core assets, namely: the helmets operation (historically advantageous and profitable), whose decision of sale and authorization for selling efforts were made by the Board of Directors in March 2018, in addition to a large land in an affluent residential region of Porto Alegre, where the former facilities of the Company were located and; (b) strong restructuring plan, already in course and conducted by specialized consulting firm already contracted.

The aforementioned restructuring plan, which is already in progress, presented positive results throughout 2018 and the Company hopes that will continue to bring efficiency gains in 2019. The plan is divided into 4 areas: i) Renegotiation of Debt; ii) Operating Efficiency, iii) Commercial Efficiency, and (iv) Evaluation of Results. Below is a summary of the actions:

I - Debt Renegotiation (completed):

The debt rescheduling was conducted through direct and extrajudicial renegotiation with creditors, including the following activities:

- Preparation, analysis and validation of operating and financial projections;
- Preparation of negotiation strategies in different scenarios;
- Negotiation with committee of creditors through meetings and presentations;
- Proper formalizations of the process;
- Together with the Bank Syndicate, in the rescheduling the Company obtained a reduction of around 50% of the interest rate of loans.
- There has been a significant change in the amortization schedule, in which the first payment of principal would be in 2018 and after quarterly amortizations, with the rescheduling, there was a grace period for the payment of principal in 2018 and as of 2019, and payments will be on monthly basis. The table below shows the percentages of amortizations.

AMORTIZATION SYSTEM BEFORE RENEGOTIATION	AMORTIZATION SYSTEM AFTER RENEGOTIATION
PPEs AND DEBENTURES BANKS BRADESCO, BRASIL, SANTANDER, ITAU, HAITONG.	**PPEs AND DEBENTURES BANKS BRADESCO, BRASIL, SANTANDER, ITAU, HAITONG.**
23.07% OF THE DEBT IN 2018	10.71% OF THE DEBT IN 2019
30.76% OF THE DEBT IN 2019	15.90% OF THE DEBT IN 2020
30.76% OF THE DEBT IN 2020	2.80% OF THE DEBT IN 2021
15.41% OF THE DEBT IN 2021	70.59% OF THE DEBT IN 2022

- In the rescheduling with Banco Pine, the Company also obtained extension of term and reduction of rates. The characteristics of the rescheduling were different, since the Bank did not have funding (line abroad) to support the entire operation, thus at each maturity of Export pre-payment ("PPE") an Advances on Exchange Contracts ("ACC") operation will be released in the amount of the portion with initial term of 180 days and automatically renewed at each maturity for other 180 days. In the third and fourth maturities, the renewal will correspond to 99.30% of the value of the ACC operation, in the fifth maturity, it will correspond to 99.10% of the value of the ACC operation, in the following maturities it will correspond to 97.20% of the ACC operation and up to 10/17/2022, all the ACC operations will be settled. Prior to the rescheduling, the rate of the operation was 112.00% of CDI, for the new operations renegotiated under ACC, the rate will be 5.50% p.a. + exchange-rate change.

We point out that in the renegotiations, in addition to the extension of debt, there will be a projected reduction of more than R$ 120 million charges on such indebtedness during the period of 5 years.

Debt renegotiation provides for extraordinary amortization with amounts deriving from sale of assets or subscription of shares. In these situations, amounts are deposited in a special account denominated Escrow; once amounts are transferred to this account, the Company no longer has the ability to deal with it, only the fiduciary agent may use the account and exclusively for amortization of contract renegotiated with the banks' Union.

II - Operating efficiency

On macro basis, Management carried out a revaluation of the Organizational Structure of the Company through analysis of activities and processes, Span of Control and average remuneration:

Stages concluded:

- Realignment of the structure with the strategic purposes;
- Streamlining of the hierarchical levels for gain of promptness in decision making;
- Clear definition of the metrics;
- Normalization of the areas so as to prevent conflicts and redundancies;
- Review of responsibilities and functions of each position;
- Revaluation of service levels;
- Development of a participatory environment proper to changes.
- Intelligent and long-lasting reduction of costs;

Stages in progress:

- Redesign of the relationship with other units of the Company;
- Revaluation of outsourcing of non-core activities;
- Revaluation of the centralization of activities;
- Elimination of activities that do not aggregate value;
- Analyses of gains of efficiency in the processes;

On a specific manner, the operating planning and management will be segmented as follows with their respective action plans already in course:

Stages concluded:

Operating Master Planning:

- Review the S&OP model.
- Review the logical process and model of production and inventory planning.

Research and Development:

- Identification of Capex needs;
- Integration with all the industrial units.
- Schedule of actions.

Stages in progress:

CGS - Cost of goods sold
- Analyze the evolution of Variable Costs and general manufacturing expenditures (GGF) to identify the main deviations and opportunities.

Operating Master Planning:
- Improve the methodology to determine the expected demand;

Efficiency of the Operating Management:
- Review metrics, goals and routines of analysis of results of key indicators of the processes;
- Map critical points of improvement of each process and develop/ implement applicable corrective actions.

Losses of Materials (yield and scrap):
- Identify critical points of improvement and implement applicable corrective actions.

Tools used:
- Explosion of Ideas;
- Data analysis;
- Simulations of scenarios;
- Analyses of Cause/Effect;
- Compensation Matrix.

III - Commercial efficiency

In order to capture higher gains of efficiency in the commercial area, three areas are being focused as follows:

Stages concluded:

Market analysis
- Reviewing the pricing model
- Performance analysis of the categories of products;
- Definition of the positioning of each category.

Portfolio of products
- Analysis for streamlining of SKUs.

Commercial Performance
- Assess the management model of sales routine;
- Restructuring of the monitoring model for attainment of goals.
- Revaluation and design of a variable remuneration program to the sales team.

Stages in progress:

Market analysis
- Mapping of sales channels and analysis of strategies per channel;
- Analysis of opportunities for reduction of the number of *Layers* and approximation of the point of sale.

IV - Evaluation of results (in progress)

These initiatives aim to adjust the key processes of Taurus so as to increase the Company's profitability and competition.

Accordingly, with the definition of roles and responsibilities, performance metrics and a culture of discipline in the performance of action plans, the Company continues to take actions aimed at higher operating and financial efficiency, in order to cover the demand for its products, improve its margins, recover profitability and the balance of its cash flows.

Management evaluates that the set of actions related to improvement of above-mentioned operating efficiency, plus sales of non-core assets, capital transactions and the already perceptible improvement in operations performance will be sufficient to guarantee normal continuity of operations.

2. Presentation of interim information

2.1. Preparation basis

a) Compliance statement

The Company presents its Interim Information of the Parent Company and Consolidated, included in the Quarterly Information Form - ITR, simultaneously prepared, in accordance with Technical Pronouncement CPC 21 - Interim Financial Reporting and with IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board (IASB), and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Quarterly Information - ITR and identified as "Parent Company" and "Consolidated", respectively.

Accounting practices adopted in Brazil and applied to individual financial statements do not differ from IFRS, which started to allow the application of equity method in subsidiaries, associated companies and jointly-controlled companies in separate statements. Therefore, the Individual Financial Statements are also in compliance with IFRS, and all relevant information specific to the quarterly information, and only such information, is being evidenced, and corresponds to the information used by its Management.

Preparation of Parent Company and Consolidated Interim Information, in accordance with Technical Pronouncement CPC 21 and IAS 34, requires the use of some accounting estimates by the Company's management.

The Quarterly Information of the Parent Company and Consolidated was prepared using historical cost as the value base, except for the valuation of certain financial instruments, which are measured at fair value.

b) Statement of the Board of Directors

The Company management states it has utilized all of the relevant information for its interim financial statements for the quarter ended September 30, 2019 and only them correspond to those of its management.

The issue of quarterly, individual and consolidated financial statements was authorized by the Board of Directors on November 07, 2019.

2.2. Basis of consolidation

	Country	Ownership interest 2019	Ownership interest 2018
Taurus Blindagens Ltda.*	Brazil	**100.00%**	**100.00%**
Taurus Blindagens Nordeste Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Holdings, Inc.	United States	**100.00%**	**100.00%**
Taurus Máquinas-Ferramenta Ltda.	Brazil	**100.00%**	**100.00%**
Taurus Investimentos Imobiliários Ltda.	Brazil	**100.00%**	**100.00%**
Polimetal Metalurgia e Plásticos Ltda. *	Brazil	**100.00%**	**100.00%**
T. Investments Co. Inc.*	Panama	**100.00%**	**100.00%**
Taurus Plásticos Ltda.*	Brazil	**100.00%**	**100.00%**

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

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 revenues 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 and presentation currency

The individual and consolidated financial information, which is the functional and presentation currency of the Company and its subsidiaries based in Brazil as it is the currency of the principal economic environment in which the Company operates and generates cash inflows and outflows. 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.

Information regarding critical judgments referring to the accounting policies adopted which impact the amounts recognized in the individual and consolidated quarterly information and information on uncertainties, assumptions and estimates are included in the following notes: 9 - Clients (allowance for doubtful accounts), 10 - Inventories (Provision for inventory loss), 13 - Income tax and social contribution, 14 - Assets held for sale (impairment), 16 - Property, plant and equipment (Impairment), 17 - Intangible assets (Impairment), 23 - Provision for civil, labor and tax risks and 24 - Financial instruments.

(i) Measurement of fair value

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

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

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

Level 1: Prices quoted (not adjusted) in active markets for identical assets and liabilities to which the entity may have access on the measurement date.

Level 2: Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).

Level 3: Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

The Company uses Level 2 information for measurement of fair value.

4. Significant accounting policies

The accounting policies and calculation methods used by the Company in the preparation of these individual and consolidated interim financial statements have been consistently applied by the Company and its subsidiaries and are the same as compared to the annual financial statement as of December 31, 2018.
The amounts are expressed in thousands of reais, unless otherwise stated.

a) <u>Financial instruments</u>

(i) Non-derivative financial assets

The Company has the following non-derivative financial assets: cash and cash equivalents, interest earning bank deposits and escrow accounts, trade accounts receivable credits with related persons and other accounts receivable.

(ii) Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: loans, financing, non-convertible debentures, 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.
According to accounting policy, the Company adopts classification of interest paid as financing activity on a consistent basis in its financial statements.

(iii) Impairment

The Company and its subsidiaries assess at the balance sheet dates in the end of the year, whether there is any evidence that determines that a financial asset or group of financial assets is impaired. The asset is recorded in accounting books at amount that exceeds its recovery value if its book value exceeds amount to be recovered by the asset's use or sale. If this is the case, the asset is characterized as subject to recognition of losses, and Technical Pronouncement (CPC01) requires the entity to recognize an adjustment for devaluation losses.

b) New standards, interpretations and reviews of standards in force

New standards or amendments and interpretations will be effective for the years started after January 1, 2019.

(i) **CPC 06 (R2) / IFRS 16 Leases**

CPC 06 (R2) / IFRS 16 introduces a single model of accounting of leases in the balance sheet to lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset and a lease liability that represents its obligation to make the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

Adoption of CPC 06 (R2) / IFRS 16 did not impact the Company's financial statements.

5. Financial risk management

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

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

5.1 Credit risk

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

Trade accounts receivable and other receivables

The Company and its subsidiaries adopt as a practice the analysis of the financial situation of their counterparties, as well as the definition of credit limits and permanent monitoring of open positions. For the Company's revenue there is concentration of sales to Related Parties, Taurus International and Companhia Brasileira de Cartuchos - CBC, and there is no concentration of credit risk with other customers.

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 regularly 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 and, since these transactions are excluded, the Company has no customers that individually represent more than 5% of sales.

When monitoring credit risk, 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.

The Company, in sales to individuals, is entitled to advance part of sales value at purchase intention and billing and delivery of product only occurs if there is no default.

Credit risk exposure

The maximum exposure to credit risk for the quarterly financial statements as of September 30, 2019 was:

	Consolidated		Parent company	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
Fair value through profit or loss				
Cash and cash equivalents	**25,425**	26,766	**2,546**	5,157
Amortized cost				
Trade accounts receivable	**167,159**	140,420	**150,059**	114,744
Financial investments and linked account	**930**	2,854	**930**	2,547
Total	**194,514**	170,040	**154,435**	122,448

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

	Consolidated		Parentcompany	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
Domestic - trade accounts receivable	**84,3800**	97,458	**70,488**	84,013
United States clients - trade accounts receivable	**100,595**	72,557	**-**	-
Other	**13,187**	785	**96,220**	45,730
Total	**198,162**	170,800	**166,708**	129,743

***** Customer balances are presented without considering the provision for losses (see Note 9).

The maximum exposure to credit risk at the reporting date by type of counterparty was:

	Consolidated		Parent company	
	Book value		Book value	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
Clients - public agencies	**11,063**	9,787	**11,004**	9,621
Clients - distributors	**161,516**	111,732	**148,095**	84,286
End clients	**25,583**	49,281	**7,609**	35,836
Total	**198,162**	170,800	**166,708**	129,743

***** Customer balances are presented without considering the provision for losses (see Note 9).

Provision for estimated losses

Pursuant to CPC 48 / IFRS 9, the provision for expected losses considers the internal risk assessment indicator, which captures the client's behavior and the uncertainties of the macroeconomic context. Below is an analysis of the customer portfolio maturities and the provision for expected losses as of September 30, 2019.

						Consolidated
			09/30/2019			**12/31/2018**
	Portfolio	**Provision**	**Coverage %**	**Portfolio**	**Provision**	**Coverage %**
Not overdue	**74,964**	**(1,039)**	**1,4%**	70,517	(1,261)	1.80%
0–30	**26,044**	**(438)**	**1,7%**	44,360	(860)	1.90%
31–60	**32,363**	**(273)**	**0,8%**	11,764	(821)	7.00%
61–90	**1,728**	**(271)**	**15,7%**	2,710	(536)	19.80%
91–180	**4,134**	**(514)**	**12,4%**	7,361	(1,453)	19.70%
181–360	**10,657**	**(2,355)**	**22,1%**	7,654	(3,019)	39.40%
>306	**48,272**	**(26,113)**	**54,1%**	26.434	(22,430)	84,5%
Total	**198,162**	(31,003)		170,800	(30,380)	

						Parent company
			09/30/2019			**12/31/2018**
	Portfolio	**Provision**	**Coverage %**	**Portfolio**	**Provision**	**Coverage %**
Not overdue	**62,329**	**(999)**	**1,6%**	**53.145**	**(1.222)**	**2,3%**
0–30	**24,530**	**(365)**	**1,5%**	**40.718**	**(840)**	**2,1%**
31–60	**31,843**	**(216)**	**0,7%**	**10.770**	**(790)**	**7,3%**
61–90	**1,193**	**(196)**	**16,4%**	**2.806**	**(480)**	**17,1%**
91–180	**3,743**	**(464)**	**12,4%**	**5.399**	**(1,275)**	**23,6%**
181–360	**9,961**	**(2,189)**	**22,0%**	**6.033**	**(2,607)**	**43,2%**
>306	**33,109**	**(11,320)**	**34,2%**	**10.872**	**(7,785)**	**71,6%**
Total	**166.708**	(15.749)		**129,743**	(14.999)	

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.

The contractual maturities of financial liabilities including payment of estimated interest are as follows:

					Consolidated
					09/30/2019
	Book value	Contractual cash flow	Up to 1 year	1–2 years	2–5 years
Non-derivative financial liabilities					
Suppliers	127,129	127,129	127,129	-	-
Loans and financing	692,870	761,295	115,208	19,616	626,471
Debentures	75,014	85,585	13.262	2,423	69,900
Foreign exchange advances	68.799	68.799	68.799	-	-
Advance from receivables	58.866	60.880	60.880	-	-
	1,022,678	**1,103,688**	**385,278**	**22,039**	**696,371**

					Consolidated
					12/31/2018
	Book value	Contractual cash flow	Up to 1 Year	1–2 years	2–5 years
Non-derivative financial liabilities					
Suppliers	95,102	95,102	94,707	395	-
Loans and financing	731,603	813,414	103,676	244,959	464,779
Debentures	85,088	85,088	9,450	13,224	60,380
Foreign exchange advances	43,795	43,795	43,795	-	-
Advance from receivables	48,455	48,455	48,455	-	-
	1,004,043	**1,085,854**	**300,083**	**258,578**	**525,159**

					Parent company
					09/30/2019
	Book value	Contractual cash flow	Up to 1 year	1–2 years	2–5 years
Non-derivative financial liabilities					
Suppliers	175,664	175,664	175,664	-	-
Loans and financing	560,099	611,576	115,208	19,616	476,752
Debentures	75,014	85,285	13,262	2,423	69,600
Foreign exchange advances	68.799	68,799	68,799	-	-
Advance from receivables	58,866	60,880	60,880	-	-
	938.442	**1,002,204**	**433,813**	**22,039**	**546,352**

					Parent company
					12/31/2018
	Book value	Contractual cash flow	Up to 1 year	1–2 years	2–5 years
Non-derivative financial liabilities					
Suppliers	156,165	156,165	155,932	233	-
Loans and financing	604,804	707,284	129,223	113,282	464,779
Debentures	85,088	85,088	9,450	13,224	60,380
Foreign exchange advances	43,795	43,795	43,795	-	-
Advance from receivables	48,455	48,455	48,455	-	-
	938,307	**1,040,787**	**386,855**	**126,739**	**525,159**

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 meet financial obligations to manage market risks. All of these transactions take place under guidance specified by Management.

(i) Currency risk (foreign exchange)

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

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

Sensitivity analysis
The probable base scenario for 2019 was defined through assumptions available in the market (source: Brazilian Central Bank Focus), and sensitivity calculation considered the change, affected in balances due to the fluctuation between rates of the scenario foreseen for 2019 and those prevailing in 2019.

The sensitivity analysis also considered changes from 25% to 50% on exchange-rate change considered in the probable scenario.

Currencies and ratios		**Rate on 09/30/2019**	**Probable scenario**	**Possible scenario Δ 25%**	**Remote scenario Δ 50%**
US dollar	Write-off	**4.1644**	4.0000	3.0000	2.0000
US dollar	Increase	**4.1644**	4.0000	5.0000	6.0000

Awareness of the changes in the foreign currency:

					Consolidated
		Balance at September 30, 2019	**Probable scenario**	**Possible (25%)**	**Remote scenario (50%)**
Assets - Depreciation of Dollar					
Accounts receivable	USD	**27,323**	(1,123)	(10,605)	(29,568)
Liabilities - Increase in Dollar					
Loans and financing	USD	**(160,332)**	6,590	(26,795)	(49,051)
Suppliers	USD	**(13,005)**	534	(2,173)	(3,979)
Foreign exchange advances	USD	**(16,521)**	679	(3,304)	(5,054)
Advance from clients	USD	**(2,043)**	84	(341)	(625)
Other	USD	**(11,440)**	470	(1,912)	(3,500)

						Parent company
		Balance in 2019	Probable scenario	Possible (25%)	Remote scenario (50%)
Assets - Depreciation of Dollar					
Accounts receivable	USD	**23,105**	(912)	(6,460)	(12,009)
Liabilities - Increase in Dollar					
Loans and financing	USD	**(128,450)**	5,071	(25,774)	(56,619)
Suppliers	USD	**(3,068)**	121	(616)	(1,352)
Foreign exchange advances	USD	**(16,521)**	652	(3,315)	(7,282)
Advance from clients	USD	**(2,043)**	81	(410)	(901)
Other	USD	**(11,489)**	454	(2,305)	(5,064)

For the asset balances, an analysis was conducted considering a downturn in the foreign exchange rate and losses arising from a negative change in the currency, while for the liabilities balances, an analysis was conducted considering an upturn in the foreign exchange rate and the losses arising from a positive change in the currency.

(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 December 31, 2018, the management considered the likely scenario for 2019 is a CDI rate of 6.40% and TJLP of 7.03%. 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	2019	Probable scenario	Possible scenario Δ 25%	Remote scenario Δ 50%
CDI - write-off	5.40%	4.75%	3.56%	2.38%
Rise in the CDI rate	5.40%	4,75%	5.94%	7.13%
TJLP	6.26%	5.57%	6.96%	8.36%
SELIC	5.40%	4.75%	5.94%	7.13%
LIBOR Overnight	1.82%	1.82%	2.28%	2.73%
LIBOR - 30 days	2.02%	2.02%	2.52%	3.02%
LIBOR 3 months	2.09%	2.09%	2.61%	3,13%

					Consolidated Gain (loss)
	Index	Balance 09/30/2019	Probable scenario	Possible scenario	Remote scenario
Assets					
Interest earning bank deposits	CDI decr.	3,766	(24)	(69)	(114)
Liabilities					
Loans	CDI incr.	(109.875)	714	(593)	(1.901)
Loans	TJLP	(2.438)	17	(17)	(51)
LIBOR - 30 DAYS	LIBOR Overnight	(132.771)	-	(609)	(1.206)
LIBOR 3 months	LIBOR - 30 days	(522.800)	-	(2.637)	(5.251)
Taxes in installments	SELIC	(826)	5	(4)	(14)

Parent company

	Indexer	Saldo 09-30-2019	Cenário provável	Cenário possível	Cenário remoto
Assets					
Financial investment	CDI – down	3,193	(21)	(59)	(96)
Liabilities					
Mutual	CDI – down	(22,223)	144	409	671
Loans	CDI – high	(109,875)	714	(593)	(1,901)
Loans	TJLP	(2,438)	17	(17)	(51)
LIBOR 3 months	LIBOR 30 Dias	(522,800)	-	(2,637)	(5,251)
Installments taxes	SELIC	(777)	5	(4)	(13)

5.4 Capital management

The Company’s 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	
	09/30/2019	**12/31/2018**
Total liabilities	**1,405,002**	1,328,119
Less: Cash and cash equivalents and interest earning bank deposits	**(27,355)**	(27,819)
Net debt (A)	**1,377,647**	1,300,300
Total shareholders' equity (B)	**(320,169))**	(406,963)
Net debt to shareholders’ equity ratio as of September 30, 2019 and December 31, 2018 (A/B)	(4.30)	(3.21)

6. Operating segments

The Company has four segments, two of them are reportable and represented by strategic business units, managed separately since they differ by products and services, technologies and marketing strategies. Other transactions are aggregated in segment “Other”, as they do not qualify for separate disclosure quantitative limits. The Company's reportable segment operations can be detailed as follows:

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

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

Other - result of the MIM (Metal Injection Molding) segment - metal injection molded parts to third parties, (Polimetal Metalurgia e Plásticos Ltda.); hard trunks (Taurus Blindagens Ltda).

It also includes expenditures with technical support and financial expenses with discontinued machinery operation in June 2012 and other operations as the manufacturing and sale of glasses and rendering of services. As these segments have been aggregated, they do not meet the quantitative thresholds for separate disclosure as a reportable segment.

Performance of each segment is quarterly evaluated based on the segment’s earnings (losses) before income tax and social contribution, as included in internal reports, as Company’s 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.

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

	Firearms		Outros		Total		Helmets(a)		Total	
	09-30-2019	09-30-2018	**09-30-2019**	09-30-2018	**09-30-2019**	09-30-2018	**30-09-2019**	09-30-2018	**09-30-2019**	09-30-2018
External revenues	**719,515**	613,610	**7,856**	9,925	**727,371**	623,535	**61,062**	63,209	**788,433**	686,744
Inter-segment revenues	**504,708**	441,020	**4,256**	2,417	**508,964**	443,437	**-**	5.,347	**508,964**	448,784
Cost of sales	**(464,687)**	(386,329)	**(6,423)**	(1,094)	**(471,110)**	(387,423)	**(39,796)**	(41,258)	**(510,906)**	(428,681)
Gross income (loss)	**759,536**	668,301	**5,689**	11,248	**76,.225**	679,549	**21,266**	27,298	**786,491**	706,847
Sales expenses	**(87,717)**	(69,841)	**(41)**	(757)	**(87,758)**	(70,598)	**(11,247)**	(11,468)	**(99,005)**	(82,066)
General and administrative expense	**(92,401)**	(86,112)	**(680)**	(3,948)	**(93,081)**	(90,060)	**(5,981)**	(6,294)	**(99,062)**	(96,354)
Depreciation and amortization	**(4,209)**	(7,226)	**(947)**	(1,105)	**(5,156)**	(8,331)	**(141)**	(463)	**(5,297)**	(8,794)
Other operating revenues (expenses), net	**27,876**	2,997	**199**	3,108	**28,075**	6,105	**(290)**	(202)	**27,785**	5,903
Equity in net income of subsidiaries	**-**	-	**-**	-	**-**	-		-	**-**	-
	(156,451)	(160,182)	**(1,469)**	(2,702)	**(157,920)**	(162,884)	**(17,659)**	(18,427)	**(175,579)**	(181,311)
Operating income (loss)	**603,085**	508,119	**4,220**	8,546	**607,305**	516,665	**3,607**	8,871	**610,912**	525,536
Financial revenues	**34,349**	38,498	**17**	99	**34,366**	38,597	**315**	481	**34,681**	39,078
Financial expenses	**(112,035)**	(216,593)	**(93)**	(5,926)	**(112,128)**	(222,519)	**(2,565)**	(4,144)	**(114,693)**	(226,663)
Net financial income (loss)	**(77,686)**	(178,095)	**(76)**	(5,827)	**(77,762)**	(183,922)	**(2,250)**	(3,663)	**(80,012)**	(187,585)
Income (loss) per segment subject to be disclosed before income tax and social contribution	**525,399**	330,024	**4,144**	2,719	**529,543**	332,743	**1,357**	5,208	**530,900**	337,951
Elimination of inter-segment revenues	**(504,708)**	(441,020)	**(4,256)**	(2,417)	**(508,964)**	(443,437)	**-**	(5,347)	**(508,964)**	(448,784)
Income (loss) before income tax and social contribution	**20,691**	(110,996)	**(112)**	302	**20,579**	(110,694)	**1,357**	(139)	**21,936**	(110,833)
Income tax and social contribution	**486**	61,844	**(721)**	628	**(235)**	62,472	**(398)**	3,748	**(633)**	66,220
Net income for the year	**21,177**	(49,152)	**(833)**	930	**20,344**	(48,222)	**959**	3,609	**21,303**	(44,613)
Assets of reportable segments	**925,213**	815,002	**89,005**	90,735	**1,014,218**	905,737	**70,615**	74,642	**1,084,833**	980,379
Liabilities of reportable segments	**1,355,763**	1,380,377	**19,377**	21,397	**1,375,140**	1,401,774	**29,862**	34,661	**1,405,002**	1.436,435

(a) Helmets Operation reclassified to Discontinued Operation according to Note 26.

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

	Firearms		Helmets	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Domestic market				
Southeastern region	**72,261**	57,985	**17.271**	18.626
South region	**25,744**	18,320	**3.859**	5.015
Northeastern region	**10,742**	10,110	**18.852**	17.717
Mid-west region	**5,028**	6,708	**10.117**	10.577
North region	**3,944**	8,043	**10.354**	11.093
	117,719	101,166	**60,453**	63,028
Foreign market				
United States	**558,.299**	458.272	609	181
Bangladesh	**8,998**	9.245	-	-
Argentina	**839**	988	-	-
France	**2,173**	1.744	-	-
Chile	**893**	864	-	-
Burkina	**3,350**	-	-	-
Honduras	**1,391**	2.051	-	-
Germany	**717**	2.470	-	-
South Africa	**6,168**	2.308	-	-
Peru	**785**	655	-	-
Zambia	**179**	266	-	-
Italy	**752**	462	-	-
Philippines	**10,716**	2.157	-	-
Senegal	**368**	229	-	-
Haiti	**-**	134	-	-
Guatemala	**3,048**	328	-	-
Tailândia	**340**	385		
Israel	**106**	408	-	-
New Zealand	**676**	-	-	-
El Salvador	**225**	146	-	-
Kenya	**-**	72	-	-
Bosnia	**-**	329	-	-
Costa Rica	**-**	56	-	-
Oman	**-**	26,691	-	-
United Kingdom	**332**	63	-	-
Singapore	**12**	-	-	-
Malaysia	**10**	-	-	-
Morroco		1,309	-	-
Namibia	**202**	194	-	-
Other countries	**1,217**	68	-	-
	601,796	512,444	**609**	181
	719,515	613,610	**61,061**	63,209

The other segments of the Company have concentrated their sales in the domestic market and have distributed products throughout all regions of Brazil. The sales of the Company and its subsidiaries do not have a concentration risk, characterized by a dependence on government agencies or any other client. Approximately 80% of consolidated revenues are directed to the US civil market, subject to US regulations.

7. Cash and cash equivalents

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

	Consolidated		Parent company	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
Cash balance	**30**	27	**15**	12
Demand deposits	**23,559**	23,535	**268**	2,044
Interest earning bank deposits	**2,836**	3,204	**2,263**	3,101
Cash and cash equivalents	**26,425**	26,766	**2,546**	5,157

The investments classified as cash and cash equivalents are remunerated at variable average rates from 84.96% to 97% of the CDI at September 30, 2019 (86% to 98% of CDI at December 31, 2018) with counterparty financial institutions considered by management as the first line.

8. Financial investments and linked accounts

	Consolidated		Parent company	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
Interest earning bank deposits - CDB	**46**	1,053	**46**	746
Interest earning bank deposits - Short-term	**884**	1,801	**884**	1,801
Total	**930**	2,854	**930**	2,547
Current	**884**	1,801	**884**	1,801
Non-current	**46**	1,053	**46**	746

Financial investments are paid by the average variable rate of 94.80% of CDI at September 30, 2019 (from 86% to 98% of CDI as of December 31, 2018), being held as guarantees of international short and long-term contracts of bids to export, and their redemption scheduled to take place in conjunction with their termination, presented in current and non-current assets based on their redemption provisions.

9. Clients

Trade accounts receivable are initially recorded at fair value and subsequently measured at amortized cost less expected loss estimates.

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

	Consolidated		Parent company	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
Domestic clients	**84,380**	97,458	**70,488**	84,013
Foreign clients	**113,782**	73,342	**96,220**	45,730
	198,162	170,800	**166,708**	129,743
Expected allowance for doubtful accounts in the country	**(23,847)**	(23,755)	**(13,654)**	(13,438)
Expected allowance for doubtful accounts abroad	**(7,156)**	(6,625)	**(2,095)**	(1,561)
	(31,003)	(30,380)	**(15,749)**	(14,999)
	167,159	140,420	**150,959**	114,744

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 expected allowance for doubtful accounts are as follows:

	Consolidated	Parent company
Balance at December 31, 2018	**(30,380)**	**(14,999)**
Additions	**(8,119)**	**(7,332)**
Reversal of expected allowance for doubtful accounts	**7,857**	**6,759**
Exchange-rate change	**(361)**	**(177)**
Balance at September 30, 2019	**(30,003)**	**(15,749)**

10. Inventories

Inventories are shown at the lower of cost and net realizable value. The cost of inventories is based on the weighted 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	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Finished goods	**215,766**	182,433	**41,082**	25,467
Raw material	**159,414**	118,972	**132,509**	101,064
Provision for inventory loss	**(23,691)**	(24,368)	**(21,855)**	(22,713)
	351,489	277,037	**151,736**	103,818

Changes in provision for inventory devaluation	Consolidated	Parent company
Balance at December 31, 2018	**(24,368)**	**(22,713)**
Addition	**(3,020)**	**(2,491)**
Reversal	**3,061**	**2,713**
Write-offs	**636**	**636**
Balance at September 30, 2019	**(23,691)**	**(21,855)**

11. Recoverable taxes

On June 20, 2008, Taurus Armas S/A filed a lawsuit seeking the non-levying of the ICMS tax on the PIS and COFINS calculation basis, based on the unconstitutionality of the matter, as the ICMS tax, because it is an indirect tax, does not compose the Company's revenue.

In March 2017, the Federal Supreme Court decided that, as ICMS is not part of the billing or gross revenue of the Company and its subsidiaries, it must be excluded from PIS and COFINS calculation basis, considered unconstitutional.

On April 1, 2019, Taurus was handed down a final decision on this lawsuit, providing recoverable tax credit of R$ 37.2 million and inflation adjustment for the period of R$ 27.7 million.

	Consolidated		Parent company	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
ICMS	**14,287**	12,546	**4,187**	3,011
IPI	**9,894**	4,494	**9,288**	4,224
PIS	**5,846**	936	**5,780**	842
COFINS	**28,113**	5,070	**28,041**	4,796
Income tax and social contribution	**17,843**	6,634	**2,485**	2,218
Other	**23**	27	**21**	21
Total	**76,006**	29,707	**49,802**	15,112
Current	**75,760**	29,461	**49,681**	14,991
Non-current	**246**	246	**121**	121

12. Other accounts receivable

	Consolidated		Parent company	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
Advances to suppliers	**7,666**	6,579	**6.238**	4,017
Advances to employees	**1,143**	2,862	**630**	1,304
Judicial deposits (Note 23)	**13,665**	9,808	**7,824**	5,333
Related party loans	**-**	-	**19,056**	24,978
Other receivables	**3,262**	2,444	**1,325**	1,159
Total	**25,736**	21,693	**35,073**	36,791
Current	**12,070**	11,872	**27,249**	31,458
Non-current	**13,666**	9,821	**7,824**	5,333

13. Income tax and social contribution

The income tax and social contribution 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

a) Breakdown of effects in deferred assets and Liabilities	Consolidated		Parent company	
	09/30/2019	12/31/2018	**09/30/2019**	12/31/2018
On tax loss and negative basis of social contribution on net income				
Tax loss	16,640	16,640	5,666	5,666
Negative basis of CSLL	6,024	6,024	2,074	2,074
On temporary credit assets				
Provision for contingencies	54,507	50,755	36,913	36,913
Total assets	**77,071**	73,419	**44,653**	44,653
On temporary liability differences				
Fair value of investment property	(10,263)	(10,263)	-	-
Equity valuation adjustment	(1,087)	(1,106)	-	-
Unshipped notes	-	(2,203)	-	-
Allocation of goodwill - Goodwill and intangible assets	(9,751)	(6,925)	-	-
Other items	-	(307)	-	-
Total liabilities	**(21,101)**	(20,804)	**-**	-

taxable income. For companies that calculate income tax and social contribution based on estimated profits, the same rates as above are used but on percentage of revenue of 32%. The rate of income tax is 21% for the US subsidiary.

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

Changes in deferred taxes	**Consolidated**	**Parent company**
Opening balance of deferred taxes, net	47,504	44,653
Allocated in income (loss)	8,466	-
Closing balance of deferred taxes, net	**55,970**	**44,653**

The amount of tax losses and negative basis of social contribution on which deferred taxes are not recorded totaled R$ 925,825. While in parent company, total amount of tax losses and social contribution negative basis were established as deferred taxes.

The main balances of tax losses and negative bases are recorded in the parent company Taurus Armas S.A and in consolidated (Polimetal).

Reconciliation of effective rate for income tax and social contribution (continued operations)

	Consolidated		**Parent company**	
	09-30-2019	**09-30-2018**	**09-30-2019**	**09-30-2018**
Income before income tax and social contribution	20,579	(110,694)	25,998	(87,209)
Combined statutory rate:	34,00%	34.00%	34,00%	34,00%
Income tax and social contribution at the combined statutory rates	(6,997)	37,636	(8,839)	29,651
Permanent additions				
Non-deductible expenses	(996)	(348)	(911)	(348)
Equity in net income of subsidiaries	-	-	5,338	2,743
Permanent exclusions				-
Reintegra	195	1,808	191	1,808
Effects of differentiated rate of deemed income subsidiary	110	(2,455)	-	-
Offset of tax loss and negative basis in PRT (Tax Regularization Program)	-	69,205	-	7,947
Deferred charges not recorded on unrealized exchange-rate change	-	(40,248)	-	900
Deferred taxes not recorded on other items	-	(2,568)	-	(132)
Income tax and social contribution at the combined statutory rates	7,453	(558)	(474)	26
Income tax and social contribution in income (loss) for the year	**(235)**	62,472	**(4,695)**	42,595
Current	(4,312)	(6,921)	(4,695)	(4,621)
Deferred	4,077	69,393	-	47,216
	(235)	62,472	**(4,695)**	42,595
Effective rate	1.14%	-56,44%	18,06%	-48,84%

Notes to the financial statements

Taurus Armas S.A.
Quarterly information
September 30, 2019

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

Breakdown of the total calculation bases and the respective deferred tax assets that could be recorded:

								Consolidated
				09/30/2019				**12/31/2018**
	Base	**25%**	**9%**	**Total**	**Base**	**25%**	**9%**	**Total**
Equity valuation adjustment	(536)	(134)	(48)	(182)	(3,253)	(813)	(293)	(1,106)
Fair value of investment property	(30,185)	(7,546)	(2,717)	(10,263)	(30,186)	(7,547)	(2,717)	(10,263)
Unshipped notes	1,211	303	109	412	(2,667)	(667)	(240)	(907)
Goodwill and intangible assets	(28,679)	(7,170)	(2,581)	(9,751)	(20,368)	(5,092)	(1,833)	(6,925)
Other	-	-	-	-	22,446	5,612	2,020	7,632
Allowance for doubtful accounts	16,578	4,145	1,492	5,637	20,425	5,106	1,838	6,945
Allowance for inventory losses	3,864	966	348	1,314	25,749	6,437	2,317	8,755
Provision for loss - Interest earning bank deposit	22,375	5,594	2,014	7,608	2,989	747	269	1,016
Provision for tax expenses	7,363	1,841	663	2,503	7,363	1,841	663	2,503
Profit sharing	52	13	5	18	5,302	1,326	477	1,803
Commissions of agents	2,099	525	189	714	736	184	66	250
Provision for Fees from Tax Expenses	2,597	649	234	883	103	26	9	35
Provision for Life Pensions	8,623	2,156	776	2,932	2,182	546	196	742
Provision for contingencies	94,447	23,612	8,500	32,112	113,091	28,273	10,178	38,451
Provision for guarantee	24,070	6,018	2,166	8,184	14,315	3,579	1,288	4,867
Depreciation difference	-	-	-	-	4,269	1,067	384	1,451
Provision for Offset of INSS Credit	389	97	35	132	389	97	35	132
On tax loss and negative basis of social contribution on net income								
Tax loss and negative basis of social contribution on net income	470,557	117,639	42,350	159,989	792,332	198,083	71,310	269,393
	594,825	**148,708**	**53,535**	**202,242**	**955,217**	**238,804**	**85,970**	**324,774**

								Parent company
				09/30/2019				**12/31/2018**
	Base	**25%**	**9%**	**Total**	**Base**	**25%**	**9%**	**Total**
Equity valuation adjustment	756	189	68	257	(1,487)	(372)	(134)	(506)
Unshipped notes	1,248	312	112	424	(2,667)	(667)	(240)	(907)
Allowance for doubtful accounts	15,502	3,876	1,395	5,271	10,361	2,590	932	3,523
Allowance for inventory losses	3,357	839	302	1,141	24,094	6,024	2,168	8,192
Provision for loss - Interest earning bank deposit	21,047	5,262	1,894	7,156	2,989	747	269	1,016
Provision for tax expenses	5,644	1,411	508	1,919	5,644	1,411	508	1,919
Profit sharing	25	6	2	9	4,141	1,035	373	1,408
Commissions of agents	1,940	485	175	660	677	169	61	230
Provision for Fees from Tax Expenses	2,597	649	234	883	103	26	9	35
Provision for contingencies	94,447	23,612	8,500	32,112	94,357	23,589	8,492	32,081
Provision for guarantee	24,070	6,018	2,166	8,184	12,847	3,212	1,156	4,368
Provision for Offset of INSS Credit	389	97	35	132	389	97	35	132
Depreciation difference	-	-	-	-	2,262	566	204	769
Provision for Life Pensions	6,930	1,733	624	2,356	1,854	464	167	630
On tax loss and negative basis of social contribution on net income								
Tax loss and negative basis of social contribution on net income	112.851	28.213	10,157	38,369	46,921	11,730	4,223	15,953
	290,803	**72,702**	**26,172**	**98,873**	**202,485**	**50,621**	**18,223**	**68,843**

The portion of the amounts not constituted is represented by the assets, since there is no grounded expectation of generation of taxable profits.

14. Assets held for sale

Non-current assets or groups (containing assets and liabilities) held for sale are classified as “held for sale” if it is highly probable that they will be primarily recovered through sales instead of the continuous use.

The assets or group of assets held for sale should be measured at the lowest of book value recorded until then or market value net of sales expenses, and that depreciation or amortization of such assets cease.

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

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

Reconciliation of book value

	Consolidated	**Consolidated**
In thousands of reais	09/30/2019	12/31/2018
Buildings, land and improvements	51,390	51,390
Helmets’ operations - Non-current assets held for sale	70,616	71,161
Total non-current assets held for sale	**122,006**	**122,551**
Helmets’ operation - Liabilities held for sale	29,862	33,270
Total liabilities held for sale	**29,862**	**33,270**

Buildings, land and improvements.

In 2016, Taurus Armas S.A. transferred the operation from the Industrial Plant located in the city of Porto Alegre/RS to the Industrial Plant located in the city of São Leopoldo/RS. In view of the foregoing and considering the terms of CPC 28 - Investment Property, the Company reclassified the items formerly classified as Property, plant and equipment to Investment Property.

In 2017, through approval of the Board of Directors, the sale and the availability for intermediation by market specialists were determined. Accordingly, these properties were reclassified to “Assets held for sale”.

The fair value for the purpose of evaluating impairment loss was determined by independent external real estate appraisers, with appropriate and recognized professional qualification, and recent experience in the property location and category that is being appraised.
Location: Avenida do Forte, nº 511 - Porto Alegre (RS)
Industrial complex, not occupied, with 18,600.00 m^2 of built area in urban land of 29,900 m^2 of area.

Assets held for sale - Helmets’ operation

On March 27, 2018, the Board of Directors unanimously authorized the offer of the Helmets business – represented by Taurus Blindagens Ltda and Taurus Blindagens Nordeste Ltda. – to the market.

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

As of September 30, 2019, the group of assets and liabilities held for sale was presented as the chart below and comprised the following assets and liabilities:

Property, plant and equipment / intangible	21,308
Inventories	16,870
Trade accounts receivable and other receivables	32,437
Assets held for sale	**70,615**
Suppliers and other accounts payable	29,862
Liabilities held for sale	**29,862**

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

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

15. Investments (parent company)

	Taurus Blindagens Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Plásticos Ltda.	Taurus Holdings, Inc.	T.Investments Co. Inc.	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-Ferramenta Ltda.)	Parent company 09/30/2019	12/31/2018
Current assets	41,237	5,190	1.091	375,303	5	67,824	281,813	390		
Non-current assets	107,094	55,634	3.828	84,445	-	43,927	129,138	1,179		
Current liabilities	28,171	7,857	1.155	167,814	-	2,124	111,935	4,527		
Non-current liabilities	4,768	450	27	149,578	-	16,670	49,037	23,514		
Capital	73,855	9,400	6.355	1,269	45,808	53,292	304,780	293,639		
Shareholders' equity	115,392	52,517	3.737	142,356	5	92,957	249,979	(26,472)		
Net revenue	61,062	-	-	558,299	-	3,969	152,724	-		
Net income (loss) for the year	1,515	(207)	20	(5,889)	-	1,625	7,214	(543)		
Number of shares/quotas	14	9,400	636	302,505	11,000,000	43,623,159	304,779,837	185.007.117		
Direct ownership interest (%)	0.00%	0.10%	0.01%	100.00%	100.00%	81,86%	100.00%	63,00%		
Opening balances	1	52	-	138,458	6	77,716	228,555	-	**444.788**	**417,433**
Equity in income of subsidiaries and associated companies	**-**	**1**	**-**	**(19,987)**	**-**	**1,991**	**20,258**	**(514)**	**1.749**	**16,699**
Exchange rate change over investments	**-**	**-**	**-**	**10,398**	**(1)**	**-**	**-**	**-**	**10.397**	**29,213**
Unearned income from inventories	**-**	**-**	**-**	**(6,238)**	**-**	**-**	**(849)**	**-**	**(7.087)**	**-**
Reclassified for provision for unsecured liability (1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**514**	**514**	**(18,557)**
Closing balances	**1**	**53**	**-**	**122,631**	**5**	**79,707**	**247,964**	**-**	**450,361**	**444,788**

(1) The unsecured liability of the subsidiary Taurus Máquinas-Ferramentas Ltda., in the amount of R$ 514, is recorded in "Provision for unsecured liability" in non-current liabilities.

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.L.C., and of other subsidiaries also located in the US territory, mainly carrying out the resale of firearms imported from Taurus Armas S.A., aimed at wholesalers in that market. The main accounting balances of the subsidiary are shown below:

	Taurus Holdings, Inc.	
		Consolidated
	09/30/2019	**12/31/2018**
Assets	**459,748**	**404,315**
Liabilities	**317,392**	**252,371**
Net revenue	**558,300**	**626,661**
Loss for the year	**(19,986)**	**(17,892)**

16. Property, plant and equipment

Fixed asset 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 book value of Property, plant and equipment and are recognized net within "Other revenues" 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 estimate.

								Consolidated
Cost or deemed cost	**Land**	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Construction in progress**	**Advances to suppliers**	**Total**
Balance at December 31, 2017	15,598	141,285	257,707	24,653	928	3,895	409	444,475
Additions	1,296	156	7,168	751	-	3,237	44	12,652
Disposals	(9,268)	(55,565)	(8,165)	(56)	(92)	-	(88)	(73,234)
Transfers	-	(134)	2,081	336	-	(2,283)	-	-
Effect of changes in exchange rate	1,176	7,637	9,352	1,398	33	-	-	19,596
Effect of Discontinued Operations:	-							
Net changes in the year	-	91	(4,756)	91	(51)	1,835	-	(2,790)
Transfer to held for sale	(76)	(12,402)	(26,014)	(2,359)	(535)	(2,392)	(150)	(43,928)
Balance at December 31, 2018	**8,726**	**81,068**	**237,373**	**24,814**	**283**	**4,292**	**215**	**356,771**
Additions	438	303	7,210	965	-	10,043	1,544	20,503
Disposals	(654)	(3,015)	(5,226)	(82)	-	2,389	-	(6,588)
Transfers	-	285	1,268	167	-	(1,720)	-	-
Effect of changes in exchange rate	105	28	5,023	751	17	-	-	5,924
Balance at September 30, 2019	**8,615**	**78,669**	**245,648**	**26,615**	**300**	**15,004**	**1,759**	**376,610**
Depreciation								
Balance at December 31, 2017	-	(34,560)	(170,324)	(16,106)	(799)	-	-	(221,789)
	-	-	-	-	-	-	-	
Depreciation for the year	-	(7,068)	(22,516)	(1,732)	(2)	-	-	(31,318)
Disposals	-	17,888	7,330	69	55	-	-	25,342
Effect of changes in exchange rate	-	(2,260)	(5,507)	(1,237)	(33)	-	-	(9,037)
Effect of Discontinued Operations:								
Net changes in the year	-	(546)	588	(97)	80	-	-	25
Transfer to held for sale	-	3,720	18,553	1,746	416	-	-	24,435
Balance at December 31, 2018	**-**	**(22,826)**	**(171,876)**	**(17,357)**	**(283)**	**-**	**-**	**(212,342)**
Depreciation for the year	-	(2,893)	(10,064)	(945)	-	-	-	(13,902)
Disposals	-	626	3,894	73	-	-	-	4,593
Effect of changes in exchange rate	-	(3)	(3,229)	(681)	(17)	-	-	(3,930)
Balance at September 30, 2019	**-**	**(25,096)**	**(181,275)**	**(18,910)**	**(300)**	**-**	**-**	**(225,581)**
Book value								
December 2018	8,726	58,242	65,497	7,457	-	4,292	215	144,429
September 2019	**8,615**	**53,573**	**64,373**	**7,705**	**-**	**15,004**	**1,759**	**151,029**

Notes to the financial statements

Taurus Armas S.A.
Quarterly information
September 30, 2019

							Parent company
Cost or deemed cost	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Construction in progress**	**Advances to suppliers**	**Total**
Balance at December 31, 2017	17,079	62,810	7,078	125	3,067	2	90,161
Additions	82	1,290	236	-	1,681	44	3,333
Disposals	-	(192)	(25)	(92)	-	-	(309)
Transfers	145	1,876	329	-	(2,350)	-	-
Balance at December 31, 2018	**17,306**	**65,784**	**7,618**	**33**	**2,398**	**46**	**93,185**
Additions	88	630	232	-	4.294	219	5,463
Disposals	(753)	(1.585)	(69)	-	597	-	(1,810)
Transfers	242	171	157	-	(570)	-	-
Balance at September 30, 2019	**16,883**	**65,000**	**7,938**	**33**	**6,719**	**265**	**96,838**
Depreciation							
Balance at December 31, 2017	(3,313)	(46,169)	(4,421)	(86)	-	-	(53,989)
Depreciation for the year	(1,881)	(4,821)	(685)	(2)	-	-	(7,389)
Disposals	367	331	39	55	-	-	792
Balance at December 31, 2018	**(4,827)**	**(50,659)**	**(5,067)**	**(33)**	**-**	**-**	**(60,586)**
Depreciation for the year	(668)	(2,333)	(411)	-	-	-	(3,344)
Disposals	156	1,363	65	-	-	-	221
Balance at September 30, 2019	**(5,339)**	**(51,629)**	**(5,413)**	**(33)**	**-**	**-**	**(62,414)**
Book value							
December 2018	12,479	15,125	2,551	-	2,398	46	32,599
September 2019	**11,544**	**13,371**	**2,525**	**-**	**6,719**	**265**	**34,424**

Construction in progress

The balance of constructions is related to machinery and equipment still in the implementation phase and constructions in progress. These assets should come into operation during 2019.

Guarantee

The Company uses its assets as guarantees for the funds obtained from financial institutions. Although most fixed assets are collateralized by loans and financing, and historically, the guarantees with assets have never been used. In 2019, the Company used the amount of R$ 46,482 in guarantees (R$ 46,551 as of December 31, 2018).

17. Intangible assets

Goodwill

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

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

Other intangible assets

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

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

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.

On December 31, 2018 the Company carried out an impairment test of fixed assets.

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

						Consolidated
	Software	**Trademarks and patents**	**Client Relationship**	**Goodwill**	**Product development**	**Total**
Cost						
Balance at December 31, 2017	6,347	21,746	14,546	42,831	5,756	91,226
Acquisitions	884	-	-	1	3,486	4,371
Write-offs	-	-	-	-	(1,583)	(1,583)
Effects of exchange-rate change	-	1,790	2,399	1,749	1,066	7,004
Effect of Discontinued Operations:						
Net changes in the year	-	18	-	-	-	18
Transfer to held for sale	(1,305)	(1,284)	-	-	-	(2,589)
Balance at December 31, 2018	**5,926**	**22,270**	**16,945**	**44,581**	**8,725**	**98,447**
Acquisitions	2,165	-	-	-	1.206	3,371
Effects of exchange-rate change	-	914	1.226	894	515	3,549
Balance at September 30, 2019	**8,091**	**23,184**	**18,171**	**45,475**	**10,446**	**105,367**
Amortization						
Balance at December 31, 2017	(2,590)	(7,388)	(8,237)	-	(2)	(18,217)
Amortization for the year	(855)	-	(1,701)	-	(356)	(2,912)
Effects of exchange-rate change	-	-	(1,360)	-	(291)	(1,651)
Effect of Discontinued Operations:						
Transfer to held for sale	112	-	-	-	-	112
Balance at December 31, 2018	**(3,333)**	**(7,388)**	**(11,298)**	**-**	**(649)**	**(22,668)**
Amortization for the year	(697)	-	(1,373)	-	(554)	(2,624)
Effects of exchange-rate change	-	-	(817)	-	(39)	(856)
Balance at September 30, 2019	**(4,030)**	**(7,388)**	**(13,488)**	**-**	**(1,242)**	**(26,148)**
Book value						
December 2018	2,593	14,882	5,647	44,581	8,076	75,779
September 2019	**4,061**	**15,796**	**4,683**	**45,475**	**9,204**	**79,219**

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	**2018**
Firearms	44,851

The recoverability test for CGUs mentioned above is performed annually based on the fair value net of sales expenses, which is estimated based on discounted cash flows. On December 31, 2018, the tests performed did not indicate the need of forming a provision for impairment losses on goodwill and intangible assets with indefinite useful lives, as well as on fixed assets. The Company evaluated main assumptions of 2018 test and verified that there are no significant changes on September 30, 2019, and concluded that it is not necessary to make an interim evaluation on this date.

Main assumptions used for forecasting the discounted cash flows

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

	Discount Rate WACC	**Average growth rate**
Cash-generating unit	**2018**	**2018**
Firearms	16.1%	4.0%

Discount rate

The discount rate for CGU is represented by a post-tax rate based on US Treasury Bonds for 20 years, adjusted for a risk premium that reflects the risks of investments in equity securities and the systematic risk of the unit in question. The company estimated, based on management's experience with assets of this CGU, the weighted average of the capital cost of the industry in which such CGU operates, which was calculated based on a possible debt/shareholders' equity ratio of 17.06% for Firearms CGU at the market interest rate of 15.85%.

<u>Growth rate and perpetuity</u>
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 3.8% 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).

18. Loans and financing

The terms and conditions of outstanding loans were as follows:

							Consolidated
					09/30/2019		**12/31/2018**
	Currency	**Nominal interest rate**	**Year of maturity**	**Contracted value**	**Book value**	**Contracted value**	**Book value**
Loans and financing							
Working capital	R$	CDI + 2.00%	2022	**28,897**	**22,745**	27,694	22,240
FINAME	R$	2.50–8.70% p.a.	2021	**2,304**	**257**	2,304	464
BNDES	R$	3.50% p.a.	2020	**9,995**	**2,180**	9,995	3,687
Advance from receivables	R$	21.60% p.a.	2019	**6,136**	**58,866**	36,141	48,455
Foreign exchange advance	USD	5.5% p.a.	2019	**50,198**	**68,799**	43,795	43,795
Working capital	USD	Libor + 1.55–5.6% p.a.	2021	**499,162**	**655,573**	499,162	670,746
Working capital	USD	80–112% CDI p.a.	2019	**65,072**	**12,115**	65,072	34,466
				Total	**820,535**		**823,853**
				Current liabilities	**242,873**		**195,926**
				Non-current liabilities	**577,662**		**627,927**

							Parent company
					09/30/2019		**12/31/2018**
	Currency	**Nominal interest rate**	**Year of maturity**	**Contracted value**	**Book value**	**Contracted value**	**Book value**
Secured bank loans							
Working capital	R$	CDI + 2.00% p.a.	2022	**28,897**	**22,745**	27,694	22,240
FINAME	R$	2.50–5.50% p.a.	2021	**2,304**	**257**	2,304	464
BNDES	R$	3.50% p.a.	2020	**9,995**	**2,180**	9,995	3,687
Advance from receivables	R$	21.60% p.a.	2019	**32,402**	**58,866**	36,141	48,455
Foreign exchange advances	USD	5.50% p.a.	2019	**50,198**	**68,799**	43,795	43,795
Working capital	USD	Libor + 3.00% p.a.	2022	**424,162**	**522,802**	424,162	543,947
Working capital	USD	112.00% CDI	2019	**65,072**	**12,115**	65,072	34,466
				Total	**687,764**		**697,054**
				Current liabilities	**242,873**		**195,926**
				Non-current liabilities	**444,891**		**501,128**

Flow of future debt payments stated in non-current liabilities:

	Consolidated		Parent company	
Year of maturity	**09/30/2019**	**12/31/2018**	**09/30/2019**	**12/31/2018**
2020	**1,583**	90,761	**1,583**	90,761
2021	**16,930**	15,673	**16,930**	15,673
2022	**426,378**	521,493	**426,378**	394,694
2023	**132,771**	-	**-**	-
	577,662	627,927	**444,891**	501,128

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

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

Covenants

As described in note 1, as of July 18, 2018, the new process of renegotiation of debts with the Bank syndicate was completed. The instrument, which was included in re-profile of debt process 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/adjusted EBITDA equal or lower than 13x in 2018, 8x in 2019, 7x in 2020 and 6x as of 2021, besides maintaining the Adjusted EBITDA/Financial expenses index equal or higher than 0.90 as of December 31, 2018 and 1.20x as of 2019.

Such indices are monitored by Company’s Management, as the contracts determine that the indices be measured annually.

19. Debentures

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

Debentures	Principal (R$)	Issuing Date	Securities in the market	Financial charges	09/30/2019	12/31/2018
3rd issue (a)	100,000	06/13/2014	5,000	DI rate + 2.00% (2016)	**75,014**	85,088
				Grand total	**75,014**	85,088
				Current liabilities	**13,262**	9,450
				Non-current liabilities	**61,752**	75,638
				Total	**75,014**	85,088

Covenants

As described in note 1, as of 2018, the new process of renegotiation of Company's debt was concluded. The instrument, which was included in re-profile of debt process 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/adjusted EBITDA equal or lower than 13x in 2018, 8x in 2019, 7x in 2020 and 6x as of 2021, besides maintaining the Adjusted EBITDA/Financial expenses index equal or higher than 0.90 as of December 31, 2018 and 1.20x as of 2019.

Such indices are monitored by Management, as the contracts determine that the indices be measured annually.

20. Other accounts payable

	Consolidated		Parent company	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
Performance bonus	**10.546**	2,505	**-**	-
Sales commissions	**2.151**	1,782	**520**	1,725
Accrued interest	**444**	2	**-**	-
Insurance and freights	**926 -**	-	**877**	-
FEE Banking Syndicate	**-**	430	**-**	430
Accounts payable - CBC	**48**	48	**48**	48
Parent companies and subsidiaries	**-**	-	**43,239**	43,069
Other	**7,679**	16,686	**3,868**	2,233
	18,664	21,453	**50,028**	47,505
Current	**18,664**	21,453	**6,789**	4,436
Non-current	**-**	-	**43,239**	43,069

21. Salaries and social security charges

	Consolidated		Parent company	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
Salaries	**7,179**	6,381	**4,105**	4,534
Social security charges	**12,389**	14,695	**1,531**	4,905
Provisions for vacations	**22,354**	10,870	**9,183**	4,677
	41,922	31,946	**14,819**	14,116

22. Taxes, rates and contributions

	Consolidated		Parent company	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
ICMS	**1,624**	911	**1,624**	911
IPI	**7,196**	5,462	**7,196**	5,462
PIS	**280**	43	**-**	-
COFINS	**1,284**	200	**(1)**	-
Special tax - FAET (USA)	**18,897**	16,457	**-**	-
IRRF	**615**	8	**382**	(5)
Income tax and social contribution	**18,554**	8,135	**4,695**	-
Installment payment of PRT	**-**	2,312	**-**	1,922
Other payments in installments	**745**	1,453	**696**	1,379
Other	**8,112**	7,513	**6,364**	5,783
	57,307	42,494	**20,956**	15,452
Current	57,073	41,902	20,742	14,903
Non-current	234	592	214	549

23. Provisions for civil, labor and tax risks

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

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

	Consolidated			
			09/30/2019	**12/31/2018**
	Provision	**Judicial deposit (1)**	**Net**	**Net**
Labor	53,807	(12.896)	40,911	46,007
Civil	44,069	(491)	43,578	39,065
Tax	27,689	(278)	27,411	26,950
	125,565	**(13,665)**	**111,900**	112,022
Classified in current liabilities	66,522			
Classified in the non-current liabilities	59,043			

	Parent company			
			09/30/2019	**12/31/2018**
	Provision	**Judicial deposit (1)**	**Net**	**Net**
Labor	37,096	(7,055)	30,041	31,151
Civil	36,592	(491)	38,101	33,166
Tax	27,689	(278)	27,411	26,950
	103,377	**(7,824)**	**95,553**	91,267
Classified in current liabilities	56,599			
Classified in the non-current liabilities	46,778			

(1) Recorded in other non-current assets.

Changes in provisions are as follows:

			Consolidated
	Civil and labor	Tax	Total
Balance at December 31, 2018	94,141	27,689	121,830
Provisions formed during the year	13,831	-	13,831
Provisions used during the year	(6,588)	-	(6,588)
Write-off of provision	(5,492)	-	(5,492)
Effect of changes	1,984	-	1,984
Balance at September 30, 2019	**97,876**	**27,689**	**125,565**

			Parent company
	Civil and labor	Tax	Total
Balance at December 31, 2018	68,911	27,689	96,600
Provisions formed during the year	7,701	-	7,701
Provisions used during the year	(63)	-	(63)
Effect of changes	(2,472)	-	(2,472)
Write-off of provision	1,611	-	1,611
Balance at September 30, 2019	**75,688**	**27,689**	**103,377**

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

				Consolidated				Parent company
	09/30/2019		12/31/2018		09/30/2019		12/31/2018	
	Possible	Remote	Possible	Remote	Possible	Remote	Possible	Remote
Tax	**54,660**	**4,266**	50,924	4,266	**28,107**	**-**	24,788	-
Civil	**96,488**	**348**	96,711	1,935	**76,960**	**272**	75,616	493
Labor	**43,013**	**39,533**	59,664	31,777	**14,684**	**28,998**	28,846	23,174
	194,061	**44,147**	**207,299**	**37,978**	**119,751**	**29,270**	129,250	23,667

Lawsuit and Administrative Proceedings – PMESP

The Company was summoned to present defense in administrative process filed by the Military Police of the State of São Paulo (Sanctioning Process CSMAM-002/30/16) which challenges the possibility or not of partial or total non-compliance with the agreement for acquisition and supply of 98,465 (ninety-eight thousand, four hundred and sixty-five) firearms, type pistol, models 24/7 and 640, between years 2007 and 2011.

Since it is an administrative process and is at Discovery phase, we are presently unable to estimate the values, and the sanctions to which the Company is subject are provided for in article 87, Federal Law 8666/93, combined with article 81, State Law (SP) 6544/89.

On December 19, 2017, the Company received service of judicial process where the State of São Paulo requires the rescission of the agreement of supply of 5,931 submachine guns, model SMT-40 entered into in 2011 with the Military Police of the State of São Paulo and the return of the value paid at the time, of R$ 21.7 million, plus inflation adjustment and other legal consequences. The Company has presented its defense in the lawsuit and, according to its legal advisors, lawsuit was qualified as possible loss.

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

Public Civil Action - Attorney General of Sergipe for the Federal Public Prosecutor's Office
The Company became aware of the filing by the Attorney General of Sergipe for the Federal Public Prosecutor's Office of a Public Civil Action against Taurus and also against the Federal Government (Brazilian Army), before the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe. The requests are related to alleged defects in a few models of firearms produced by Taurus. In the Public Civil Action, the Federal Public Prosecutor's Office pleads that i) Taurus be prevented from trading a few models of firearms in Brazil; ii) Taurus make a national recall for replacement and/or indemnity according to the market value of these models of firearms and iii) the Federal Government be prohibited from applying the restriction of import of models that have local similar products, under penalty of daily fine of R$ 10 (ten thousand reais). Finally, the Federal Public Prosecutor's Office pleads i) the conviction of the Federal Government to the obligation to modify R-105 or to issue a new substitutive regulation that does not create regime of monopoly of sales of firearms in Brazil, which adversely affects the free competition; ii) the conviction of Taurus to the obligation to make a national recall within 20 days, for the repair, replacement and/or indemnity according to the market value of these models of firearm; (iii) the conviction of the Federal Government and Taurus to the payment of collective pain and suffering in amount to be defined by the judge, not below R$ 40.000 million. In preliminary injunction, the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe determined the obligation by Taurus to submit a detailed plan of recall of the supposedly defective models of firearms within 90 days. The preliminary injunctions for suspension of the trading of the models allegedly defective and prohibition of restriction of import of firearms by the Federal Government were rejected by the Judge. In the judgment of the bill of review filed by Taurus, The Federal Court of the 5th Region suspended the effectiveness of the decision granted by the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe, with respect to the part that establishes the submission, by Taurus, of a plan of recall within 90 (ninety) days. Currently, the lawsuit is under the submission of proofs. In the opinion of Taurus' legal advisors, the present lawsuit is classified as risk of possible loss.

Public Civil Action – Public Prosecutor's Office of the Federal District and Territories
The Public Prosecutor's Office of the Federal District ("MPDFT") filed a Public Civil Action with motion for injunction against the Company due to alleged supply to the Civil Police of the Federal District of pistols that had not met the contractual specifications. Through this action, it requires that Taurus should be convicted to indemnify for material damages caused, temporary suspension of the Company to bid and contract with the Public Management for a period of 2 years, as well as to pay for collective pain and suffering in the amount of R$ 10,000 (ten million reais). Based on injunction, it required the freezing of the claimed values in the Company's bank accounts.
The Judge of the 8th Civil Court of Brasília rejected the motion for injunction of freezing of the Company's bank accounts in the absence of evidence as to the alleged need of

immediate freezing of the values claimed in the lawsuit. The MPDFT filed bill of review, received by the Notable Federal Regional Court of the 1st Region without suspensive effect and, on this date, awaits judgment.

After the submission of contestation by Taurus, the Judge accepted the request of qualification of the Federal District as co-plaintiff of the MPDFT and determined the forwarding of the lawsuit to one of the Public Treasury Courts of the Federal District, since it considers itself unqualified to judge the action. Lawsuit is now in the 1st Court of the Federal District's Public Revenue Service and closing arguments being presented by the parties.
Taurus will perform all the measures necessary to prove that the allegations are unjustified and that the products traded do not have manufacturing defects. The Company believes that the risk of loss on this lawsuit is classified as possible.

Burrow Case
A lawsuit filed by William Burrow, Oma Louise Burrow, Suzanne M. Bedwell and Ernest D. Bedwell is in progress in the U.S. Court for the Southern District of Florida against Taurus and its subsidiary Braztech International L.C in the US; this lawsuit discusses alleged faults in some revolver models produced by Taurus under Rossi brand.

On January 8, 2019, the Board of Directors approved execution of an agreement to end this lawsuit that was homologated on March 15, 2019 by the federal judge responsible for the lawsuit.

In 2018, the Company recorded a provision for value loss equivalent to US$5,560, which corresponds to the loss expected in the cause pursuant to agreement executed into.

Taurus Management understands that signature of this agreement is a large step to minimize financial impacts on the Company and give management more stability. This decision corroborates the restructuring process the Company is undergoing, seeking sustainable earnings and improvement of financial and operating indicators.

Said agreement depends on final homologation by the American Court, which is expected to occur in the second half of 2019. All payments provided for in the agreement will only be mandatory after final and definitive approval.

24. Financial instruments

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

a) <u>Fair value vs. book value</u>
The fair values of the financial assets and liabilities, together with the book values presented in the balance sheet, are as follows:

				Consolidated
		09/30/2019		12/31/2018
	Amortized cost	Fair value	Amortized cost	Fair value
Liabilities measured by the amortized cost				
Loans and financing	**692,870**	**676.334**	731,603	711,265
Debentures	**75,014**	**73,922**	85,088	88,866
Foreign exchange advances	**68,799**	**68,799**	43,795	43,795
Suppliers	**127,129**	**127,129**	95,102	95,102
Advance from receivables	**58.866**	**58.866**	48,455	48,455
	1,022,678	**1,005,050**	1,004,043	987,483

				Parent company
		09/30/2019		12/31/2018
	Amortized cost	Fair value	Amortized cost	Fair value
Liabilities measured by the amortized cost				
Loans and financing	**560,099**	**551,677**	604,804	594,952
Debentures	**75,014**	**73,922**	85,088	88,866
Foreign exchange advances	**68,799**	**68,799**	43,795	43,795
Suppliers	**175,664**	**175,664**	156,165	156,165
Advance from receivables	**58,866**	**58,866**	48,455	48,455
	938,442	**928,928**	938,307	932,233

The fair value that is determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on the date of presentation of the quarterly information.

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.

25. Related parties

	Balances of subsidiaries outstanding with the parent company							Effect on the result of transactions of subsidiaries with parent company	
	Current assets (ii)	Non-current assets (iii)	Total assets	Current liabilities (i)	Non-current liabilities		Total liabilities	Revenue (v)	Expense (v)
December 31, 2018									
Taurus Blindagens Ltda.	364	-	364	888	10,407	(iv)	11,295	-	592
Taurus Blindagens Nordeste Ltda.	187	-	187	329	24,185	(iv)	24,514	-	1,143
Taurus Holdings, Inc.	30,104	-	30,104	75,625	6,241	(v)	81,866	314,478	-
Taurus Investimentos Imobiliários Ltda.	377	-	377	1,649	8,478	(iv)	10,127	-	901
Taurus Máquinas-Ferramenta Ltda.	-	18,164	18,164	-	-		-	715	-
Taurus Plásticos Ltda.	47	-	47	-	-		-	-	-
Polimetal Metalurgia e Plásticos Ltda.	24,652	-	24,652	85,096	-		85,096	202	126,542
	55,731	18,164	73,895	163,587	49,311		212,898	315,395	129,178
September 30, 2019									
Taurus Blindagens Ltda.	**1**	**-**	**1**	**505**	**11,606**	(iv)	**12,111**	**-**	**507**
Taurus Blindagens Nordeste Ltda.	**-**	**-**	**-**	**310**	**22,843**	(iv)	**23,153**	**-**	**1,075**
Taurus Holdings, Inc.	**71,718**	**-**	**71,718**	**50,320**	**6,708**		**57,028**	**359,840**	**-**
Taurus Investimentos Imobiliários Ltda.	**63**	**-**	**63**	**2,405**	**8,790**	(iv)	**11,195**	**-**	**1,632**
Taurus Máquinas-Ferramenta Ltda.	**-**	**21,041**	**21,041**	**10**	**-**		**10**	**905**	**-**
Taurus Plásticos Ltda.	**46**	**-**	**46**	**-**	**-**		**-**	**-**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**19,280**	**-**	**19,280**	**100,327**	**-**		**100,327**	**287**	**144,868**
	91,108	**21,041**	**112,149**	**153,877**	**49,947**		**203,824**	**361,032**	**148,082**

(i) Refers to amounts recorded under Suppliers - R$ 106,443, other accounts payable - R$ 47,262 and advance from clients, R$ 172.
(ii) Refers to amounts recorded under Trade accounts receivable caption, R$ 72,053 and other accounts receivable – R$ 19,055.
(iii) Refers to values recorded under the captions financial loans R$ 21,041 with the parent company Taurus Armas S.A. which are updated at 100% of CDI (Interbank Deposit Certificate).
(iv) Represent loan agreements totaling R$ 43,239 with subsidiary Taurus Blindagens Ltda., Taurus Blindagens Nordeste Ltda. and Taurus Investimentos Imobiliários Ltda which are restated to 100% of the CDI (Interbank Deposit Certificate).
(v) Comparative balance with September 30, 2018

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 and cannot be compared to those practiced with other non-related parties.

On September 30, 2019, operations involving Taurus Armas S.A. and CBC (indirect parent company) refer mainly to sales of firearms for trading, and purchase of ammunition. The amount of these operations is shown below:

	Current assets	Current liabilities	Revenue	Expense
Companhia Brasileira de Cartuchos	**479**	**22,328**	**111,300**	**28,660**
CBC Brasil Comércio e Distribuição	**10,109**	**-**	**-**	**-**
	10,588	**22,328**	**111,300**	**28,660**

Directors' fees and Board Members
The remuneration of directors and board members includes salaries, fees and benefits:

	Consolidated		Parent company	
	09/30/2019	**09/30/2018**	**09/30/2019**	**09/30/2018**
Salaries and benefits of statutory directors	**4,319**	2,189	**4,319**	2,189
Remuneration and benefits of the Board of Directors	**360**	357	**360**	357
Remuneration and benefits of the Tax Council	**152**	125	**152**	125
	4,831	2,671	**4,831**	2,671

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.

<u>Operations of directors and board members</u>
Directors and board members hold a non-material percentage of Company's voting shares.

<u>Sureties among related parties</u>
Loans and financing are guaranteed by promissory notes, fiduciary assignment of machinery and equipment, and real estate mortgages.

The parent company granted sureties to Taurus USA in the amounts corresponding to R$ 132,771 (R$ 126,799 as of December 31, 2018) and Taurus Blindagens Ltda granted the corresponding amount of R$ 678,729 (R$ 707,294 as of December 31, 2018) to Taurus Armas S.A.

26. Discontinued operations

A discontinued operation is an item of the Group's business including operations and cash flows that can be clearly distinguished from the rest of the Group and that:

- represents a separate major line of business or geographical area of operations;
- It is part of a single coordinated plan to sell a separate major line of business or geographical area of operations; or
- is a subsidiary acquired only for the purpose of resale.
- The classification as a discontinued operation is made upon its disposal or when the operation fails to meet the criteria for being held for sale, if this occurs before.

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

In March 2018, the Board of Directors unanimously authorized the offer of the helmets business – represented by Taurus Blindagens Ltda and Taurus Blindagens Nordeste Ltda. – to the market.

The preparation of the schedule was under the responsibility of a specialized firm according to the proposal already accepted by the Company.

Although intra-group transactions were completely eliminated from consolidated income, Company Management chose to attribute the elimination of transactions between continued and discontinued operations prior to disposal in order to reflect the continuity of these transactions after disposal, since Management believes that the information is useful to users of the financial statements. To achieve this presentation, Company's Management – starting from the results of discontinued operations – eliminated inter-segment sales (and costs resulting from these sales, less unrealized profits) made prior to its disposal.

(a) Net income (loss) from discontinued operations

	09/30/2019	**09/30/2018**
Net sales	61,062	63,209
Elimination of inter-segment revenues	-	(5,347)
External revenues	61,062	57,862
Expenses / costs / net financial income (loss)	(59.705)	(63,348)
Elimination of inter-segment expenses	-	5,347
Foreign expenses	(59.705)	(58,001)
Income (loss) from operating activities	1.357	(139)
Taxes on profits	(398)	(3,748)
Net income (loss) of discontinued operations	**959**	**(3,608)**
Earnings per share - Basic (in R$)	**0.012985**	**0.048880**

Income (loss) from discontinued operations as of September 30, 2019 is R$ 959 thousand (R$ 3.609 thousand on September 30, 2018) is fully attributed to controlling shareholders.

(b) Cash flow from discontinued operations

	09/30/2019	09/30/2018
Net cash generated by operating activities	**8.844**	(76)
Net cash generated in investment activities	**(1,988)**	(2.466)
Net cash invested in financing activities	**(6,633)**	(9.412)
Net cash generated by discontinued operations	**223**	(11.954)

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

a) Capital

On September 30, 2019, the Company's capital is R$ 520,259 (R$ 465,218 thousand as of December 31, 2018), represented by 88,460,648 shares, of which 46,445,314 common shares and 42,015,334 preferred shares, all registered, book-entry and with no par value.

On October 5, 2018, the Company issued 4 series of share subscription bonus, with each bonus being converted into 1 share, as follows: (i) 25 million of series A, (ii) 20 million of series B, (iii) 20 million of series C and (iv) 9 million of series D. Subscription fixed prices are R$ 4.00, R$ 5, R$ 6 Brazilian Reais and R$ 7, respectively.

As of March 31, 2019, bonuses executed until then were automatically

converted into capital, in the amount equivalent to R$ 42,271, and this was ratified in the minutes of the Board of Directors' Meeting held on April 29, 2019.

As of September 30, 2019, bonuses executed until then were automatically converted into capital, in the amount equivalent to R$ 6, and this was ratified in the minutes of the Board of Directors' Meeting held on October 24, 2019.

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:

(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)

	09/30/2019	12/31/2018
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	**Amount in R$ thousand**	**Amount in thousands**	**Amount in R$ thousand**
December 31, 2018				
Com.shares R$ 4.79 - Pref.shares - R$ 4.05*	46,445	222,472	28,417	115,089
September 30, 2019				
Com.shares R$ 3.34 - Pref.shares - R$ 3.36*	**46,445**	155,126	**42,015**	141,170

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

b) Equity valuation adjustments

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

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

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

c) Earnings per share

Income attributed to shareholders (basic)			Parent company and Consolidated 09/30/2019
	Common shares (ON)	**Preferred shares (PN)**	**Total**
Denominator			
Weighted average of total number of shares	46,445	36,670	83,115
Weighted average of the number of outstanding shares	**46,445**	**36,670**	**83,115**
% of shares in relation to total	**55.88%**	**44.12%**	**100.00%**
Numerator			
Net income attributable to each class of shares (R$)	11,368	8,976	20,344
Weighted average of the number of outstanding shares	46,445	36,6704	83,115
Basic and diluted earnings per share (R$) – Continued Operations	**0.2488**	**0.2448**	
Net income attributable to each class of shares (R$)	536	423	959
Weighted average of the number of outstanding shares	46,445	36,670	83,115
Basic and diluted earnings per share (R$) – Discontinued Operations	**0.00115**	**0.00115**	
Net income attributable to each class of shares (R$)	11,904	9.399	21,303
Weighted average of the number of outstanding shares	46,445	36,670	83,115
Basic and diluted earnings per share (R$)	**0.2563**	**0,2563**	

Income attributed to shareholders (basic)			Parent company and Consolidated 09/30/2018
	Common shares (ON)	**Preferred shares (PN)**	**Total**
Denominator			
Weighted average of total number of shares	46,445	18,243	64,688
Weighted average of the number of outstanding shares	**46,445**	**18,243**	**64,688**
% of shares in relation to total	**71.80%**	**28.20%**	**100.00%**
Numerator			
Net income attributable to each class of shares (R$)	(34,623)	(13,599)	(48.222)
Weighted average of the number of outstanding shares	46,445	18,243	64.688
Basic and diluted earnings per share (R$) – Continued Operations	**(0,7455)**	**(0.7454)**	
Net income attributable to each class of shares (R$)	2,591	1,018	3,609
Weighted average of the number of outstanding shares	46,445	18,243	64,688
Basic and diluted earnings per share (R$) – Discontinued Operations	**0.0558**	**0.0557**	
Net income attributable to each class of shares (R$)	(32,031)	(12,582)	(44,613)
Weighted average of the number of outstanding shares	46,445	18,243	64,688
Basic and diluted earnings per share (R$)	**(0,6897)**	**(0,6897)**	

Income attributed to shareholders (diluted)	Parent company and Consolidated

	Common shares (ON)	Preferred shares (PN)	Total
			09/30/2019
Denominator			
Balance of shares at the end of the year	46,445	42,014	88,460
Weighted average of the number of outstanding shares	**46,445**	**42,014**	**88,460**
% of shares in relation to total	**52.50%**	**47.50%**	**100.00%**
Numerator			
Net income attributable to each class of shares (R$)	10,681	9,663	20,344
Weighted average of the number of outstanding shares	46,445	42,015	88,460
Basic and diluted earnings per share (R$) – Continued Operations	**0.2300**	**0.2300**	
Net income attributable to each class of shares (R$)	504	455	959
Weighted average of the number of outstanding shares	46,445	42,015	88,460
Basic and diluted earnings per share (R$) – Discontinued Operations	**0.0109**	**0.0108**	
Net income attributable to each class of shares (R$) – Continued Operations	11,185	10,118	21,303
Weighted average of the number of outstanding shares	46,445	42,015	88,460
Basic and diluted earnings per share (R$)	**0.2408**	**0.2409**	

Income attributed to shareholders (diluted)

	Common shares (ON)	Preferred shares (PN)	Total
			Parent company and Consolidated
			09/30/2018
Denominator			
Weighted average of total number of shares	46,445	18,243	64,688
Weighted average of the number of outstanding shares	**46,445**	**18,243**	**64,688**
% of shares in relation to total	**71.80%**	**28.20%**	**100.00%**
Numerator			
Net income attributable to each class of shares (R$)	(34,623)	(13,599)	(48,222)
Weighted average of the number of outstanding shares	46,445	18,243	64,688
Basic and diluted earnings per share (R$) – Continued Operations	**(0.7455)**	**(0.7454)**	
Net income attributable to each class of shares (R$)	2,591	1,018	3,609
Weighted average of the number of outstanding shares	46,445	18,243	64,688
Basic and diluted earnings per share (R$) – Discontinued Operations	**0.0558**	**0.0557**	
Net income attributable to each class of shares (R$) – Continued Operations	(32,031)	(12,584)	(44,613)
Weighted average of the number of outstanding shares	46,445	18,243	64,688
Basic and diluted earnings per share (R$)	**(0.6897)**	**(0.6897)**	

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

28. Net operating revenue

According to CPC 47 / IFRS 15, revenue is recognized when the client obtains control of the products. If a reasonable estimate of potential return of goods cannot be made, when allowed, revenue recognition is deferred until the return period expires or until a reasonable estimate of the returns can be made.

Pursuant to CPC 47 / IFRS 15, revenue for these contracts will be recognized to the extent that it is probable that there will be no significant reversal in the amount of accumulated revenue. Consequently, for agreements in which the Company is unable to make a reasonable estimate of the returns, revenues are expected to be recognized prior to the expiry of the period of return or before it is possible to make a reasonable estimate. A reimbursement liability and an asset for recovery will be recognized for these contracts and will be reported separately on the balance sheet.

The Company adopted CPC 47 / IFRS 15 using the cumulative effect method (with no practical expedients), with initial application of the standard recognized on initial date (that is, January 1, 2018). Consequently, the information presented for 2017 was not restated and, accordingly, it was presented as formerly reported according to CPC 30 / IAS 18 and related interpretations.

No amount was determined to be adjusted on January 01, 2018 as a result of adopting this pronouncement.

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

	Rates
Value-added tax on sales and services–ICMS	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**	
	09/30/2019	**09/30/2018**	**09/30/2019**	**09/30/2018**
Sales of goods	**836,963**	714,657	**573,941**	518,125
Rendering of services	4	-	4	-
Total gross revenue	**836,967**	714,657	**573,945**	518,125
Sales tax	**(102,046)**	(86,414)	**(45,667)**	(44,001)
Refunds and rebates	(7,550)	(4,708)	(6,935)	(4,107)
Total net operating revenue	**727,371**	**623,535**	**521,343**	**470,017**

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

29. Expenses per type

	Consolidated		Parent company	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Expenses according to the role				
Cost of products sold	**(471,110)**	(387.423)	**(348.631)**	(318.800)
Sales expenses	**(87,517)**	(74.409)	**(38.792)**	(31.195)
Provision for impairment of financial instruments	**(262)**	3,811	**(573)**	3,738
General and administrative expenses	**(98,216)**	(98,391)	**(50,189)**	(43,266)
Other operating expenses	**(14,193)**	(12.449)	**(14,345)**	(6,120)
	(671,298)	**(568,861)**	**(452,530)**	**(395,643)**
Expenses per type	**09/30/2019**	**09/30/2018**	**09/30/2019**	**09/30/2018**
Depreciation and amortization	(16,433)	(25,092)	(4,061)	(5,550)
Personnel expenses	(218,735)	(166,560)	(73,934)	(50,585)
Tax expenses	(10,655)	32,742	(6,611)	(3,687)
Raw materials and use and consumption materials	(226,033)	(194,462)	(288,236)	(276,759)
Auxiliary, conservation and maintenance materials	(35,103)	(28,321)	(5,073)	(5,463)
Freight and insurance	(31,041)	(20,943)	(20,661)	(13,010)
Third party services	(34,773)	(26,906)	(20,256)	(11,469)
Advertising and publicity	(17,204)	(15,500)	(4,657)	(3,129)
Expenses with product warranty	(3,922)	(2,980)	(3,359)	(1,920)
Water and electricity	(7,882)	(8,983)	(729)	(1,101)
Travel and accommodation	(7,252)	(3,130)	(3,582)	(1,840)
Commission expenses	(17,568)	(18,711)	(5,182)	(9,043)
Cost of write-off property, plant and equipment	(1,995)	(5,912)	(226)	(255)
Provision for contingencies	(7,916)	(60,004)	(7,638)	(10,642)
Rentals	(3,447)	636)	(1,401)	(591)
Other expenses	(31,339)	(23,463)	(6,924)	(599)
	(671,298)	**(568,861)**	**(452,530)**	**(395,643)**

30. Net financial income (loss)

Financial income (loss) mainly includes revenue 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	
	09-30-2019	**09-30-2018**	**09-30-2019**	**09-30-2018**
Financial expenses				
Interest	**(35,683)**	(49,441)	**(32,955)**	(48,939)
Exchange variation	**(62,490)**	(160,885)	**(62,456)**	(154,888)
IOF – Taxes	**(285)**	(1,466)	**(251)**	(1,289)
Other	**(13,670)**	(10,727)	**(13,626)**	(8,247)
	(112,128)	(222,519)	**(109,288)**	(213,363)
Financial incomes				
Interest	**30,328**	4,813	**29,242**	3,050
Exchange variation	**3,895**	33,539	**3,702**	32,826
Other	**143**	245	**98**	231
	34,366	38,597	**33,042**	36,107
Financial result., net	**(77,762)**	(183,922)	**(76.246)**	(177.256)

31. 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.

As of September 30, 2019, insurance coverage for the Company was as follows:

		2019
	Consolidated	**Parent company**
Material damages	428,592	80,000
Civil liability	196,534	15,000
Loss of profit	200,583	200,583

32. Provision for product warranty

The Company quantifies and records an estimate for the costs related to the warranty, according to historical and current repair costs. The provision for product warranty ensures that the repair costs in case of replacement or repair do not affect the operating results for the periods in which these additional costs occurred. Therefore, amounts are recorded for the accrual basis of accounting. As of September 30, 2019 and December 31, 2018, the balances are shown as follow:

	Consolidated		**Parent company**	
	09/30/2019	**12/31/2018**	**09/30/2019**	**12/31/2018**
Domestic market	**16,193**	14,122	**14,725**	12,654
Foreign market	**10,059**	9,360	**-**	-
Total	**26,252**	**23,482**	**14,725**	**12,654**
Current liabilities	**20,256**	17,903	**14,725**	12,654
Non-current liabilities	**5,996**	5,579	**-**	-

Opinions and Statements / Special Review Report - Unqualified

Report on the review of quarterly information - ITR

To the Board members and Directors of Taurus Armas S.A.

São Leopoldo – RS

Introduction

We have reviewed the interim, individual and consolidated financial information of Taurus Armas S.A. (“Company”), contained in the Quarterly Information - ITR Form for the quarter ended September 30, 2019, which comprise the balance sheet on September 30, 2019 and related statements of income and of comprehensive income for the periods of three and nine-months ending on that date, of changes in shareholders' equity and of cash flows for the period of nine-months then ended, including explanatory notes.

Company’s Management is responsible for the preparation of the interim financial information in accordance with CPC 21 (R1) - Interim Statement and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

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

Conclusion on the individual and consolidated interim information

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

Other issues - Statements of added value

The individual and consolidated interim financial information related to statements of added value (DVA) for the nine-month period ended September 30, 2019, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes, was submitted to review procedures carried out jointly with the audit of Company’s quarterly information. To form a conclusion, we evaluated whether these statements are reconciled with interim financial information and accounting records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

Porto Alegre, November 07, 2019

KPMG Auditores Independentes CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

Opinions and Statements / Tax Council opinion or equivalent body

Tax council opinion

The Tax Council of Taurus Armas S.A. In compliance with legal and statutory provisions, reviewed the information regarding the third quarter of 2019. Based on this review and on information contained in the Quarterly Information Review Report, issued without qualifications by KPMG Auditores Independentes and dated November 07, 2019, in addition to information and explanations received from the Company's management, it represents that the mentioned documents are appropriate for disclosure.

São Leopoldo, November 07, 2019.

Haroldo Zago

President

Mauro César Medeiros de Mello

Board Member

Amoreti Franco Gibbon

Board member

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

REPRESENTATION BY THE DIRECTORS OF TAURUS ARMAS S.A. ON THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2019

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, Eduardo Minghelli e Ricardo Machado, Directors of Taurus Armas S.A., company with head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the EIN 92.781.335/0001-02, in compliance with provisions of items V and VI of article 25 of CVM Instruction 480, of December 07, 2009, state that they have reviewed, discussed and agreed with Financial Statements of Taurus Armas S.A. and consolidated companies for the period from January 01, 2019 to September 30, 2019.

São Leopoldo, November 07, 2019.

Salesio Nuhs

Chief Executive Officer

Sergio Castilho Sgrillo Filho

Chief Financial Officer

Investor Relations Director

Eduardo Minghelli

Executive Officer without specific designation

Ricardo Machado

Executive Officer without specific designation

Opinions and Statements / Statement of the Executive Officers on Independent Auditor’s Report

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

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, Eduardo Minghelli e Ricardo Machado, Directors of Taurus Armas S.A., company with head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the EIN 92.781.335/0001-02, as provided in sections V and VI, article 25, CVM Instruction 480, dated December 07, 2009, hereby represent that they reviewed, discussed and agreed with the opinions expressed by KPMG Auditores Independentes, contained in the Independent Auditors’ Review Report with regard to the Financial Statement for the period from January 01, 2019 to September 30, 2019, issued on September 07, 2019.

São Leopoldo, November 07, 2019.

Salesio Nuhs

Chief Executive Officer

Sergio Castilho Sgrillo Filho

Chief Financial Officer

Investor Relations Director

Eduardo Minghelli

Executive Officer without specific designation