MANAGEMENT REPORT 2013

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

Management of Forjas Taurus S.A. (the "Company") submits hereby for your appreciation the Management Report and its complete Individual and Consolidated Financial Statements, with the Independent Auditor's Report of Ernst & Young for the year ended December 31, 2013.

On the date hereof there was also submission of the voluntarily restated Management Report and its complete Individual and Consolidated Financial Statements, including the Independent Auditor's Report of Ernst & Young for the year ended December 31, 2012, to be submitted to the next General Ordinary Shareholders' Meeting/General Special Shareholders' Meeting to be held on April 30, 2014.

Due to the restatement of the Financial Statements ("DFs") for the year ended December 31, 2012 and the Quarterly Information (ITR) for the 9-month period ended September 30, 2013, there was restatement of these periods, thus eliminating: *(i) the independent auditor's qualified opinion on the financial position; and (ii) the independent auditor's adverse conclusion on the results and cash flows for the restated periods.*

Therefore, the comments on performance and management's discussion and analysis of the Company's results, which are an integral part of this Management Report, reflect the new financial situation and the economic and financial results for 2013 and 2012 (restated), after this significant correction made in the financial statements.

In this context of reclassifications between 2013 and 2012, Taurus consolidated net revenue increased 15.2% in 2013, namely from R$701.0 million in 2012 to R$807.3 million in 2013, owing to the 33.3% increase in exports in the year.

Exports accounted for almost 68% of the Company's consolidated net revenue, 64% of which being to the North American market and 4% to other countries. Sales to the Brazilian market accounted for approximately 32% of revenue in 2013.

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) of R$100.0 million in 2013 was lower than adjusted EBITDA for 2012 of R$130.3 million, due to the decrease in gross margin and the increase in recurring operating expenses. The fast increase in demand led to a mismatch in production and a certain volatility in production levels and decrease in productivity, placing pressure on costs and margins.

Loss of R$80.3 million in 2013 may be explained by the increase in costs proportionally higher than that in revenue due to the increasing required quality requirements as well as the increase in operating expenses. However, the actions being taken by the Company will bring benefits within medium and long term in terms of increase in productivity and margins.

The year of 2013 was also a period of consolidation of the organizational restructuring with extensive changes in the Company's management, with a new functional organizational chart approved at the end of 2012 and concluded in December 2013, with the replacement of the Industrial Executive Officer in January/13, the CEO in November/13 and the hiring of two Vice CEOs: (i) Administrative and Financial Officer and Vice CEO in August/13; and (ii) Sales and Marketing Officer and Vice CEO in December/13.

This is an important transition moment for a new cycle with emphasis on recovering the Company's basic fundamentals, reducing its complexity, resizing the industrial process to increase effectiveness in such process and also in the value chain. The adoption of Lean Manufacturing will contribute to the reduction in rework and working capital optimization.

To meet these objectives we need integrated managerial tools in the administrative, commercial and industrial areas, together with organization, methods, simplifications and best practices in all our new fronts, expanding Corporate Governance.

The restructuring now in progress may represent a strategic retreat, however the Company is convinced that within medium and long term the result thereof will be positive, namely it will lead to increase in cash generation, productivity and recovery of Company margins. It also believes that increased profitability will allow defining more consistent strategic directives for the next years.

In order to ensure increased return for shareholders in the future, we set out below the main initiatives for restructuring the production and sales process, some already concluded and some in progress:

1. Discontinuing of forging for third parties: concluded in November/2013;
2. Transfer of production of long guns to the São Leopoldo plant in July/2014, already adopting lean manufacturing;
3. Production resizing, with decrease in production process complexity;
4. Reimplementation of the Manufacturing Management System;

5. Resizing of markets and products;

6. Focus on quality of processes and products;

7. Reduction of production costs and resources;

8. Review of the expense and cost system;

9. Increase productivity: Reach a balance between supply and market demand;

10. Focus on cash generation and ongoing working capital optimization;

11. Review of the products portfolio, focusing on those with higher margin: drastic reduction in the quantity of models (SKUs);

12. Review of all the logistic chain (use of new modal and inventory reduction);

13. Structuring of the Supply Chain area;

14. Expand export base (emphasis on markets other than that in the USA with higher margins);

15. Develop premium products.

As such, with the measures adopted, the action plan and the industrial, commercial and marketing strategies well oriented and aligned with financial management assumptions focusing on working capital reduction, in 2014 the focus will be on EBITDA and cash generation increase.

Finally, we would like to thank our Customers, Shareholders, Suppliers, the Community and mainly our Employees and external collaborators for their trust in us.

The Management

Our Businesses

Forjas Taurus S.A. ("Company") headquartered in Porto Alegre – Rio Grande do Sul state – Brazil is a Brazilian company that has been listed for over 30 years, and has been listed in Corporate Governance Level 2 of BM&FBOVESPA for almost 3 years (tickers are **FJTA3** and **FJTA4**).

Taurus was founded in 1939 and is a company that stands out owing to the following leading edges:

- Taurus is one of the 3 main manufacturers of light guns in the world operating with six production units in Brazil and one in the USA, at December 31, 2013. The products manufactured by the Company are divided into two segments: **Defense & Security and Metallurgy & Plastics.**

- It is one of the **leaders worldwide** in weapon manufacturing**;**
- It ranks among the **4 biggest weapon distribution networks** in the USA;
- **It manages several brands:** TAURUS, ROSSI, HERITAGE; global distributor of DIAMONDBACK; STEELINJECT; TAURUSPLAST and FAMASTIL by TAURUS.
- **Diversification of products in the Metallurgy & Plastics segment**: M.I.M. (metal injection molding of parts and components of weapons and for third parties), motorcyclist helmets and accessories, bulletproof vests and high density polyethylene molded plastic containers for storage of solid waste for industrial, commercial and environmental use.
- **Diversification of products in the Defense & Security segment:** revolvers, pistols, machine guns, submachine guns, assault rifles and long guns;
- **Strategy of operating with:** (i) traditional product lines in the weapons segment; (ii) certain market niches; (iii) products for restricted use by the Brazilian armed forces; (iv) products for restricted use by government and/or public security of other countries, except the USA;
- **Strategic Defense Company (EED)** registered with the Ministry of Defense since December 2013, being an authorized supplier of the Armed Forces.

Celebrating 75 years in 2014, with approximately 4,500 direct employees at the end of 2013, Taurus is going through major changes, as under: (i) new organizational structure; (ii) new manufacturing management model; (iii) new quality control criterion that aims at reducing the percentage of noncompliant products to zero; (iv) focus on productivity increase; (v) brand revitalization; (vi) fully income oriented; and (vii) ongoing Corporate Governance expansion.

In Brazil, the 6 business units are located as follows:

(***1) Rio Grande do Sul:*** production of hand guns and long guns in Porto Alegre and São Leopoldo;

(***2) Paraná:*** production of bullet proof vests, helmets and plastic containers in the city of Mandirituba; and

(3) Bahia: production of helmets in the city of Simões Filho.

Abroad, the Company's business and weapon manufacturing unit is located in Hialeah in Greater Miami, Florida – USA, which manufactures some TAURUS pistols and revolvers of HERITAGE brand, acquired in May 2012, besides having entered into an Exclusive Global Distribution Agreement with Diamondback Firearms LLC on January 3, 2013, thus becoming the exclusive global distributor of DIAMONDBACK products and modern sports pistols and rifles.

Management Discussion and Analysis – MD&A

1. CONSIDERATIONS ABOUT THE FINANCIAL STATEMENTS

- **Standards and criteria applied in the preparation of the financial information**

The consolidated financial statements of Forjas Taurus S.A. and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS), issued by the *International Accounting Standards Board (*IASB) and also in accordance with accounting practices adopted in Brazil (BR GAAP). The amounts presented herein are expressed in millions of Brazilian reais unless otherwise stated, thus are subject to rounding.

Since Company management approved the voluntary restatement of the Financial Statements ("DF") for 2012 and the Quarterly Information ("ITR") for 2012 (2Q12, 3Q12 and 4Q12) and for 2013 (1Q13, 2Q13 and 3Q13), all of these periods were restated on this date. Therefore, the Financial Statements for 2013 included the 9 months restated and were compared with the restated amounts for 2012.

The restatement is due to the amendment to the Purchase and Sale Contract ("Contract") for the disposal of operations of Taurus Máquinas-Ferramenta Ltda. ("TMFL"), on September 12, 2013, through which asset sale value was reduced from R$ 115.35 million to R$ 57.52 million, thus resulting in loss of R$ 57.83 million.

Due to the renegotiation of the sales value, the Company's management reviewed all the contracts and correspondence related to this operation and concluded that the events that led to value reduction were already present upon asset sale, for which the original contract was entered into on June 21, 2012 and thus decided to make the restatements.

Management also decided in the Board of Directors' Meeting together with the Company's Supervisory Board members, held on March 28, 2014, for the organization of a Non-Statutory Special Committee ("Special Committee"), in order to analyze and recommend applicable measures subsequent to the restatements for 2012 and 2013.

The Company maintains the market informed about any issues that may arise from the balance sheets for 2013 and 2012, in light of ruling corporation law and accounting practices adopted in Brazil, especially as regards dividends and interest on equity paid related to 2012, and the impossibility of proposal by Management of dividend payment for 2013, owing to the loss posted in 2013 and nonexistence of income reserves for this.

1.1 Investments in subsidiaries and affiliates and basis for consolidation

The following companies were considered direct or indirect subsidiaries totaling shareholding interest of 100% for consolidation purposes:

- Taurus Blindagens Ltda. (BR)
- Taurus Blindagens Nordeste Ltda. (BR)
- Taurus Holdings, Inc. (USA)
- Taurus Security Ltda. (BR)
- Taurus Máquinas-Ferramenta Ltda. (BR)
- Taurus Investimentos Imobiliários Ltda. (BR)
- Taurus Helmets Indústria Plástica Ltda. (BR)
- Polimetal Metalurgia e Plásticos Ltda. (BR)
- Steelinject – Injeção de Aços Ltda. (BR)

The result of affiliate Famastil Taurus Ferramentas S.A. was also considered, of which the financial statements were not consolidated, since we hold shareholding interest therein of 35%, through subsidiary Polimetal Metalurgia e Plásticos Ltda., thus not meeting the specific criteria of CPC 18 and IAS 28 for recognition of joint control of this company.

1.2. Divestitures in 2013 and Subsequent Events

Renegotiation of the Purchase and Sale Contract for disposal of the operations of TMFL (Note 8)

On August 12, 2013, Company management received from Renill Participações Ltda.(“RPL”) a request of renegotiation of the conditions in the Contract for Purchase and Sale of Units of Interest and Other Covenants, related to disposal of subsidiary SM Metalurgia Ltda. (“SML”).

On September 12, 2013, the Company disclosed a Material News Release communicating that it concluded the review of the Contract conditions, related to disposal of subsidiary SML, through execution of an amendment to Contract after evaluation of the terms originally agreed-upon.

The Parties renegotiated the sales price and payment conditions, adjusting the overall value of the Contract related to disposal of subsidiary SML to R$ 57,52 million, payable as follows:

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

(b)2 installments in the amount of R$ 2,055 each, duly restated by TJLP and increased by interest of 1.8% p.a., one maturing on 06/30/2014 and another on 12/30/2014; and

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

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

2. Consolidated Economic and Financial Performance

The voluntary restatement of results for the 3 first quarters of 2013 (9M13) as well as for 2Q12 and 3Q12 and, consequently, for the year ended Dec/31/12, as established by **CPC 23 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors** (equivalent to IAS 8) and **CPC 24 – Subsequent Events**, is due to the renegotiation of the Purchase and Sale Contract ("Contract") for the disposal of the operations of Taurus Máquinas-Ferramenta Ltda. ("TMFL"), occurred on September 12, 2013, in order to better reflect the Company's financial and economic position.

The table below presents the Company's consolidated economic and financial performance in 2013, compared to the performance in 2012, with inclusion of two additional lines, to clearly disclose **net income or loss from continuing operations**, **net income or loss from discontinued operations (TMFL)** and the Company's final **consolidated** net income or loss and the corresponding margins.

Consolidated Economic and Financial Performance

Consolidated amounts in millions of Brazilian reais, unless otherwise indicated

Ratios	2013	2012	Variation % 2013/2012
Net revenue	**807.3**	**701.0**	**15.2%**
Domestic market	260.0	290.4	-10.5%
Foreign market	547.3	410.6	33.3%
COGS	565.6	434.2	30.3%
Gross Profit	241.7	266.7	-9.4%
Gross Margin - %	**29.9%**	**38.1%**	**-8.1 p.p.**
Operating Expenses	-225.7	-182.6	23.6%
Operating Profit (EBIT)	16.0	84.2	-81.0%
EBIT Margin - %	**2.0%**	**12.0%**	**-0.8 p.p.**
Net Financial Income	-73.6	-44.5	65.2%
Depreciation and amortization (1)	35.3	31.2	13.0%
Net Income - Continuing Operations	-80.3	17.8	-551.7%
Net Income Margin - Cont. Operations	**-9.9%**	**2.5%**	**-12.5 p.p.**
Net Income - Descontinuing Operations	0.0	-135.0	-100.0%
Net Income - Consolidated	-80.3	-117.2	-31.5%
Net Income Margin - Consolidated	**-9.9%**	**-16.7%**	**6.8 p.p.**
Adjusted EBITDA (2)	100.0	130.3	-23.2%
Adjusted EBITDA Margin - %	**12.4%**	**18.6%**	**-6.2 p.p.**
Total Assets	1,184.1	1,114.3	6.3%
Equity	146.0	201.8	-27.6%
Investiments (CAPEX)	28.2	90.2	-68.7%

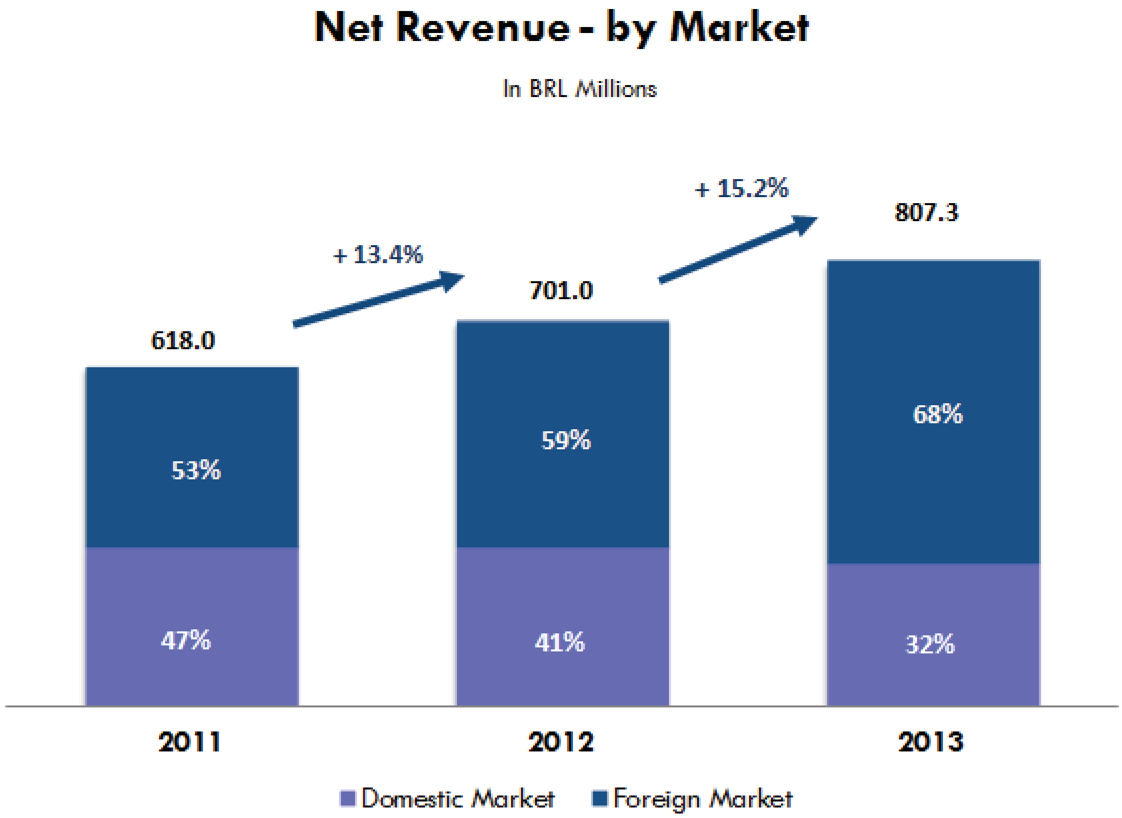
(1) Depreciation and amortization: these amounts include total depreciation and amortization based on cash flow for DFP

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

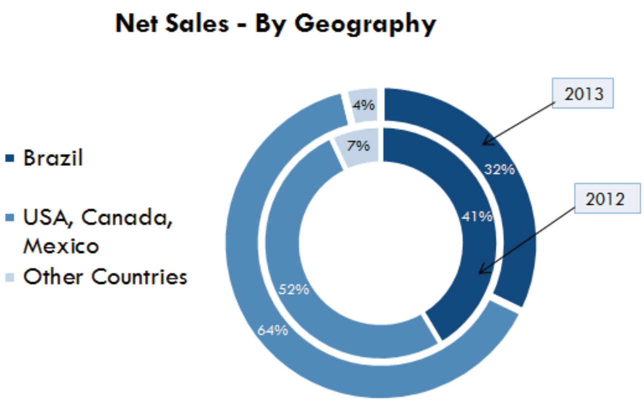
Net Revenue

Forjas Taurus S.A. and subsidiaries posted in 2013 consolidated net revenue of R$ 807.3 million, up 15.2% compared to R$ 701.0 million in 2012, which in turn had already been up 13.4% compared to 2011, mainly due to the 33.3% increase in exports due to foreign exchange rate devaluation, since the sales in the domestic market decreased.

The percentage of exports in relation to total net revenue increased from 59% in 2012 to 68% in 2013, namely to R$547.3 million (compared to R$ 410.6 million in 2012). Higher sales concentration took place in 1Q13 (31.5% of total) when there was atypical demand, followed by sales in the 3Q13 (26.6%), 2Q13 (24.1%) and 4Q13 (17.7%).



Distribution of consolidated net revenue by geographic region illustrated in the graph below shows that the North American market (USA, Mexico and Canada) continues accounting for the main percentage of exports, representing 64% of total revenue in 2013, followed by Brazil - 32% and other countries – 4% to which we export.



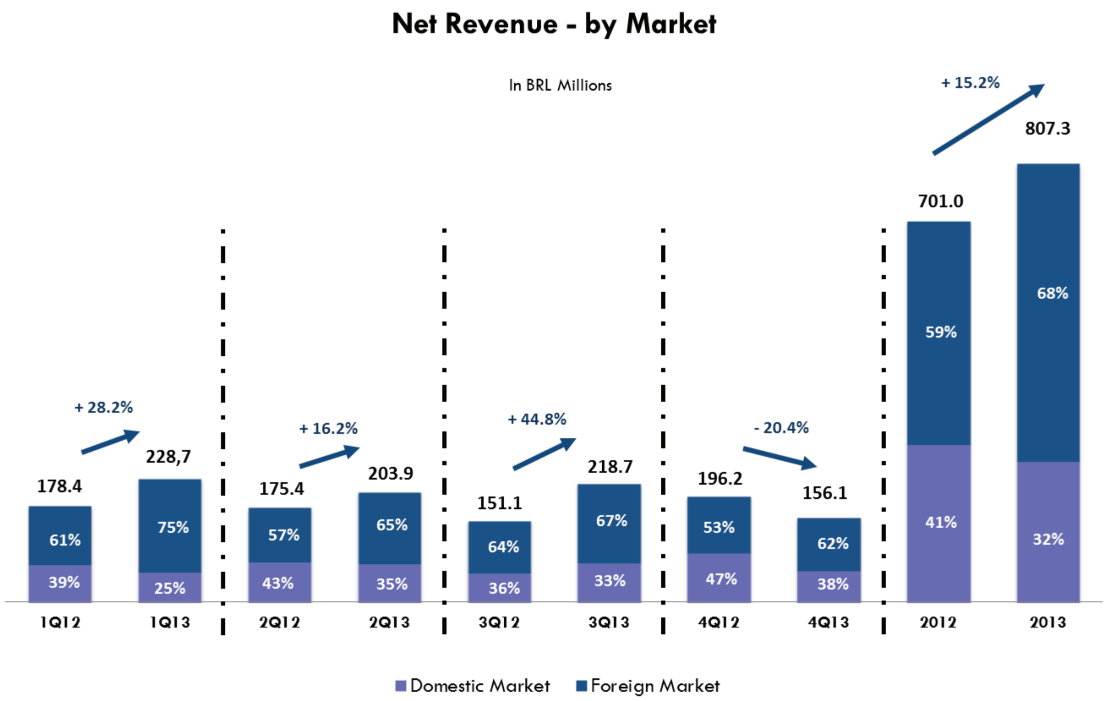
The positive performance of exports in 2013 is basically due to high demand in the USA due to the following: (i) sending of 23 proposals to the US Congress by reelected President Barack Obama, restricting much more the use of guns by civilians, soon after his inauguration on Jan/16/13, which were not eventually approved by Congress; and (ii) several incidents involving weapons in the USA increasing the fear related to more restrictive measures.

In analyzing exports in the last two years and comparing the same 2013 and 2012 quarters, the evolution was quite positive also when comparing the same 2012 and 2011 quarters, evidencing a certain typical seasonality, except for 1Q13, which owing to the aforementioned factors was exceptionally strong.

	4Q13/4Q12	3Q13/3Q12	2Q13/ 2Q12	1Q13/ 1Q12
Exports % 2013 evolution	-7.4%	51.0%	31.1%	58.9%
	4Q12/4Q11	**3Q12/3Q11**	**2Q12/ 2Q11**	**1Q12/ 1Q11**
Exports % 2012 evolution	16.6%	46.4%	21.1%	20.5%

In the domestic market, in turn, consolidated net revenue for 2013 decreased and performance for the quarters was more erratic, totaling R$260.0 million, down 10.5% compared to 2012, since expected demand for public and private security in the Brazilian market in connection with the 2014 and 2016 sports events did not materialize as expected.

Consequently, there was decrease in the percentage related to total revenue in the domestic market to 32% in 2013 (compared to 41% in 2012), as shown in the graph below:



Segment information

The table below sets out breakdown of net revenue, gross result, gross margin and pretax income by business segment. The information presented refers to the 12-month periods ended December 31, 2013 and 2012 (restated), according to IFRS, net of transactions between subsidiaries of each segment.

RESULTS BY BUSINESS SEGMENT
Consolidated amount in millions of reais

Comparative - Year over Year

	Net Revenue					Gross Income			Gross Margin			Income before taxes		
	2013	Part. %	2012	Part. %	Var.	2013	2012	Var.	2013	2012	Var.p.p	2013	2012	Var.
Firearms	621.2	76.9%	516.5	73.7%	20.3%	195.0	198.9	-2.0%	31.4%	38.5%	-7.1	(30.9)	26.9	NS
Helmets	127.6	15.8%	121.5	17.3%	5.0%	45.6	47.5	-4.0%	35.7%	39.1%	-3.4	23.9	31.1	-23%
Others	58.6	7.3%	63.0	9.0%	-7.0%	1.1	20.3	-94.3%	2.0%	32.2%	-30.2	(50.6)	(18.4)	NS
Total	**807.3**	**100.0%**	**701.0**	**100.0%**	15.2%	**241.7**	**266.7**	-9.4%	**29.9%**	**38.1%**	**-8.1**	**(57.6)**	**39.6**	NS

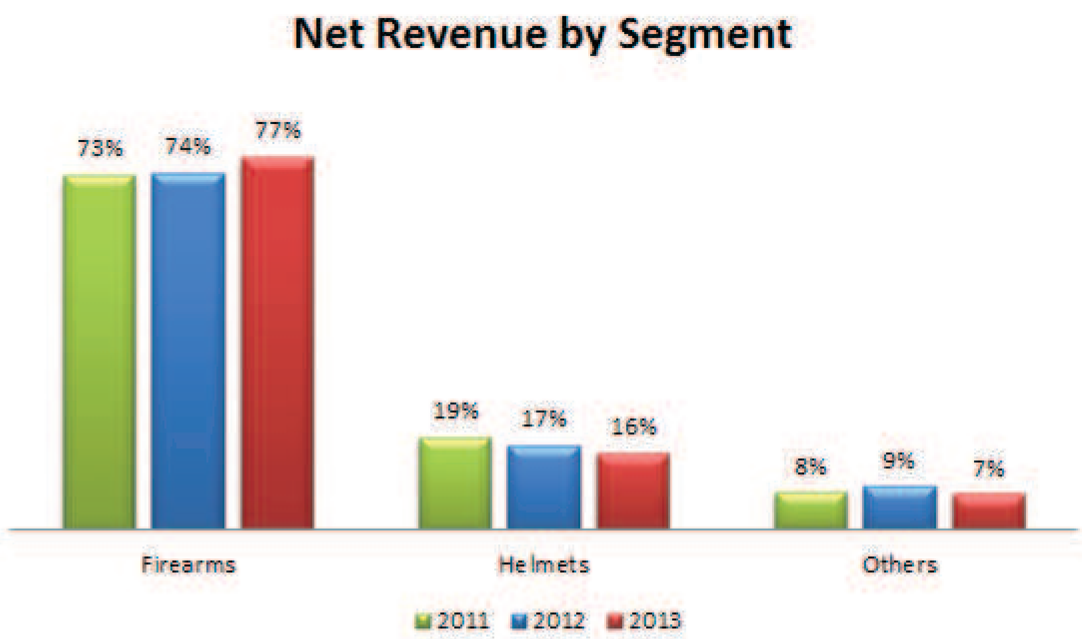
(i) *Firearms – operations conducted by Forjas Taurus S.A. and Taurus Holdings, Inc. (USA);*

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

(iii) *Other – segments of forging (Polimetal Metalurgia e Plásticos Ltda.), M.I.M – Metal Injection Molding, bulletproof vests and molded plastic products (Taurus Blindagens Ltda.)*

I. Defense and Security Segment

This segment includes handguns (revolvers and pistols for military and civil use), long guns (rifles and carbines) and submachine guns.



The Company's main segment is that of Defense & Security, of which the products are weapons, accounting for 77% of consolidated net revenue. There was 20.3% increase in revenue of the segment, totaling R$ 621.2 million in 2013. Gross profit was down 2.0% due to the 30.3% increase in cost of products sold in 2013 compared to 2012, due to the following: (i) change in the product mix; (ii) unproductivity resulting from noncompliant products, which has reduced; and (ii) pressure from costs: raw materials and labor.

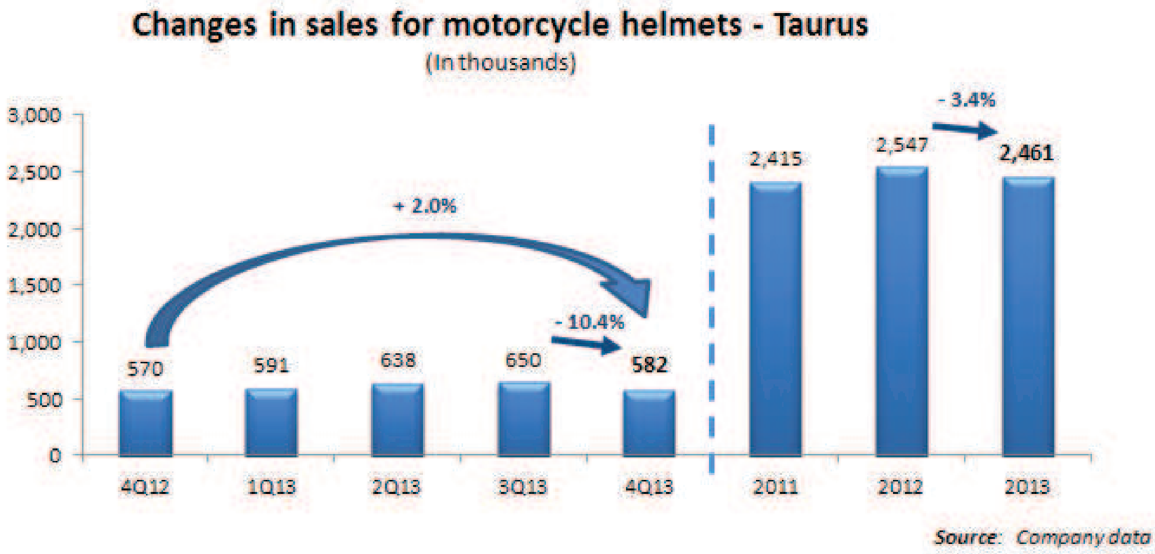
Consequently, gross margin decreased from 38.5% in 2012 to 31.4% in 2013.

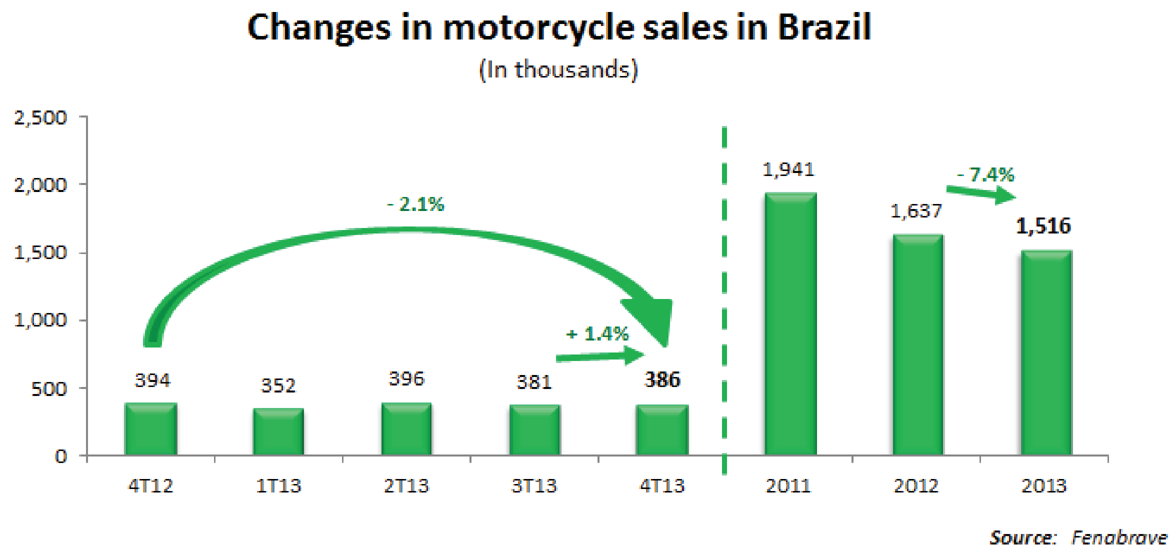
ii. Metallurgy and Plastics Segment

This segment accounts for 23.1% of net revenue, including the operations of Polimetal in the São Leopoldo unit (in the Rio Grande do Sul state) of forging and M.I.M.- *Metal Injection Molding*, as well as the activities of the helmet for motorcyclists plants (in the Paraná and Bahia states) and production of bulletproof vests and plastic containers (in the Paraná state).

Helmets for motorcyclists

There was 5% increase in net revenue from helmets, which represents 15.8% of total net revenue, amounting to R$127.6 million. Gross profit amounted to R$ 45.6 million, with gross margin of 35.7% in 2013, representing a decrease of 4% in gross profit and margin, that was 39.1% in 2012. The margin decrease is due to the following: (i) decrease in the demand for helmets in 2013 compared to 2012 due to the decrease in the offer of consumer credit; and (ii) cost of raw materials and labor.





The graphs above show that despite the 7.4% decrease in motorcycle sales in Brazil, Taurus helmet sales decreased proportionally less by 3.4%, however with lower average price, since there was 5% revenue increase in 2013, gaining market share of competitors and reaching 51% market share in Brazil.

Other products from the Metallurgy and Plastics segment

Revenue reached R$58.6 million in 2013, down 7% compared to 2012. The main products from this segment are: bulletproof vests, plastic containers in the shielding area and plastics as well as metallurgy products.

Gross profit amounted to R$1.1 million with margin of 2% due to the process for decommissioning forging for third parties started in April/13 and concluded in November/13 and also because sales volume of other products was not sufficient to offset the business decommissioning.

Consolidated gross profit and gross margin

Consolidated gross profit reached R$ 241.7 million in 2013, down 9.4% compared to 2012 (R$ 266.7 million), resulting in gross margin of 29.9% in 2013, 8.1 percentage points below gross margin of 38.1% of 2012. The 15.2% increase in net revenue was not enough to offset the 30.3% increase in cost of products sold in 2013, due to the following: (i) decrease in production volume generated by noncompliant products in the segment of weapons, due to increased quality requirements, thus generating unproductivity; (ii) lower gross profit in the helmets segment, due to a more competitive market and lower average prices; (iii) decommissioning of forging for third parties; and (iv) effect from foreign exchange rate on cost of raw materials.

Operating Expenses

Operating expenses totaled R$ 225.7 million in 2013 due to 36% increase in selling, general and administrative expenses, being 23.6% higher than operating expenses of R$ 182.6 million in 2012, representing 32.2% of net revenue in 2013 (26% in 2012).

Operating expenses increased due to nonrecurring expenses related to expenses with technical consulting, lawyer fees and specialized consulting for the changes in senior management structure that took place in 2013, additional independent audit expenses due to the restatement of Quarterly Information - ITR for 2012 and 2013, as well as the Financial Statements for 2012. It should be highlighted that there was increase in recurring selling and administrative expenses in the computation of net revenue.

Adjusted EBITDA

Consolidated cash generation in 2013, measured by adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) defined by CVM Rule No. 527/12, totaled R$ 100.0 million with adjusted EBITDA margin of 12.4% (R$ 130.3 million and adjusted EBITDA margin of 18.6% for 2012).

Adjusted EBITDA was calculated eliminating non-recurring revenues and expenses for 2013.

The 18.9% decrease is mainly due to the following factors: (i) 30.3% increase in CPS; (ii) 23.6% increase in operating expenses, due to the increase in expenses with consulting, legal advisory, additional independent audit due to the restatements of financial information, severance pay and sundry provisions (but which were in great part eliminated for not being recurring expenses).

Among other purposes, EBITDA is used as indicator of Company commitments related to loans, financing and debentures.

CONSOLIDATED EBITDA

In thousands of BRL

PERIOD	2012	2013
= NET PROFIT	(117,210)	(80,310)
(+) IR/CSLL	21,833	22,744
(+) Net Financial Expenses	134,897	175,731
(-) Net Interest Income	(90,348)	(102,136)
(+) Depreciation/Amortization	31,241	35,306
= EBITDA CVM Reg. 527/12	(19,587)	51,335
(+) Income from Discontinued Operations (1)	131,903	-
(+) Loss of Taurus Máquinas-Ferramenta Ltda. (2)	17,940	27,356
(+) Non-recurring Expenses	-	21,331
= ADJUSTED EBITDA	130,256	100,022

(1) *Net result from discontinued operations duly discounting the effects from depreciation, amortization, taxes, net financial result, according to EBITDA calculation method*

(2) *Loss of Taurus Máquinas-Ferramenta Ltda. for 4Q12, period in which the operation was no longer discontinued.*

Financial income (expenses)

Net financial expenses in 2013 totaled R$ 73.6 million compared to R$44.5 million in 2012. This increase is mainly due to the increase in negative net interest and negative net exchange variation (US$ appreciation to the other currencies generated exchange loss on onerous liabilities), despite the decrease in average financial cost of loans and financing, with extension of debt repayment term.

Net income (loss) for the year

Net income (loss) from Continuing Operations

In 2013, Forjas Taurus S.A. and subsidiaries posted **loss from continuing operations of** R$ 80.3 million, compared to **net income of** R$ 17.8 million in 2012.

Loss from Discontinued Operations

Due to restatement of the financial statements for 2012, all the effect from TMFL disposal (write-down of asset value and additional provisions) was retroactively recorded in 2Q12, thus generating loss of R$ 135 million in 2012, with reclassification and elimination of the impact in 2013.

Consolidated Loss for the Year

Consolidated loss for 2013 amounted to R$ 80.3 million, compared to R$117.2 million in 2012. The factors that led to this loss in 2013 were: (i) 33.3% increase in CPS, above the increase in revenue; (ii) decrease in production volume due to unproductivity; and (iii) increase in operating expenses.

3. Financial Position

Cash and short-term investments totaled R$ 281.1 million at Dec/31/13, down 14% compared to R$ 327.8 at Sep/30/13 (and up 56% compared to R$ 180.8 million at Dec/31/12), being remunerated by variable rates from 98% to 103% of CDI, by first tier financial institutions.

Consolidated short and long-term loans and financing totaled R$ 819.2 million at Dec/31/13, down 5% compared to Sept/30/13, which are mainly destined to: (i) working capital and (ii) investments in industrial modernization.

Net debt after cash and cash equivalents amounted to R$ 538.1 million, up 1% compared to Sept/30/13 and up 2% compared to Dec/31/12, with efforts to optimize working capital, including inventory reduction; improvement of maturity schedule of accounts payable and receivable and increase in tax recovery**.**

As an ongoing objective, we seek to **extend payment term** of our debts. However, due to the restatement of the financial statements, there was transfer of loans (R$ 388.5 million), debentures (R$ 57.6 million) and mortgage credits (R$ 19.6 million) to current liabilities, even when maturing within long term, owing to existence of contracts with covenants not complied with.

The balance of debentures at 12/31/13 including 1st and 2nd issue amounted to R$ 57.6 million in current liabilities compared to R$ 77.1 million at 09/30/13. With the reclassification to the short term portion, the maturity schedule presented below encumbered 2013. Final maturity of 1st issue debentures is April/14 and 2nd issue debentures mature in 2016.

With the restatement of the Financial Statements, calculation of financial ratios (Net Debt/EBITDA and EBITDA/Net Financial Expenses) changed, and there was noncompliance with covenants, reason why loans and financing related to these contracts were automatically transferred to the short-term portion.

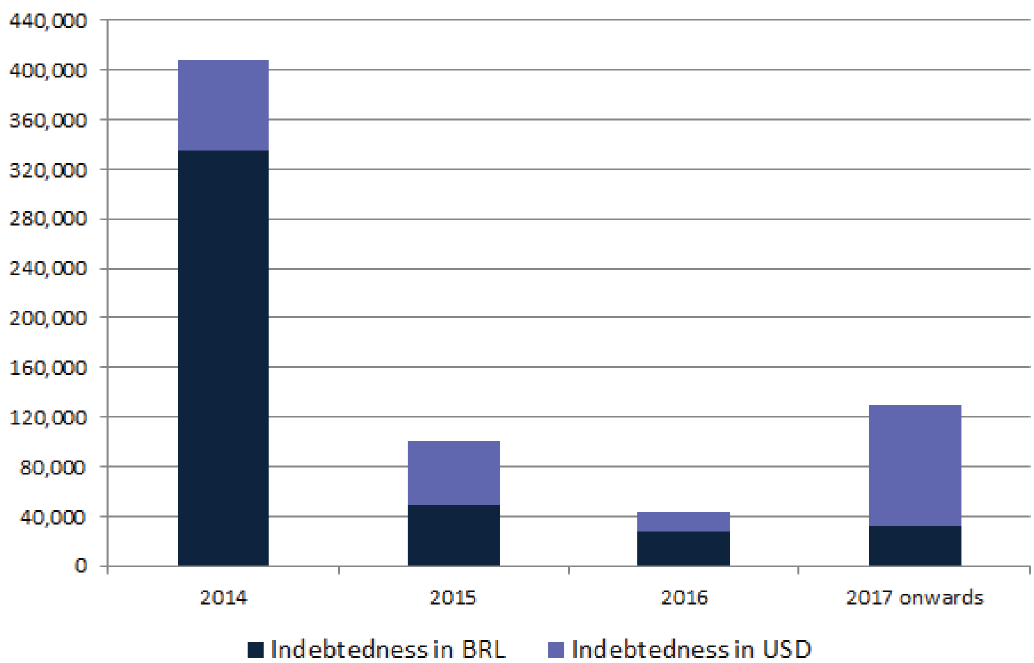
Consequently, the balances of debentures, financing and advance on mortgage credits that had contractual covenants were classified in current liabilities (transferred from long-term to short-term portion), owing to the noncompliance with the ratios if we do not eliminate the non-recurring effects (renegotiation of TMFL) in P&L, reason why the Company convened two General Debenture Holders' Meetings, one for the 1st and the other for the 2nd issue, at least 15 days in advance, being held on 11/12/13.

In addition, we started to consider advance on receivables as debt, even without right to indemnity, meeting the request of debenture holders in their General Meeting held on Nov/12/13 to vote about early settlement of 1st and 2nd issues.

All the main creditors were visited or contacted in order to explain the transitory noncompliance with the covenants. Debenture holders did not show interest in early settlement of the two issues, as initially proposed by the Company.

See the maturity schedule temporarily concentrated within short term:

Maturity of consolidated debt – In thousands of reais



We set out below the Company's financial position, including advance on mortgage credits (CRI) and the sureties and guarantees, as well as the financial position of Taurus

Máquinas-Ferramenta Ltda., which was restated and consolidated, as well as the main related financial ratios:

In millions BRL

	12/31/2013	09/30/2013	12/31/2012	Var. Dec/13 x Sep/13	Var. Dec/13 x Dec/12
Short term indebtedness	388.5	367.3	322.6	6%	20%
Long term indebtedness	273.2	302.8	255.5	-10%	7%
Exchange Serves	0.0	0.0	5.1	-	-
Debentures	57.6	77.1	94.7	-25%	-39%
Antecipation Mortages	19.6	22.1	28.7	-11%	-32%
Advance on Receivables	116.0	124.6	26.4	-7%	340%
Derivatives	-35.6	-32.5	-25.8	10%	38%
Gross Indetbetedness	819.2	861.4	707.2	-5%	16%
(-) Cash available and financial investments	281.1	327.8	180.8	-14%	56%
Net Indebtedness	538.1	533.6	526.4	1%	2%
Adjusted EBITDA	100.0	124.2	130.3	-19%	-23%
Net Indebtedness/Adjusted EBITDA	5.38x	4.30x	4.04x		
Adjusted EBITDA/Financial Expenses Net	1.36x	1.85x	2.92x		

Consequently, the Company’s general indebtedness indices for 2013 changed compared to 2012.

4. Equity

The Company’s consolidated equity at Dec/31/13 totaled R$ 146.0 million representing book value per share of R$ 1.03 (R$ 1.43 at Dec/31/12) of capital, comprising 141,412,617 outstanding issued shares.

5. Value added

The Company generated consolidated value added (wealth generated by the Company and its subsidiaries) of R$ 459.7 million in 2013, up 25.5% compared to 2012 (R$ 366.2 million), distributed as follows:

			In millions BRL
	2013	**2012**	**Variation**
Employees	186.9	165.8	12.7%
Government	157.9	161.6	-2.3%
Funders	195.2	156.0	25.1%
Shareholders	0.0	16.7	-100.0%
Reinvestments	-80.3	-133.9	-40.0%
Total	**459.7**	**366.2**	**25.5%**

6. Consolidated investments

Consolidated investments in 2013 totaled R$ 28.2 million (R$ 90.2 million in 2012). These were allocated on a 28% basis to expand the production capacity of the Company and its subsidiaries; 59% to modernization of industrial facilities and 13% to ongoing improvement and other investments. Depreciation and amortization totaled R$35.3 million in 2013 compared to R$31.2 million in 2012.

The capital budget that had been approved for 2013 amounted to R$39.6 million. The positive difference of R$ 11.4 million between budget and actual amounts for 2013 is due to the carry-over of amounts for 2013 that were paid in 2014.

See below consolidated capital budget in 2013 by company:

Forjas Taurus S.A. Consolidated

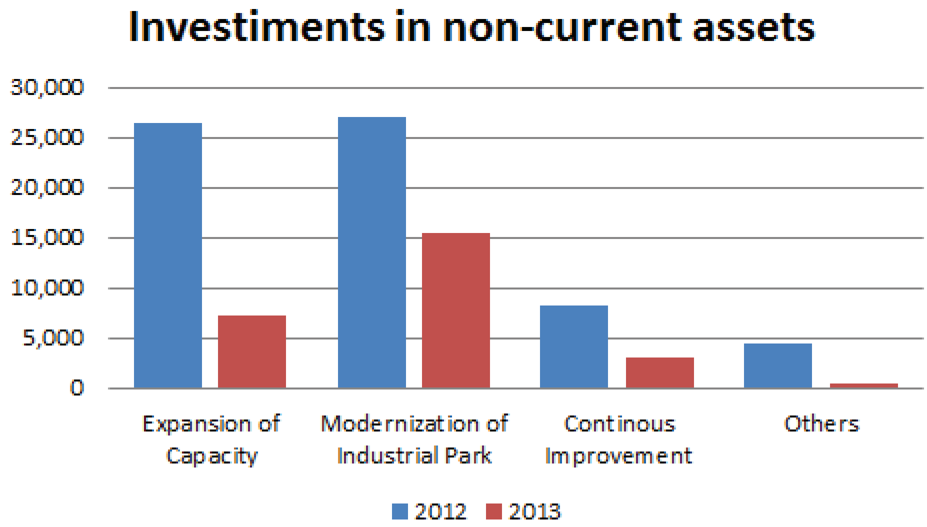
Investiments (CAPEX) until 2013

In thousands of BRL

Description	Sources of Funds	Investiments	
Forjas Taurus - Unit of Porto Alegre (RS)		**Thousands of BRL**	**Thousands of USD**
Research and development of products and processes	Debt	3,813	1,628
Modernization and expansion of production capacity	Debt	3,542	1,512
	Total	**7,355**	**3,140**
Forjas Taurus - Unit of São Leopoldo (RS) - Long Guns - Branch 5			
Research and development of products and processes	Debt	152	65
Improving productivity of manufacturing processes	Debt	180	77
	Total	**332**	**142**
Taurus Blindagens Ltda. - Unit of Mandirituba (PR) and Simões Filho (BA)			
Modernization and / or automation	Debt	1,818	776
	Total	**1,818**	**776**
Polimetal Metalurgia e Plásticos Ltda. - São Leopoldo (RS)			
Modernization and expansion of production capacity	Debt	9,389	4,008
Transfer Steelinject to Polimetal's plant		2,898	1,237
	Total	**12,287**	**5,245**
Total Investments (CAPEX) of the Consolidated Forjas Taurus S.A. in Brazil		**21,792**	**9,302**
Taurus Holdings, Inc. and Subsidiaries - Miami - Florida (EUA)			
Modernization and expansion of production capacity	Debt	**4,479**	1,912
Total Global Investiments (CAPEX) of the Forjas Taurus S.A. (Consolidated)		**26,271**	**11,214**

* Dolar R$/USD 2.34

In analyzing investments in property, plant and equipment in 2013, the distribution may be seen in the graph below:



The Board of Directors' meeting held on March 25, 2014 approved the Company's capital budget for 2014, in the amount of R$ 55.2 million, as shown below, which will be proposed in the next Ordinary General Meeting to be held on April 30, 2014.

Forjas Taurus S.A. Consolidated

Investiments (CAPEX) for 2014

Description		Sources of Funds	Investiments	
Forjas Taurus - Unit of Porto Alegre (RS)			**Thousands of BRL**	**Thousands of USD**
	Research and development of products and processes	Debt	8,971	3,738
	Modernization and expansion of production capacity	Debt	7,031	2,930
	Licensing, improvements and deployment of new ERP modules	Debt	10,854	4,522
		Total	**26,856**	**11,190**
Forjas Taurus - Unit of São Leopoldo (RS) - Long Guns - Branch 5				
	Research and development of products and processes	Debt	1,866	778
	Improving productivity of manufacturing processes	Debt	1,315	548
		Total	**3,181**	**1,325**
Taurus Blindagens Ltda. - Unit of Mandirituba (PR) and Simões Filho (BA)				
	Modernization and / or automation	Debt	6,000	2,500
		Total	**6,000**	**2,500**
Polimetal Metalurgia e Plásticos Ltda. - São Leopoldo (RS)				
	Modernization and expansion of production capacity	Debt	8,367	3,486
	Transfer Branch 5 to Polimetal's plant		4,553	1,897
		Total	**12,920**	**5,383**
Total Investments (CAPEX) of the Consolidated Forjas Taurus S.A. in Brazil			**48,957**	**20,399**
Taurus Holdings, Inc. and Subsidiaries - Miami - Florida (EUA)				
	Modernization and expansion of production capacity	Debt	**6,226**	**2,594**
Total Global Investiments (CAPEX) of the Forjas Taurus S.A. (Consolidated)			**55,182**	**22,993**

* Dolar R$/USD 2.40

7. Capital Market and Corporate Governance

Forjas Taurus S.A. is a Brazilian publicly-traded company that has been listed on BM&FBOVESPA for more than 30 years and since July 2011 it has been listed at Corporate Governance Level 2 on BM&FBOVESPA.

The Company's result for 2013 had already been anticipated by the market based on the result for 9M13 and estimates (guidance) previously provided and affected its share price and liquidity in the capital market. We continued with our efforts to expand and diversify the shareholders base and to keep the market informed about the actions to recover positive fundamentals for the Company, since they have recently changed, both in terms of demand and supply, as explained in the Message to Shareholders.

However, **the credit risk perception** is maintained. Due to the 1st and 2nd debenture issues that are still outstanding, the Company annually reviews its related risk assessment. The review for 2013 of the risk rating by Fitch Ratings resulted in **maintenance of the long term A – (Bra)** rating for the two issues further considering the long term rating as stable, also the 1st issue will be liquidated in April 2014.

With the restatement for 2012 and the results for 2013, the Company will have to conduct a new negotiation round to discuss its financial ratios, linked to contracts with banks and debenture holders, on a waiver basis alike that obtained upon disclosure of results for 9M13.

We highlight below the Investor Relations program and the commitments and targets assumed together with Company management in 2013:

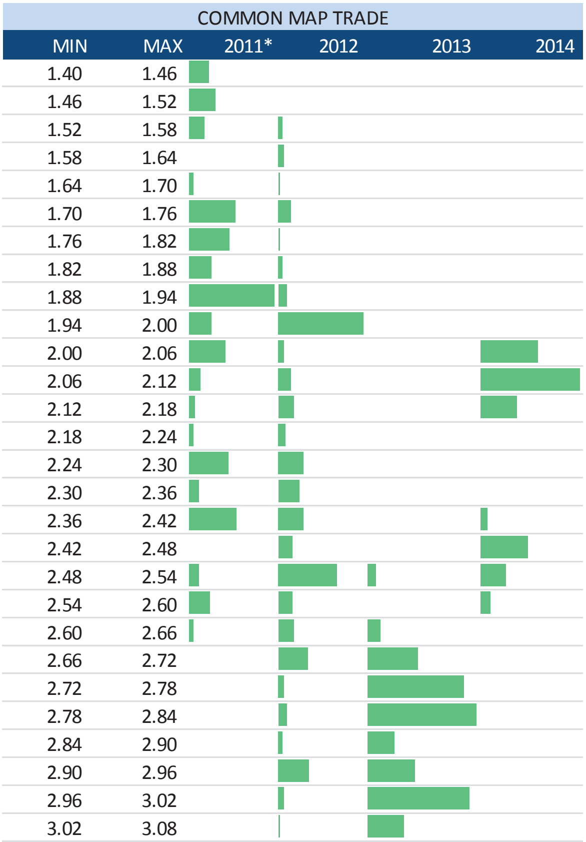
- Visit to the main investors, brokers and investment banks (sellers / *sell side* analysts and managers / *buy side* analysts) in the Brazilian and foreign market;
- Several visits to the plant by investors/fund managers/analysts;
- Conduction of 3 collective meetings in the year (in Porto Alegre, Rio de Janeiro and São Paulo);
- Expansion and diversification of the shareholders base, significantly changing the profile of institutional shareholders and new shareholders;

At Dec/31/13 the Company had 141,412,617 issued shares, being ex-treasury, totaling 128,976,510 outstanding shares, highlighting that dividends per share are calculated deducting treasury shares since they are not entitled to dividends.

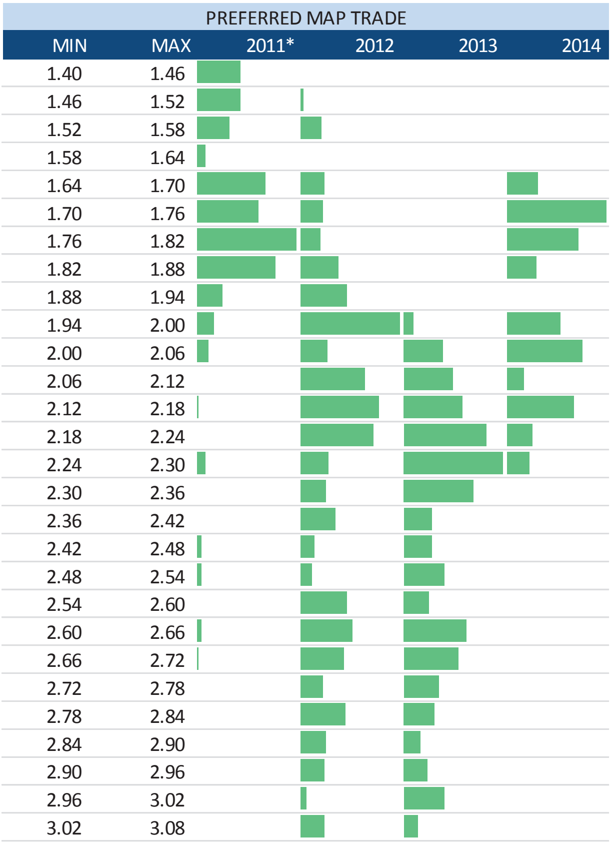
The same Board of Directors' Meeting approved the proposal for amending article 37 of the Company's Articles of Incorporation to be submitted to the next Ordinary/Special General Meeting to be held on April 30, 2014 for approval, in order to introduce a new paragraph, providing for an Incentive Plan to be defined by the Board of Directors, according to the overall compensation budget approved by the General Meeting.

Performance of Shares in 2013

TAURUS	2013	2012	2011	2013 x 2012	2013 x 2011	2012 x 2011
1. Share Price						
ON - FJTA3*	R$ 2.66	R$ 3.25	R$ 1.49	-18%	79%	118%
PN - FJTA4*	R$ 2.28	R$ 2.90	R$ 1.42	-21%	61%	104%
IBOVESPA*	51,507	60,952	56,754	-15%	-9%	7%
* cotação do último pregão do ano						
2. Market Value - In thousands of BRL						
ON - FJTA3	R$ 125,386	R$ 153,197	R$ 70,235	-18%	79%	118%
PN - FJTA4	R$ 214,947	R$ 273,398	R$ 133,871	-21%	61%	104%
TOTAL	R$ 340,333	R$ 426,595	R$ 204,106	-20%	67%	109%
3. Liquidity Index						
ON - FJTA3						
Number of Trades*	9	12	10	-21%	-6%	19%
Financial Volume in BRL*	29,640	26,004	46,708	14%	-37%	-44%
Number of shares trades*	10,067	10,931	22,698	-8%	-56%	-52%
* period averages						
PN - FJTA4						
Number of Trades*	233	163	74	42%	213%	120%
Financial Volume in BRL*	540,736	639,017	378,049	-15%	43%	69%
Number of shares trades*	220,992	274,407	167,176	-19%	32%	64%
* period averages						



Post-restructuring*



Post-restructuring*

At Dec/31/13, capital comprised 47,137,539 common shares, representing 33.3% of total capital and 94,275,078 preferred shares representing the remaining 66.7%. There are 2,827,206 common shares in treasury and 9,608,901 preferred shares, which may be cancelled, disposed of or used in a Stock Options Plan at any time by operation of Board of Director's resolution.

8. Relationship with Independent Auditors

Abiding by CVM Rule No. 509/11, the Company informs hereby that Ernst & Young Auditores Independentes only rendered independent audit services in the year ended December 31, 2013, and has not rendered any other services to the Company and/or its subsidiaries, except for the necessary and additional procedures related to the restatement of the financial statements for the year ended December 31, 2012 for purposes of the voluntary restatement.

9. Executive Board Representation

The Executive Board, abiding by article 25, paragraph 1, items V and VI of CVM Rule No. 480/2009, represents hereby to have revised, discussed and approved the Financial Statements of Forjas Taurus S.A., with the opinions expressed in the Independent Auditor's Report on the referred to Financial Statements for the year ended December 31, 2013, and the restated financial statements for the year ended December 31, 2012, which were re-filed with the Brazilian Securities and Exchange Commission ("CVM") and disclosed to the market on the date hereof.

10. Prospects

The international macroeconomic context indicates a relative surmounting of systemic risks associated with the European crisis, the tax risks in the USA and sustainability of China's growth. However, in the domestic scenario, the Brazilian economy presents elements posing higher risk than that for last year, with Brazilian GDP growth of 2.3% and industrial production growth of only 1.2 in 2013.

The scenario expected for 2014 also involves uncertainties both for the international and the domestic market. The consensus for global GDP growth is around 3.5% to 4% for the year driven by developed economies, while for Brazil projections indicate a rate between 2.4% to 3%, although there are more pessimistic estimates.

The fundamentals for the sector and the Company.

In relation to demand, with the loss of dynamism in the international economy, mainly in the US market, the demand for weapons may present more moderate growth in 2014. Especially, the US guns market for civilians in which demand was high in 2013. However, there is potential for growth in exports to other countries, mainly in the segment of weapons for public security.

In the domestic market, in turn, there is also potential to expand consumption in the public security area, with the permission for the purchase of more than two guns by military or civilian policeman. In addition, the Company may enjoy the advantages resulting from its registration as a Strategic Defense Company (EED) with the Ministry of Defense, becoming a qualified supplier of products to the armed forces in 2013.

In relation to supply, the Company has several action plans to keep focus on quality of processes and products in the weapons segment, the increase in productivity and business profitability. The adoption of a new manufacturing management model will bring productivity gains within medium and long term. In the helmets segment, we have sufficient installed capacity to respond to an adventitious increase in consumption.

For 2014, the priority will be to increase cash generation for all the business segments. Again, the quest for simplicity and recovery of the Company's fundamentals, which include creativity, innovation and quality, will be fundamental.

Main fronts in 2014:

1) Update and re-implement the ERP system, improving internal controls, managerial reports and introduce new modules in the new integrated management system;
2) Improve visualization of expense and cost items, to allow expediting decisions;
3) Integrate the structures of the organization more effectively in Production Planning and Control (PPC) operations in Brazil and the USA;
4) Expand M.I.M. markets, increasing profitability in the segment;
5) Improve the integrated hedge policy with hiring of specialized financial management consulting services;
6) Envisage the increase in exports to other countries;

7) Envisage the Company as EED and supplier of the Armed Forces;

8) Envisage the Company as product maintenance servicing provider;

Estimates (*Guidance)*

The Company had provided growth projections for 2013 based on the prospects for its two main business segments, namely Defense & Security and Metallurgy & Plastics and had made a review thereof upon the original presentation for the 3Q13.

Due to the restatement of the Quarterly Information (ITR) for 2013, we are comparing the amounts originally projected, those restated for 2012 and the review of projections for 2013:

In BRL Millions	Restatement 2012	Guidance 2013 (Original)	Guidance 2013 (Reviewed)	Realized 2013	Variation Guidance/Realized
Net Revenue	> R$ 701.0	R$ 785.0	R$ 850.0	R$ 807.3	-5.0%
Adjusted EBITDA	> R$ 130.3	R$ 170.0	R$ 151.0	R$ 100.0	-33.8%
CAPEX	R$ 90.2	R$ 39.7	R$ 39.7	R$ 28.2	-29.0%

Considering the transition moment, not only of the manufacturing management model as well as of the new executive board, inaugurated in 4Q13, management elected not to provide estimates of revenue and EBITDA for 2014, until the production levels have stabilized, its processes have been reviewed and new management tools have been introduced to render the Company's strategic planning feasible.

In relation to CAPEX, capital budget for 2014 proposed by Management, to be submitted to the Ordinary General Meeting for approval, amounted to R$ 55.2 million, with good allocation to best manufacturing practices, which is fundamental upon review of its management model.

Management continues confident in relation to medium and long-term results from the actions currently in progress at the Company. We will monitor the results and keep the market informed about: (i) evolution of the action plans presented; (ii) any corrections in strategic directives; and (iii) the consequences from the restatement of financial information for 2012 and 2013.

Porto Alegre, March 28, 2014.

BOARD OF DIRECTORS

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Danilo Angst

Chairman

Carlos Augusto Leite Junqueira de Siqueira

Vice-Chairman

Fernando José Soares Estima

Manuel Jeremias Leite Caldas

Marcos Tadeu de Siqueira

Ruy Lopes Filho

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Executive Board

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CEO

Eduardo Ermida Moretti

Sales and Marketing Officer and Vice CEO

Eduardo Feldmann Costa

Administrative and Financial Officer and Vice CEO

Doris Beatriz França Wilhelm

Investor Relations Officer