Contents

Company information / Capital composition

Quantity of shares (Units)	Current quarter 06/30/2015
Paid-in capital	
Common	8,439,322
Preferred	7,704,716
Total	16,144,038
Treasury	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet – Assets

(In thousands of reais)

Code of account	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
1	Total assets	753,115	787,849
1.01	Current assets	228,680	222,402
1.01.01	Cash and cash equivalents	9,065	25,161
1.01.01.01	Cash and banks	9,065	14,906
1.01.01.02	Marketable securities	0	10,255
1.01.02	Interest earning bank deposits	12,699	12,347
1.01.03	Accounts receivable	43,805	50,876
1.01.03.01	Trade accounts receivable	43,805	50,876
1.01.04	Inventories	88,061	67,054
1.01.06	Recoverable taxes	15,981	9,719
1.01.06.01	Current taxes recoverable	15,981	9,719
1.01.07	Prepaid expenses	7,799	3,582
1.01.08	Other current assets	51,270	53,663
1.01.08.03	Other	51,270	53,663
1.01.08.03.01	Financial instruments	33,298	36,098
1.01.08.03.03	Related parties	10,871	9,814
1.01.08.03.04	Other accounts receivable	7,101	7,751
1.02	Non-current assets	524,435	565,447
1.02.01	Long term assets	25,510	117,772
1.02.01.01	Interest earning bank deposits measured at fair value	7,256	21,592
1.02.01.01.01	Trading securities	7,256	21,592
1.02.01.06	Deferred taxes	0	4,746
1.02.01.06.01	Deferred income and social contribution taxes	0	4,746
1.02.01.08	Related party credits	15,491	88,647
1.02.01.08.04	Other related party credits	15,491	88,647
1.02.01.09	Other non-current assets	2,763	2,787
1.02.01.09.03	Recoverable taxes	312	450
1.02.01.09.04	Other	2,451	2,337
1.02.02	Investments	453,436	396,214
1.02.02.01	Equity interest	453,436	396,214
1.02.02.01.02	Interest in subsidiaries	453,246	396,024
1.02.02.01.04	Other equity interest	190	190
1.02.03	Property, plant and equipment	42,184	47,731
1.02.03.01	Fixed assets in operation	38,214	44,431
1.02.03.01.01	Fixed assets in operation	38,214	0
1.02.03.03	Construction in progress	3,970	3,300
1.02.04	Intangible assets	3,305	3,730
1.02.04.01	Intangible assets	3,305	3,730

Individual financial statements/ Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
2	Total liabilities	753,115	787,849
2.01	Current liabilities	545,174	412,656
2.01.01	Social and labor obligations	18,731	14,878
2.01.01.01	Social charges	3,609	2,900
2.01.01.02	Labor obligations	15,122	11,978
2.01.02	Suppliers	89,961	40,988
2.01.02.01	Domestic suppliers	86,572	39,703
2.01.02.02	Foreign suppliers	3,389	1,285
2.01.03	Tax liabilities	2,068	3,684
2.01.03.01	Federal tax liabilities	1,342	2,452
2.01.03.01.01	Income and social contribution tax payable	1,342	1,040
2.01.03.01.02	Other taxes	0	1,412
2.01.03.02	State tax liabilities	703	1,223
2.01.03.03	Municipal tax liabilities	23	9
2.01.04	Loans and financing	225,562	208,920
2.01.04.01	Loans and financing	169,146	192,987
2.01.04.01.01	In domestic currency	37,667	74,147
2.01.04.01.02	In foreign currency	131,479	118,840
2.01.04.02	Debentures	56,416	15,933
2.01.05	Other liabilities	197,723	136,217
2.01.05.02	Other	197,723	136,217
2.01.05.02.01	Dividends and interest on own capital	7	6
2.01.05.02.04	Related parties	19,153	32,609
2.01.05.02.05	Foreign exchange withdrawals	123,093	57,856
2.01.05.02.06	Derivative financial instruments	0	23,163
2.01.05.02.07	Advance of receivables	3,623	0
2.01.05.02.08	Other liabilities	51,847	22,583
2.01.06	Provisions	11,129	7,969
2.01.06.01	Tax, social security, labor and civil provisions	4,690	3,902
2.01.06.01.02	Social security and labor provisions	4,473	3,685
2.01.06.01.04	Civil provisions	217	217
2.01.06.02	Other provisions	6,439	4,067
2.01.06.02.01	Provisions for guarantees	6,439	4,067
2.02	Non-current liabilities	265,018	323,078
2.02.01	Loans and financing	210,009	265,448
2.02.01.01	Loans and financing	140,499	155,550
2.02.01.01.01	In domestic currency	25,564	45,011
2.02.01.01.02	In foreign currency	114,935	110,539
2.02.01.02	Debentures	69,510	109,898
2.02.02	Other liabilities	54,033	56,650
2.02.02.01	Liabilities from Related parties	11,762	0
2.02.02.01.02	Debits with subsidiaries	9,651	0
2.02.02.01.04	Debts with other related parties	2,111	0
2.02.02.02	Other	42,271	56,650
2.02.02.02.03	Taxes payable	919	1,098
2.02.02.02.04	Provision for uncovered liability	37,491	51,853

Individual financial statements/ Balance sheet – Liabilities

(In thousand of reais)

Code of	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
2.02.02.02.05	Other liabilities	3,861	3,699
2.02.03	Deferred taxes	3	0
2.02.03.01	Deferred income and social contribution taxes	3	0
2.02.04	Provisions	973	980
2.02.04.01	Tax, social security, labor and civil provisions	973	980
2.02.04.01.02	Social security and labor provisions	973	980
2.03	Shareholders’ equity	-57,077	52,115
2.03.01	Realized capital	324,876	324,876
2.03.02	Capital reserves	-40,996	-40,996
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-458,124	-317,290
2.03.06	Equity evaluation adjustments	32,345	36,685
2.03.07	Accumulated translation adjustments	84,822	48,840

Individual financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2015–06/30/2015	Accumulated of the current year - 01/01/2015–06/30/2015	Same quarter of the prior year - 04/01/2014–06/30/2014	Accumulated of the prior year - 01/01/2014–06/30/2014
3.01	Income from sales of goods and/or services	95,404	179,823	71,829	147,699
3.02	Cost of goods and/or services sold	-75,215	-140,051	-62,230	-124,362
3.03	Gross income	20,189	39,772	9,599	23,337
3.04	Operating expenses/income	-10,600	-113,041	-22,877	-37,268
3.04.01	Sales expenses	-5,926	-13,743	-8,164	-16,234
3.04.02	General and administrative expenses	-13,121	-20,476	-7,826	-14,533
3.04.04	Other operating income	463	3,083	982	1,726
3.04.05	Other operating expenses	-319	-3,971	-1,099	-3,046
3.04.06	Equity income (loss)	8,303	-77,934	-6,770	-5,181
3.05	Income (loss) before financial income and taxes	9,589	-73,269	-13,278	-13,931
3.06	Financial income (loss)	-7,257	-67,154	-14,963	-22,929
3.06.01	Financial income	48,653	84,217	22,392	55,255
3.06.02	Financial expenses	-55,910	-151,371	-37,355	-78,184
3.07	Income (loss) before income tax	2,332	-140,423	-28,241	-36,860
3.08	Income and social contribution taxes	2,388	-4,750	2,631	6,710
3.08.01	Current	0	0	1,306	0
3.08.02	Deferred assets	2,388	-4,750	1,325	6,710
3.09	Net income (loss) of continued operations	4,720	-145,173	-25,610	-30,150
3.11	Income/loss for the period	4,720	-145,173	-25,610	-30,150
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	0.29237	-8.99236	-0.18110	-0.21321
3.99.01.02	PN	0.29237	-8.99236	-0.18110	-0.21321
3.99.02	Diluted earnings per share				
3.99.02.01	ON	0.29237	-8.99236	-0.18110	-0.21321
3.99.02.02	PN	0.29237	-8.99236	-0.18110	-0.21321

Individual financial statements / Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2015–06/30/2015	Accumulated of the current year - 01/01/2015–06/30/2015	Same quarter of the prior year - 04/01/2014–06/30/2014	Accumulated of the prior year - 01/01/2014–06/30/2014
4.01	Net income for the period	4,720	-145,173	-25,610	-30,150
4.02	Other comprehensive income	-5,414	35,981	-5,042	-11,753
4.02.01	Period conversion adjustments	-5,414	35,981	-5,042	-11,753
4.03	Comprehensive income for the period	-694	-109,192	-30,652	-41,903

Individual financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2015–06/30/2015	Accumulated of the prior year - 01/01/2014–06/30/2014
6.01	Net cash from operational activities	48,409	103,015
6.01.01	Cash generated in operations	6,500	-9,040
6.01.01.01	Net income (loss) for the year before income and social contribution taxes	-140,423	-36,860
6.01.01.02	Depreciation and amortization	5,181	5,664
6.01.01.03	Cost of permanent assets written-off	2,578	1,243
6.01.01.04	Allowance for doubtful accounts	-3,039	-482
6.01.01.05	Equity income (loss)	77,934	5,181
6.01.01.07	Provision for derivative financial instruments	-7,401	27,234
6.01.01.08	Provision for Exchange Variation and Interest on Loans Financing	68,473	-10,938
6.01.01.09	Change in interest in subsidiaries	44	67
6.01.01.11	Provision for guarantees	2,372	0
6.01.01.12	Provision for contingencies	781	-149
6.01.02	Changes in assets and liabilities	41,909	112,055
6.01.02.01	Decrease in trade accounts receivable	10,110	122,915
6.01.02.02	(Increase) in inventories	-21,007	16,494
6.01.02.03	Decrease in other accounts receivable	-23,848	7,341
6.01.02.04	(Decrease) increase in suppliers	48,973	-16,017
6.01.02.05	(Decrease) in accounts payable and provisions	27,681	-18,678
6.02	Net cash used in investment activities	-28,207	-33,642
6.02.01	Receivables with related companies	-8,072	-31,515
6.02.02	Other long-term credits	24	137
6.02.03	In investments	-32,356	-910
6.02.04	In property, plant and equipment	-1,768	-1,326
6.02.05	In intangible assets	-19	-28
6.02.06	Interest earning bank deposits	13,984	0
6.03	Net cash from financing activities	-36,298	83,109
6.03.01	Payment of interest on own capital and dividends	1	0
6.03.02	Loans obtained	189,779	206,736
6.03.03	Payments of loans	-206,710	-123,294
6.03.05	Capital increase advance	0	22,784
6.03.06	Payment of interest on loans	-21,479	-23,117
6.03.10	Other	2,111	0
6.05	Increase (decrease) in cash and cash equivalents	-16,096	152,482
6.05.01	Opening balance of cash and cash equivalents	25,161	27,874
6.05.02	Closing balance of cash and cash equivalents	9,065	180,356

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2015–06/30/2015

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	324,876	-40,996	0	-317,290	85,525	52,115
5.03	Adjusted opening balances	324,876	-40,996	0	-317,290	85,525	52,115
5.05	Total comprehensive income	0	0	0	-140,834	31,642	-109,192
5.05.01	Net income for the period	0	0	0	-145,173	0	-145,173
5.05.02	Other comprehensive income	0	0	0	4,339	31,642	35,981
5.05.02.04	Translation adjustments in the period	0	0	0	0	35,981	35,981
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	4,339	-4,339	0
5.07	Closing balances	324,876	-40,996	0	-458,124	117,167	-57,077

Individual financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2014–06/30/2014

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	257,797	-73,891	0	-99,659	61,746	145,993
5.03	Adjusted opening balances	257,797	-73,891	0	-99,659	61,746	145,993
5.05	Total comprehensive income	0	0	0	-29,847	-12,056	-41,903
5.05.01	Net income for the period	0	0	0	-30,150	0	-30,150
5.05.02	Other comprehensive income	0	0	0	303	-12,056	-11,753
5.05.02.04	Translation adjustments in the period	0	0	0	0	-11,753	-11,753
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	303	-303	0
5.07	Closing balances	257,797	-73,891	0	-129,506	49,690	104,090

Individual financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2015–06/30/2015	Accumulated of the prior year - 01/01/2014–06/30/2014
7.01	Income	219,652	178,505
7.01.01	Sale of merchandise, products and services	215,960	176,305
7.01.02	Other income	653	1,718
7.01.04	Formation/reversal of allowance for doubtful accounts	3,039	482
7.02	Inputs acquired from third parties	-155,296	-122,225
7.02.01	Cost of products, merchandise and services sold	-86,034	-91,331
7.02.02	Materials, Energy, Third-party services and other	-69,262	-30,894
7.03	Gross added value	64,356	56,280
7.04	Retentions	-5,181	-5,664
7.04.01	Depreciation, amortization and depletion	-5,181	-5,664
7.05	Net added value produced	59,175	50,616
7.06	Added value received as transfer	6,283	50,074
7.06.01	Equity income (loss)	-77,934	-5,181
7.06.02	Financial income	84,217	55,255
7.07	Total added value payable	65,458	100,690
7.08	Distribution of added value	65,458	100,690
7.08.01	Personnel	42,916	44,381
7.08.01.01	Direct remuneration	35,662	36,910
7.08.01.02	Benefits	4,590	4,734
7.08.01.03	Severance Pay Fund (FGTS)	2,664	2,737
7.08.02	Taxes, duties and contributions	13,218	3,530
7.08.02.01	Federal	10,815	-438
7.08.02.02	State	2,367	3,968
7.08.02.03	Municipal	36	0
7.08.03	Third-party capital remuneration	154,497	82,929
7.08.03.01	Interest	151,371	78,184
7.08.03.02	Rents	3,126	3,226
7.08.03.03	Others	0	1,519
7.08.04	Remuneration of own capital	-145,173	-30,150
7.08.04.03	Retained earnings / Loss for the period	-145,173	-30,150

Consolidated financial statements or Balance sheet – Assets

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
1	Total assets	981,372	979,763
1.01	Current assets	588,569	574,283
1.01.01	Cash and cash equivalents	87,530	104,536
1.01.01.01	Cash and banks	84,780	59,337
1.01.01.02	Marketable securities	2,750	45,199
1.01.02	Interest earning bank deposits	35,243	33,632
1.01.03	Accounts receivable	144,516	139,720
1.01.03.01	Trade accounts receivable	144,516	139,720
1.01.04	Inventories	211,885	200,524
1.01.06	Recoverable taxes	34,975	23,419
1.01.06.01	Current taxes recoverable	34,975	23,419
1.01.07	Prepaid expenses	14,794	11,533
1.01.08	Other current assets	59,626	60,919
1.01.08.01	Non-current assets held for sale	4,314	4,417
1.01.08.03	Other	55,312	56,502
1.01.08.03.01	Derivative financial instruments	33,298	36,106
1.01.08.03.02	Other accounts receivable	22,014	20,396
1.02	Non-current assets	392,803	405,480
1.02.01	Long term assets	51,467	66,807
1.02.01.01	Interest earning bank deposits measured at fair value	7,256	21,592
1.02.01.01.01	Trading securities	7,256	21,592
1.02.01.06	Deferred taxes	38,330	39,627
1.02.01.06.01	Deferred income and social contribution taxes	38,330	39,627
1.02.01.09	Other non-current assets	5,881	5,588
1.02.01.09.03	Recoverable taxes	957	1,048
1.02.01.09.04	Other	4,924	4,540
1.02.02	Investments	13,107	13,401
1.02.02.01	Equity interest	13,107	13,401
1.02.02.01.01	Interest in associated companies	12,758	13,052
1.02.02.01.04	Other equity interest	349	349
1.02.03	Property, plant and equipment	256,903	257,222
1.02.03.01	Fixed assets in operation	245,218	247,180
1.02.03.03	Construction in progress	11,685	10,042
1.02.04	Intangible assets	71,326	68,050
1.02.04.01	Intangible assets	71,326	68,050

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
2	Total liabilities	981,372	979,763
2.01	Current liabilities	656,795	560,708
2.01.01	Social and labor obligations	30,390	25,095
2.01.01.01	Social charges	7,673	6,485
2.01.01.02	Labor obligations	22,717	18,610
2.01.02	Suppliers	55,140	36,321
2.01.02.01	Domestic suppliers	42,330	27,013
2.01.02.02	Foreign suppliers	12,810	9,308
2.01.03	Tax liabilities	19,247	17,621
2.01.03.01	Federal tax liabilities	14,920	12,326
2.01.03.01.01	Income and social contribution tax payable	13,952	9,710
2.01.03.01.02	Other taxes	968	2,616
2.01.03.02	State tax liabilities	4,285	5,254
2.01.03.03	Municipal tax liabilities	42	41
2.01.04	Loans and financing	264,754	274,798
2.01.04.01	Loans and financing	208,338	258,865
2.01.04.01.01	In domestic currency	71,878	118,740
2.01.04.01.02	In foreign currency	136,460	140,125
2.01.04.02	Debentures	56,416	15,933
2.01.05	Other liabilities	226,302	158,111
2.01.05.02	Other	226,302	158,111
2.01.05.02.01	Dividends and interest on own capital	7	6
2.01.05.02.04	Derivative financial instruments	838	23,898
2.01.05.02.05	Foreign exchange withdrawals	123,093	57,856
2.01.05.02.06	Advance on real estate credits	2,207	8,548
2.01.05.02.08	Advance of receivables	53,526	25,114
2.01.05.02.09	Other liabilities	46,631	42,689
2.01.06	Provisions	60,962	48,762
2.01.06.01	Tax, social security, labor and civil provisions	49,612	37,734
2.01.06.01.01	Tax provisions	318	0
2.01.06.01.02	Social security and labor provisions	10,458	10,253
2.01.06.01.04	Civil provisions	38,836	27,481
2.01.06.02	Other provisions	11,350	11,028
2.01.06.02.01	Provisions for guarantees	11,350	11,028
2.02	Non-current liabilities	381,654	366,940
2.02.01	Loans and financing	323,811	341,719
2.02.01.01	Loans and financing	254,301	231,821
2.02.01.01.01	In domestic currency	50,046	83,585
2.02.01.01.02	In foreign currency	204,255	148,236
2.02.01.02	Debentures	69,510	109,898
2.02.02	Other liabilities	6,200	6,178
2.02.02.02	Other	6,200	6,178
2.02.02.02.04	Taxes payable	1,398	2,469
2.02.02.02.05	Other liabilities	4,802	3,709
2.02.03	Deferred taxes	11,190	9,803
2.02.03.01	Deferred income and social contribution taxes	11,190	9,803

Consolidated financial statements or Balance sheet – Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
2.02.04	Provisions	40,453	9,240
2.02.04.01	Tax, social security, labor and civil provisions	37,404	9,240
2.02.04.01.01	Tax provisions	5,825	5,567
2.02.04.01.02	Social security and labor provisions	1,256	1,273
2.02.04.01.04	Civil provisions	30,323	2,400
2.02.04.02	Other provisions	3,049	0
2.02.04.02.01	Provisions for guarantees	3,049	0
2.03	Consolidated shareholders' equity	-57,077	52,115
2.03.01	Realized capital	324,876	324,876
2.03.02	Capital reserves	-40,996	-40,996
2.03.02.09	Capital transactions	-40,996	-40,996
2.03.05	Retained Earnings/Losses	-458,124	-317,290
2.03.06	Equity evaluation adjustments	32,345	36,685
2.03.07	Accumulated translation adjustments	84,822	48,840

Consolidated financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2015–06/30/2015	Accumulated of the current year - 01/01/2015–06/30/2015	Same quarter of the prior year - 04/01/2014–06/30/2014	Accumulated of the prior year - 01/01/2014–06/30/2014
3.01	Income from sales of goods and/or services	175,477	349,015	132,948	301,074
3.02	Cost of goods and/or services sold	-120,467	-258,845	-106,844	-229,262
3.03	Gross income	55,010	90,170	26,104	71,812
3.04	Operating expenses/income	-51,294	-161,552	-37,546	-78,717
3.04.01	Sales expenses	-22,825	-45,070	-20,993	-43,441
3.04.02	General and administrative expenses	-25,721	-44,377	-15,208	-31,293
3.04.04	Other operating income	422	4,264	2,709	4,468
3.04.05	Other operating expenses	-3,050	-76,075	-3,361	-7,436
3.04.06	Equity income (loss)	-120	-294	-693	-1,015
3.05	Income (loss) before financial income and taxes	3,716	-71,382	-11,442	-6,905
3.06	Financial income (loss)	-3,505	-71,831	-16,427	-26,311
3.06.01	Financial income	58,043	96,327	25,978	63,059
3.06.02	Financial expenses	-61,548	-168,158	-42,405	-89,370
3.07	Income (loss) before income tax	211	-143,213	-27,869	-33,216
3.08	Income and social contribution taxes	4,509	-1,960	2,259	3,066
3.08.01	Current	-529	-912	943	-3,713
3.08.02	Deferred assets	5,038	-1,048	1,316	6,779
3.09	Net income (loss) of continued operations	4,720	-145,173	-25,610	-30,150
3.11	Income/loss for the period	4,720	-145,173	-25,610	-30,150
3.11.01	Attributed to the Parent company's partners	4,720	-145,173	-25,610	-30,150
3.99	Earnings per share - (Reais / Shares)				
3.99.01	Basic earnings per share				
3.99.01.01	ON	0.29237	-8.99236	-0.18110	-0.21321
3.99.01.02	PN	0.29237	-8.99236	-0.18110	-0.21321
3.99.02	Diluted earnings per share				
3.99.02.01	ON	0.29237	-8.99236	-0.18110	-0.21321
3.99.02.02	PN	0.29237	-8.99236	-0.18110	-0.21321

Consolidated financial statements or Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2015–06/30/2015	Accumulated of the current year - 01/01/2015–06/30/2015	Same quarter of the prior year - 04/01/2014–06/30/2014	Accumulated of the prior year - 01/01/2014–06/30/2014
4.01	Consolidated net income for the period	4,720	-145,173	-25,610	-30,150
4.02	Other comprehensive income	-5,414	35,981	-5,042	-11,753
4.02.01	Translation adjustments for the period	-5,414	35,981	-5,042	-11,753
4.03	Consolidated comprehensive income for the period	-694	-109,192	-30,652	-41,903
4.03.01	Attributed to the Parent company's partners	-694	-109,192	-30,652	-41,903

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2015–06/30/2015	Accumulated of the prior year - 01/01/2014–06/30/2014
6.01	Net cash from operational activities	1,435	-228
6.01.01	Cash generated in operations	21,649	-129
6.01.01.01	Net income (loss) before income and social contribution taxes	-143,213	-33,216
6.01.01.02	Depreciation and amortization	16,904	16,269
6.01.01.03	Cost of written-off permanent assets	1,357	2,033
6.01.01.05	Equity income (loss)	294	1,015
6.01.01.06	Provision for derivative financial instruments	-6,957	27,527
6.01.01.07	Allowance for doubtful accounts	-4,330	-1,008
6.01.01.10	Provision for Exchange Variation and Interest on Loans and Financing	82,216	-12,342
6.01.01.15	Write-off of assets held for sale	103	0
6.01.01.17	Provision for guarantees	3,371	0
6.01.01.19	Provision for contingencies	71,904	-407
6.01.02	Changes in assets and liabilities	-15,866	2,769
6.01.02.01	(Increase) decrease in trade accounts receivable	205	57,229
6.01.02.02	(Increase) decrease in inventories	-11,361	1,958
6.01.02.03	Decrease (increase) in other accounts receivable	-38,288	3,218
6.01.02.04	(Decrease) increase in suppliers	18,739	-12,777
6.01.02.05	Increase (decrease) in accounts payable and provisions	14,839	-46,859
6.01.03	Other	-4,348	-2,868
6.01.03.02	Income and social contribution taxes paid	-4,348	-2,868
6.02	Net cash used in investment activities	4,418	-7,609
6.02.02	Other receivables	-293	526
6.02.04	In property, plant and equipment	-7,336	-7,485
6.02.05	In intangible assets	-678	-650
6.02.06	Interest earning bank deposits	12,725	0
6.03	Net cash from financing activities	-22,859	12,829
6.03.01	Payment of interest on own capital and dividends	1	0
6.03.02	Loans obtained	248,415	209,121
6.03.03	Payment of loans	-246,081	-185,371
6.03.05	Capital increase advance	0	22,784
6.03.07	Interest paid for real estate credit	-382	-1,166
6.03.10	Payment of interest on loans	-24,812	-27,271
6.03.11	Real estate credits	0	-5,268
6.05	Increase (decrease) in cash and cash equivalents	-17,006	4,992
6.05.01	Opening balance of cash and cash equivalents	104,536	281,119
6.05.02	Closing balance of cash and cash equivalents	87,530	286,111

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Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2015–06/30/2015

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	324,876	-40,996	0	-317,290	85,525	52,115	0	52,115
5.03	Adjusted opening balances	324,876	-40,996	0	-317,290	85,525	52,115	0	52,115
5.05	Total comprehensive income	0	0	0	-140,834	31,642	-109,192	0	-109,192
5.05.01	Net income for the period	0	0	0	-145,173	0	-145,173	0	-145,173
5.05.02	Other comprehensive income	0	0	0	4,339	31,642	35,981	0	35,981
5.05.02.04	Translation adjustments in the period	0	0	0	0	35,981	35,981	0	35,981
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	4,339	-4,339	0	0	0
5.07	Closing balances	324,876	-40,996	0	-458,124	117,167	-57,077	0	-57,077

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL – 01/01/2014–06/30/2014

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	257,797	-73,891	0	-99,659	61,746	145,993	0	145,993
5.03	Adjusted opening balances	257,797	-73,891	0	-99,659	61,746	145,993	0	145,993
5.05	Total comprehensive income	0	0	0	-29,847	-12,056	-41,903	0	-41,903
5.05.01	Net income for the period	0	0	0	-30,150	0	-30,150	0	-30,150
5.05.02	Other comprehensive income	0	0	0	303	-12,056	-11,753	0	-11,753
5.05.02.04	Translation adjustments in the period	0	0	0	0	-11,753	-11,753	0	-11,753
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	303	-303	0	0	0
5.07	Closing balances	257,797	-73,891	0	-129,506	49,690	104,090	0	104,090

Consolidated financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year - 01/01/2015–06/30/2015	Accumulated of the prior year - 01/01/2014–06/30/2014
7.01	Income	427,375	360,345
7.01.01	Sale of merchandise, products and services	421,749	354,526
7.01.02	Other income	1,296	4,811
7.01.04	Formation/reversal of allowance for doubtful accounts	4,330	1,008
7.02	Inputs acquired from third parties	-333,373	-225,756
7.02.01	Cost of products, merchandise and services sold	-203,560	-140,808
7.02.02	Materials, Energy, Third-party services and other	-129,813	-84,948
7.03	Gross added value	94,002	134,589
7.04	Retentions	-16,904	-16,269
7.04.01	Depreciation, amortization and depletion	-16,904	-16,269
7.05	Net added value produced	77,098	118,320
7.06	Added value received as transfer	96,033	62,044
7.06.01	Equity income (loss)	-294	-1,015
7.06.02	Financial income	96,327	63,059
7.07	Total added value payable	173,131	180,364
7.08	Distribution of added value	173,131	180,364
7.08.01	Personnel	92,578	85,677
7.08.01.01	Direct remuneration	78,965	71,261
7.08.01.02	Benefits	9,126	10,004
7.08.01.03	Severance Pay Fund (FGTS)	4,487	4,412
7.08.02	Taxes, duties and contributions	55,279	29,555
7.08.02.01	Federal	43,825	23,536
7.08.02.02	State	11,372	5,974
7.08.02.03	Municipal	82	45
7.08.03	Third-party capital remuneration	170,447	95,282
7.08.03.01	Interest	168,158	89,370
7.08.03.02	Rents	2,289	2,380
7.08.03.03	Others	0	3,532
7.08.04	Remuneration of own capital	-145,173	-30,150
7.08.04.03	Retained earnings / Loss for the period	-145,173	-30,150

Performance comment

2Q15

PRESS RELEASE

Performance comment

Porto Alegre, August 14, 2015 - Forjas Taurus S.A. **(BM&FBOVESPA:** FJTA3, FJTA4), a company in the segments of (i) Defense and Security – as the largest firearm manufacturer in Latin America and one of the largest in the world; and of (ii) Metallurgy and Plastics – as market leader in the production of helmets for motorcyclists, and in the production of bulletproof vests, antiriot shields, plastic containers and forged and molded parts (M.I.M – Metal Injection Molding), informs hereby the results for the **2nd quarter of 2015 (2Q15).**

1. Highlights for the 2nd quarter of 2015 (2Q15)

- ✓ **Company reverses loss position and determines profit of R$4.7 million in the 2Q15;**
- ✓ **Consolidated net revenue amounts to R$ 175.5 million**, 1.1% higher as compared with 1Q15 and 32.0% higher than in 2Q14, with a highlight to foreign market sales;
- ✓ **Exports sum up R$126.2 million in the quarter,** a growth of 11.7% over the 1Q15 and 72.7% higher than the 2Q14, with sales to North-American market being a highlight;
- ✓ **Consolidated gross margin grows 11.1 p.p.** in relation to the 1Q15, reaching 31.3%, and 11.7 p.p. when compared to the 2Q14;
- ✓ **Adjusted Ebitda jumps to R$20.3 million** in the 2Q15, a growth of 124.5% against the 1Q15 and of 44.9% over the same quarter of
- ✓ 2014;
- ✓ **Production of Firearms in Brazil grows approximately 100%** from January to June 2015;
- ✓ **Productivity is a highlight,** with production index of Firearms/Man/Month practically doubling from January to Jun/15; S **Working Capital need falls 17.7% in the 2Q15** compared to that of the 1Q15;
- ✓ **New Management** took office in the Company at the end of June 2015, aggregating experience and expertise to aid the Company in resumption process.
- ✓ **Capital Increase** of up to R$100,000,000.00 approved in the Annual Shareholders' Meeting held on July 15, 2015, for the purpose of strengthening the Company's capital structure.
- ✓ **Operating cash generation has positive balance of R$36.5 million in the 2Q15,** against negative balance of R$35.0 million in the 1Q15, reflecting the Company's operating improvement and lower provisions.

Performance comment

2. Consolidated Economic and Financial Performance

In table below, consolidated economic-financial performance of the Company in the 2Q15 and in the 1H15, compared to performance in the 1Q15, 2Q14 and 1H14.

Consolidated Economic and Financial Performance

In millions of reais, unless otherwise stated

						Variation %		
Indicators	**2Q15**	**1Q15**	**2Q14**	**1H15**	**1H14**	**2Q15/1Q15**	**2Q15/2Q14**	**1H15/1H14**
Net revenue	**175.5**	**173.5**	**132.9**	**349.0**	**301.1**	**1.1%**	**32.0%**	**15.9%**
Domestic market	49.3	60.5	59.9	109.8	122.3	-18.6%	-17.7%	-10.2%
Foreign market	126.2	113.0	73.1	239.2	178.8	11.7%	72.7%	33.8%
COGS	120.5	138.4	106.8	258.8	229.3	-12.9%	12.8%	12.9%
Gross profit	55.0	35.2	26.1	90.2	71.8	56.5%	110.7%	25.6%
Gross margin -%	**31.3%**	**20.3%**	**19.6%**	**25.8%**	**23.9%**	**11.1 p.p.**	**11.7 p.p.**	**2.0 p.p.**
Operating expenses - SG&A	-51.3	-110.3	-37.5	-161.6	-78.7	-53.5%	36.6%	105.2%
Operating expenses, adjusted (1)	-45.8	-39.2	-34.4	-85.0	-58.9	16.8%	33.1%	44.3%
Margin for Operating expenses, adjusted	**26.1%**	**22.6%**	**25.9%**	**24.4%**	**19.6%**	**3.5 p.p.**	**0.2 p.p.**	**4.8 p.p.**
Operating profit (EBIT)	3.7	-75.1	-11.4	-71.4	-6.9	-104.9%	-132.5%	933.8%
EBIT Margin - %	**2.1%**	**-43.3%**	**-8.6%**	**-20.5%**	**-2.3%**	**45.4 p.p.**	**10.7 p.p.**	**-18.2 p.p.**
Net financial income (loss)	-3.5	-68.3	-16.4	-71.8	-26.3	-94.9%	-78.7%	173.0%
Depreciation and amortization (2)	8.4	8.5	8.2	16.9	16.3	-1.2%	2.6%	3.9%
Net Income/loss - Consolidated	4.7	-149.9	-25.6	-145.2	-30.2	-	-	381.5%
Net Income Margin - Consolidated	**2.7%**	**-86.4%**	**-19.3%**	**-41.6%**	**-10.0%**	**89.1 p.p.**	**22.0 p.p.**	**-31.6 p.p.**
Adjusted LAJIDA/EBITDA (3)	20.3	9.0	14.0	29.3	43.1	124.5%	44.9%	-32.1%
Adjusted EBITDA Margin - %	**11.6%**	**5.2%**	**10.5%**	**8.4%**	**14.3%**	**6.3 p.p.**	**1.0 p.p.**	**-5.9 p.p.**
Total assets	981.4	1,000.9	1,091.1	981.4	1,091.1	-2.0%	-10.1%	-10.1%
Shareholders' equity	-57.1	-56.4	104.1	-57.1	104.1	1.2%	-	-
Investments (CAPEX)	3.4	4.6	5.1	8.0	8.1	-24.9%	-31.9%	-1.2%

(1) Operating expenses, adjusted: Expenses adjusted at non-recurring items, especially expenses related to the Carter Case process recognized in the 1Q15.

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

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

Net revenue

In 2Q15, Forjas Taurus S.A. presented consolidated net revenue of R$ 175.5 million, which represented a increase of 32.0% as compared to the R$ 132.9 million in the same period of 2014, and of 1.1% in relation to the prior quarter. In the

Performance comment

six-month period, Net revenue reached R$349.0 million, an increase of 15.9% in comparison to the 1H14, reflecting mainly sales recovery in the USA.

Accordingly, participation of North-American market in the Company's net revenue continued to grow and reached 69% in the 2Q15, against 57% in the 1Q15 and 46% in the 2Q14. In the six-month period, participation was 63%, 22 p.p. higher than that of the 1H14. Sales to the North-American market - which totaled R$121.8 million, with growth of 23.2% in the 2Q15 in relation to the 1Q15 and of 99.2% in relation to the 2Q14 - were the positive highlight of the quarter. While domestic market reduced its participation, reaching 28% in the 2Q15 with sales summing up R$49.3 million, which represents a fall of 17.7% in relation to the 2Q14 and of 18.6% when compared to the 1Q15, mainly reflecting reduction in investments by the Government.

						Variation %		
NET REVENUE	**2Q15**	**1Q15**	**2Q14**	**1H15**	**1H14**	**2Q15/1Q15**	**2Q15/2Q14**	**1H15/1H14**
TOTAL	175.5	175.5	132.9	349.0	301.1	1.1%	32.0%	15.9%
Brazil	49.3	60.5	59.9	109.8	122.3	-18.6%	-17.7%	-10.2%
United States	121.8	98.9	61.2	220.7	154.3	23.2%	99.2%	43.1%
Other countries	4.4	14.1	11.9	18.5	24.6	-69.0%	-63.2%	-24.7%
Exports	126.2	113.0	73.1	239.2	178.8	11.7%	72.7%	33.8%

While sales to other countries fell 63.2% in relation to the same period of prior year and 69.0% when compared to the 1Q15. This fall is due to delay in government tender bids in countries of Latin America and Asia. It is important to remember that, despite the fact that civil market of other countries make an important contribution to this line, most of this income derives from government sales (tender bids) that are subject to delays as a result of the bureaucratic paths of each country. This market reached 2% of participation in consolidated net revenue in 2Q15, and was diluted by increase in North-American participation in the quarter. It is important to emphasize that the Company continues to focus its efforts on these segments to diversify income.

Consolidated net revenue per business segment is distributed as follows and shows that the Firearms segment continues to represent the largest market share of Taurus (increased to 82% in the 2Q15), followed by helmets (16%) and other products (2%) such as containers, motorcycle trucks, M.I.M. (Metal Injection Molding) and vests.

Segment information

The table below sets out consolidated financial highlights by segment:

Comparative Quarter - Current Quarter x Previous Quarter

	Net revenue					Gross income			Gross margin		
	2Q15	Part.%	**1Q15**	Part.%	**Var.**	**2Q15**	**1Q15**	**Var.**	**2Q15**	**1Q15**	**Var.p.p**
Firearms	144.0	82.1%	132.9	76.6%	8.4%	46.7	21.8	114.1%	32.4%	16.4%	16.0
Helmets	27.8	15.9%	31.0	17.9%	-10.3%	9.8	10.3	-4.6%	35.3%	33.1%	2.1
Other	3.7	2.1%	9.6	5.6%	-61.8%	(1.5)	3.1	-148.0%	-40.2%	32.0%	-72.2
Total	**175.5**	**100.0%**	**173.5**	**100.0%**	1.1%	**55.0**	**35.2**	56.5%	**31.3%**	**20.3%**	**11.1**

Performance comment

Comparative Quarter - Year over Year

	Net revenue					Gross income			Gross margin		
	2Q15	Part.%	2Q14	Part.%	Var.	2Q15	2Q14	Var.	2Q15	2Q14	Var.p.p
Firearms	144.0	82.1%	94.1	70.8%	53.1%	46.7	14.8	215.8%	32.4%	15.7%	16.7
Helmets	27.8	15.9%	30.3	22.8%	-8.2%	9.8	9.9	-1.1%	35.3%	32.7%	2.5
Other	3.7	2.1%	8.6	6.4%	-57.1%	(1.5)	1.4	-205.3%	-40.2%	16.4%	-56.6
Total	**175.5**	**100.0%**	**132.9**	**100.0%**	32.0%	**55.0**	**26.1**	110.7%	**31.3%**	**19.6%**	**11.7**

Half-Annual Comparison

	Net revenue					Gross income			Gross margin		
	1H15	Part.%	1H14	Part.%	Var.	1H15	1H14	Var.	1H15	1H14	Var.p.p
Firearms	276.9	79.3%	218.1	72.4%	26.9%	68.5	45.0	52.2%	24.7%	20.6%	4.1
Helmets	58.8	16.9%	62.9	20.9%	-6.5%	20.1	21.5	-6.7%	34.2%	34.2%	-0.1
Other	13.3	3.8%	20.1	6.7%	-33.6%	1.6	5.3	-69.8%	12.0%	26.5%	-14.4
Total	**349.0**	**100.0%**	**301.1**	**100.0%**	15.9%	**90.2**	**71.8**	25.6%	**25.8%**	**23.9%**	2.0

I. Firearms

This segment includes handguns (revolvers and pistols for public and private security, and for military and civil restricted use), long guns (rifles and carbines) and submachine guns. Operations in this segment are conducted by Forjas Taurus S.A. in Porto Alegre/RS, Polimetal Metalurgia e Plásticos Ltda. in São Leopoldo/RS and Taurus Holdings, Inc. in the USA.

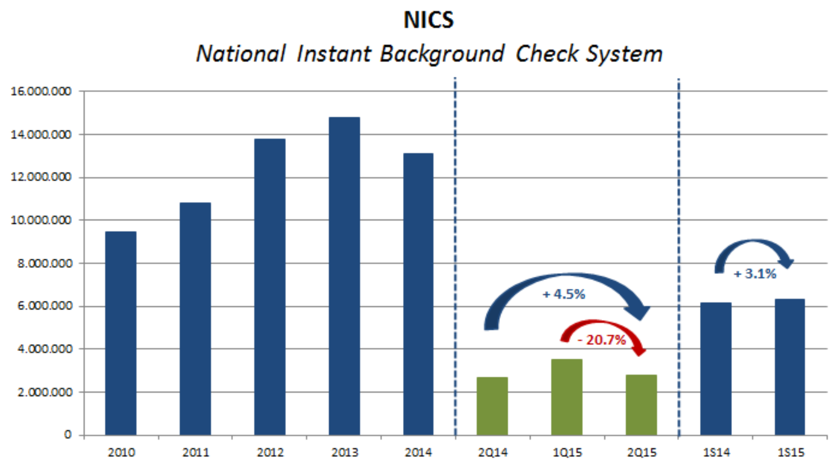
						Variation %		
NET REVENUE	**2Q15**	**1Q15**	**2Q14**	**1H15**	**1H14**	**2Q15/1Q15**	**2Q15/2Q14**	**1H15/1H14**
Firearms	**144.0**	**132.9**	**94.1**	**276.9**	**218.1**	**8.4%**	**53.11%**	**26.9%**
Brazil	**19.4**	**20.8**	**21.7**	**40.2**	**41.1**	**-6.9%**	**-10.7%**	**-2.3%**
Southeast	9.9	9.7	3.4	19.6	6.9	1.3%	191.3%	185.4%
South	3.5	3.8	3.3	7.4	10.6	-7.6%	6.0%	-31.9%
Northeast	3.4	3.1	5.4	6.5	9.6	10.3%	-36.8%	-31.8%
North	0.4	0.9	3.8	1.2	6.6	-55.5%	-89.9%	-81.2%
Midwest	2.2	3.3	5.8	5.4	7.2	-33.8%	-62.8%	-24.7%
United States	120.5	98.0	60.5	218.5	152.5	23.0%	99.2%	43.3%
Other countries	4.1	14.1	11.9	18.2	24.5	-70.9%	-65.5%	-25.8%
Exports	**124.6**	**112.1**	**72.4**	**236.7**	**177.0**	**11.2%**	**72.2%**	**33.7%**

In the 2Q15, the net sales of Firearms amounted to R$ 144.0 million, 53.1% above the R$ 94.1 million in the same period of prior year and 8.4% above the prior quarter. In the domestic market, despite increase in sales to individual consumers, cuts in public budget were decisive to decrease of 10.7% in sales of Firearms in Brazil in the 2Q15 in relation to the 2Q14 and of 6.9% against the 1Q15. It is important to highlight that, despite rise in crime rate, which increases the need for investment in public security in the country, these cuts in government budget affect products manufactured by the Company, such as Firearms, bulletproof vests, shields and helmets for Brazilian polices. Positive highlight was the Southeast region, which increased sales from R$3.4 million to 9.9 million in the 2Q15 in comparison with the 2Q14, a

Performance comment

growth of 191.3%. In relation to the 1Q15, sales of Firearms in Southeast region grew 1.3%, which made the region's participation reach 50.9% in relation to total sales in Brazil.

In foreign market, the main highlight is resumption of sales to the North-American market, where the Company managed to recover an important market share. Sales in the US increased 99.2% in relation to the 2Q14 and 23.0% in relation to the 1Q15. These growths are even more significant when compared to North-American market index NICS, which measures weapon purchase intentions. In the 2Q15, this indicator presented growth of only 4.5% in relation to the 2Q14, and fall of 20.7% in relation to the 1Q15. This demonstrates that Taurus obtained an important recovery in market share since the beginning of the year. Remember that there is an important seasonality when we compare the second quarter with the first quarter, as hunting season in the USA ends in the beginning of the second quarter; however, Company's sales continued to grow.



Another important highlight was gross margin, which grew 16.7 p.p. in the 2Q15 in relation to the 2Q14 and 16.0 p.p. in view of the 1Q15, evidencing the Company's efforts, adopted since the end of 2014, to improve productivity. Among these efforts, we may mention: (i) restructuring of manufacturing processes, (ii) redefinition of the production model, with focus on increasing productivity and quality of product and process, (iii) greater cost dilution through new processes and increased efficiency, and (iv) increase in productivity measured by index Firearms/Man/Month, which presented growth of approximately 100% from January to June this year.

II. Helmets

Helmets segment is the second biggest of the Company and had participation of 16% in total net revenue in the 2Q15. Taurus helmets are produced in units Taurus Blindagens Ltda. in Mandirituba, Paraná State (PR), and in unit Taurus Blindagens Nordeste Ltda. in Simões Filho, Bahia State (BA), which serves North and Northeast regions. Taurus basically supplies the domestic market. Sales to Latin American countries, in spite of not yet significant, already outline a map of opportunities for the Company in the region.

Performance comment

NET REVENUE	2Q15	1Q15	2Q14	1H15	1H14	Variation % 2Q15/1Q15	Variation % 2Q15/2Q14	Variation % 1H15/1H14
Helmets	**27.8**	**31.0**	**30.1**	**58.8**	**62.9**	**-10.3%**	**-8.2%**	**-6.5%**
Brazil	**27.5**	**31.0**	**30.3**	**58.5**	**62.8**	**-11.1%**	**-9.0%**	**-6.9%**
Southeast	7.6	9.2	9.1	16.8	17.6	-17.3%	-16.1%	-4.2%
South	1.2	1.5	1.6	2.7	3.1	-20.5%	-25.8%	-12.3%
Northeast	9.9	10.0	7.0	19.9	18.8	-0.8%	40.8%	5.7%
North	4.6	5.4	7.3	9.9	13.2	-14.6%	-37.4%	-24.8%
Midwest	4.2	4.9	5.2	9.1	10.1	-14.0%	-19.1%	-9.8%
Exports	**0.3**	**0.04**	**0.04**	**0.3**	**0.1**	**595.1%**	**612.5%**	**274.7%**

Helmets’ net revenue in the 2Q15 was R$27.8 million, 10.3% below the R$31.0 million of prior quarter and 8.2% below that of the same period of prior year, reflecting a very challenging market situation as this segment was affected by fall in motorcycles demand in Brazil. We illustrate below evolution of physical sales of helmets manufactured by Taurus and the evolution of motorcyclists sales in Brazil. Despite the fact that fall in helmet sales was bigger than fall in motorcycle sales, the Company’s market share did not suffer any material change and was maintained around 45%.

On the other hand, helmets gross margin in the 2Q15 was the positive highlight as it reached 35.3%, a growth of 2.1 p.p. when compared to the 1Q15 and of 2.5 p.p. against the 2Q14. This improvement is due to better product mix, with higher average prices, and to greater sales concentration in Northeast unit, where the Company has tax benefits.

III. Other

In addition to Firearms and helmets, Taurus also has other segments such as manufacture of bulletproof vests, anti-riot shields, plastic containers, motorcycle trucks and M.I.M. (Metal Injection Molding) pieces. Polimetal Metalurgia e Plásticos Ltda. em São Leopoldo/RS is exclusively dedicated to metal injecting molding (M.I.M.). All the other products are manufactured in the Paraná units – Taurus Blindagens.

NET REVENUE	2Q15	1Q15	2Q14	1H15	1H14	Variation % 2Q15/1Q15	Variation % 2Q15/2Q14	Variation % 1H15/1H14
Other	**3.7**	**9.6**	**8.6**	**13.3**	**20.1**	**-61.8%**	**-57.1%**	**-33.6%**
Brazil	2.4	8.7	7.9	11.1	18.3	-73.1%	-70.3%	-39.3%
Exports	1.3	0.9	0.7	2.2	1.8	49.0%	100.3%	25.6%

In the 2Q15, these other segments presented net sales of R$3.7 million, which represents a fall of 61.8% in relation to prior quarter. Regarding 2Q14, there was a decrease of 57.1% explained by the winding up of the forging to third parties business at the beginning of 2014. Currently forging services are provided only to meet Company internal demand relating to Firearms manufacturing. While fall of 61.8% in relation to the 1Q15 is the result of adverse market environment.

Performance comment

Operating expenses

Operating expenses totaled R$51.3 million in the 2Q15; however, if we adjust it at non-recurring events of the quarter, represented mainly by costs with employee rescissions and advisory to restructure the Company, expenses would be R$45.8 million. In order to maintain comparability, adjusted operating expenses for the 2Q15, 1Q15 and 2Q14 are shown in the table below. Note that, in the 1Q15, a provision of R$69.4 million referring to the Carter Case, which was previously approved by the U.S. District Court for the Southern District of Florida, was recognized.

SG&A	2Q15	1Q15	2Q14	2Q15 x1Q15	2Q15 x 2Q14
Total operating expenses	51.3	110.3	37.5	-53.5%	36.6%
Non-recurring operating expenses	5.5	71.0	3.2	-92.3%	72.3%
Operating expenses, adjusted	45.8	39.2	34.4	16.8%	33.3%
Net revenue	175.5	173.5	132.9	1.1%	32.0%
% Operating expenses	29.2%	63.5%	28.2%	-34.3 p.p.	1.0 p.p.
% Operating expenses, adjusted	26.1%	22.6%	25.8%	3.5 p.p.	0.3 p.p.

ADJUSTED EBITDA

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), defined by CVM Ruling No. 527/12, was calculated eliminating nonrecurring expenses, as well as P&L of subsidiary Taurus Máquinas-Ferramenta Ltda., since it is a non-operating company.

Non-recurring expenses include mainly costs with employee rescissions, expenses with the Company's restructuring process, including legal advisory and consultancy fees.

CONSOLIDATED EBITDA

In millions of reais

	2Q15	1Q15	2Q14
= INCOME (LOSS) FOR THE YEAR	**4.7**	**(149.9)**	**(25.6)**
(+) Income tax/CSLL	**(4.5)**	**6.5**	**(2.3)**
(+) Net financial income (loss)	**3.5**	**68.3**	**16.4**
(-) Net financial income	**(58.0)**	**(38.3)**	**(26.0)**
= EBITIDA FOR THE PERIOD CVM Reg. 527/12	**12.1**	**(66.6)**	**(3.3)**
(+) Operating Income of TMFL[1]	**1.4**	**1.5**	**1.8**
(+) Non-recurring costs and expenses	**6.7**	**74.1**	**15.5**
(+) Carter Proceeding (Total)	**-**	**69.4**	**-**
(+) Employee terminations	**5.5**	**3.8**	**3.2**
(4) Advisory and Consultancy	**1.2**	**1.0**	**3.6**
(+) Unprodutiveness and Iidle Capacity	**-**	**-**	**6.7**
(+) Other	**-**	**-**	**1.9**
= ADJUSTED EBITDA	**20.3**	**9.0**	**14.0**

(1) THE COMPANY'S MANAGEMENT CONSIDERED THE OPERATING INCOME OF THE SUBSIDIARY TAURUS MÁQUINAS-FERRAMENTA LTDA. AS NON-RECURRING IN VIEW OF ITS OPERATIONAL DIVESTMENT.

Performance comment

The cash generation consolidated in the 2Q15, measured by adjusted EBITDA, amounted to R$ 20.3 million, reaching a margin of 11.6%. This performance was in excess of adjusted EBITDA for prior quarter (R$ 9.0 million and margin of 5.2%) and higher than that of 2Q14 (R$ 14.0 million and margin of 10.5%).

This results reflect the consistent operating improvement obtained by the Company through implementation of new manufacturing processes that permit increasing productivity, diluting costs and having a more efficient labor, combined with appreciation of dollar in relation to Brazilian Real and increase in sales volume, especially in the US market.

Financial income (loss)

In the 2Q15, financial income was negative by R$3.5 million against negative income of R$68.3 million in the 1Q15. This reduction in negative balance is due to positive foreign exchange effect, as Ptax dollar was depreciated by 2.6% between the 1Q15 and the 2Q15, with 56% of the Company's indebtedness linked to this foreign currency.

Another important factor to emphasize is the Brazilian interest rate, which was also increased, going from 11% in the 2Q14 to more than 13% in the 2Q15, which has a negative impact on the Company's financial income.

Consolidated income (loss)

In the 2Q15, consolidated income of Forjas Taurus S.A. was positive by R$4.7 million, against losses of R$149.9 million in the 1Q15 and negative income of R$25.6 million in the same quarter of prior year. Strong management of the Company's processes and efforts to increase productivity, improving operating margins, plus resumption of sales in the North-American market and foreign exchange effects were the main factors of this income.

3. Financial position

Total cash and cash equivalents and financial investments totaled R$130.0 million in Jun/15, 19.5% higher than the R$108.8 million in Mar/15 and 54.6% lower than the R$286.1 million in Jun/14, remunerated at the average rate of approximately 100% of CDI.

Consolidated loans and financing in the short- and long-terms totaled R$734.9 million in Jun/15, which means an increase of 1.1% over Mar/15 position and a reduction of 9.1% in relation to the 2Q14 position. Accordingly, net debt after cash and cash equivalents was R$604.9 million, representing a reduction of 2.2% over Mar/15 balance and an increase of 15.8% over Jun/14.

Performance comment

See below the Company's financial position in June 2015 compared to balances in Mar/15, Dec/14 and Jun/14, as well as main indicators related covenants:

In millions of reais

	06/30/2015	03/31/2015	12/31/2014	06/30/2014	Var.Jun/15 x Mar/15	Var.Jun/15 x Dec/14	Var.Jun/15x Jun/14
Short-term debt	208.3	220.2	258.9	280.5	-5.4%	-19.5%	-25.7%
Long-term debt	254.3	255.3	231.3	288.4	-0.4%	9.7%	-11.8%
Foreign exchange withdrawals	123.1	118.5	57.9	65.5	3.9%	112.8%	87.8%
Debentures	125.9	125.7	125.8	133.3	0.2%	0.1%	-5.5%
Advances on real estate credits	2.2	5.4	8.5	14.3	-59.4%	-74.2%	-84.6%
Advance of receivables	53.5	36.9	25.1	39.3	45.1%	113.1%	36.3%
Derivatives	-32.5	-34.9	-12.2	-12.8	-7.0%	165.9%	153.9%
Gross indebtedness	**734.9**	**727.1**	**695.8**	**808.6**	**1.1%**	**5.6%**	**-9.1%**
(-) Cash and cash equivalents and interest earning bank deposits	130.0	108.8	159.3	286.1	19.5%	-18.6%	-54.6%
Net indebtedness	**604.9**	**618.2**	**536.1**	**522.5**	**-2.2%**	**12.8%**	**15.8%**
Adjusted EBITDA (12 months)	28.2	22.0	42.1	66.1	28.4%	-33.0%	-57.3%
Net Indebtedness/Adjusted EBITDA	**21.45x**	**28.15x**	**12.74x**	**7.90x**			
Adjusted EBITDA/Financial Expenses Net	**0.20x**	**0.15x**	**0.46x**	**0.97x**			

Debentures totaled R$125.9 million in Jun/15 summing up the 2nd and 3rd issuances. From 2010 to 2014, Taurus issued three series of debentures of R$ 103 million, R$ 50 million and R$ 100 million, respectively:

- The 1st issue, in April 2010 bearing DI + 4.1%, was settled in April 2014 (balance of R$ 15.7 million);
- The 2nd issue, in August 2011 bearing DI + +2.8%, still has 5 remaining quarterly installments, started in August 2013 and the balance of R$ 19.5 million in Jun/15; and
- The 3rd issue in June 2014 bearing DI + 3.25% and market financial covenants, measured annually. The total period is of three years, with grace period of two years, in connection with the process of extending debt payment term, with balance of R$ 106.4 million in Jun/15.

During the first semester of 2015, the Company successfully held meetings with debenture holders to decide for waiver of accelerated maturity due to the noncompliance with financial ratios.

4. Working Capital

Company operating cycle in 2Q15 was 200 days, 119 days of which referred to inventories and 81 days to day sales outstanding (DSO). Compared to the 1Q15, the Company presented a reduction of 3 days in average inventories term (122 days in the 1Q15) while the period to receive from clients reduced 36 days, evidencing better management of the Company's client portfolio. It is important to emphasize better efficiency in management of the Company's inventories, as

Performance comment

reduction in inventories days is accompanied by a significant production growth, evidencing an evolution in the Company's inventory turnover.

Period for paying suppliers, which went from 26 days at the end of the 1Q15 to 31 days in the 2Q15, contributed to reduce the Company's financial cycle from 213 days in the 1Q15 to 169 days in the 2Q15. In this item, we emphasize that the Company has managed to better negotiate with its suppliers as it increased its production right at a moment of the market when several areas of the country's industrial sector are shrinking.

The funds which the Company needs to finance its operations, measured by the Working Capital Investment Needs (NIG), amounted to R$ 270.9 million in 2Q15, a decrease of 17.7% over the last quarter. When related to annualized net revenue, NIG represented 42% in the 2Q15, 13 p.p. less than the 55% of the 1Q15. Fall in the Company's NIG results mainly from fall in consolidated Accounts Receivable, which went from R$193.5 million in Mar/15 to R$144.5 million in Jun/15, as a result of evolution in average period to receive from clients.

5. Cash flow

In the 2Q15, Taurus generated R$36.5 million of operating cash against negative balance of R$35.0 in the 1Q15. This result reflects the Company's improved operating performance and reduction in provisions for contingencies, considering payment of Hunter Douglas Process. Consolidated cash flow recorded a positive balance of R$19.6 million in the 2Q15, in view of negative balance of R$36.6 million in the 1Q15.

CASH FLOW – CONSOLIDATED	2Q15	1Q15	Var. %
Cash at the beginning of the period	**68.0**	**104.5**	**-35.0%**
Cash flow from operating activities	**36.5**	**-35.0**	**-**
Income (Loss) Before Income Tax and Social Contribution on Net Income	0.2	-143.4	-
Depreciation and amortization	8.4	8.5	-1.2%
Cost of written-off permanent assets	0.5	0.9	-42.0%
Equity income (loss)	0.1	0.2	-31.0%
Provisions for financial charges	18.7	56.2	-66.8%
Provisions for contingencies	-2.3	74.2	-
Allowance for doubtful accounts	-2.2	-2.1	6.5%
Provision for Guarantees	0.1	3.3	-96.9%
Changes in assets and liabilities	14.1	-30.0	-
Income and social contribution taxes paid	-1.5	-2.8	-44.9%
Other	0.5	-	-
Investment activities	**-5.3**	**9.7**	**-**
In Property, Plant and Equipment	-2.9	-4.4	-32.9%
In intangible assets	0.5	-0.2	139.0%
Interest earning bank deposits	-1.6	14.3	-
Other receivables	-0.2	-0.1	161.7%
Financing activities	**-11.6**	**-11.2**	**3.3%**

Performance comment

Loans obtained	119.3	129.1	-7.5%
Payments of loans	118.1	-128.0	-7.8%
Payment of Interest on Loans	-12.0	-12.8	-6.7%
Other	-1.0	0.6	-
Increase (decrease) in cash	**19.6**	**-36.6**	**-**
Cash at end of the period	**87.5**	**68.0**	**28.8%**

6. Corporate Restructuring and New Products

From the beginning of 2015, the Company has put in efforts to restructure Brazil's operation, both in terms of production and management. In production, advances relate to changes in layout and to new process formats. These advances have already resulted in increased productivity by approximately 100% from January to Jun/15, measured at production index Weapon/Man/Month. Another important factor was the reduction of around 23% in average cost per weapon produced in the same period.

In addition, this restructuring also contemplates implementation of SAP system, integrating areas such as suppliers, costs, production, accounting, finances and sales. This tool tends to potentize Taurus efficiency gains, which shall be felt throughout 2016.

In terms of product, the highlight in Brazil is the launching of PT 838, which has an important participation in sales this year. In the USA, the highlight is sales of PT Millennium G2 and launching of Taurus Curve, a compact pistol with slightly tilted hilt, which easily fits the body. Also in the USA, it is important to mention test conducted by magazine Guns & Ammo, one of the most reputable magazines specialized in Firearms in the country, where PT 709 Slim was elected as one of the best pistols compared to similar pistols in local market, presenting excellent shot group.

7. Capital market and corporate governance

Forjas Taurus S.A. is Brazilian publicly-traded company that has been listed on BM&FBOVESPA for more than 30 years and since July 2011 has been listed at Corporate Governance Level 2 on BM&FBOVESPA. The Company closed Mar/15 with 16,144,038 issued shares, being 8,439,322 common shares and 7,704,716 preferred shares.

Evolution of Taurus share value and market value is shown below. In 2Q15, the Company's total market value receded 45%. This depreciation reflects extraordinary expenses, market issues and operating adjustments that have been occurring throughout 2015.

Performance of Shares and Market Value

			Variations (%)*		
1. Stock Price (Closing)		**2Q15**	**Quarter**	**Year**	**12 months**
ON - FJTA3	**R$**	**2.01**	**-38%**	**-69%**	**-82%**
PN - FJTA4	**R$**	**1.66**	**-52%**	**-71%**	**-85%**
IBOVESPA	**R$**	**53,031**	**4%**	**6%**	**5%**

VARIATIONS ADJUSTED AT PROCEEDS

Taurus | BMF& BOVESPA The New Stock Exchange | Index of shares with Distinguished Corporate Governance | Index of shares - Distinguished Tag Along | LEVEL 2 BMF&BOVESPA | FIJA3 LEVEL 3 BMF&BOVESPA | FIJA4 LEVEL 2 BMF&BOVESPA

Performance comment

2. Market value (thousand of reais)		2Q15	Quarter	Year	12 months
ON - FJTA3	R$	16,963	-38%	-69%	-82%
PN - FJTA4	R$	15,486	-52%	-71%	-85%
TOTAL	R$	32,450	-45%	-70%	-84%

8. Subsequent events

8.1 New Capital Increase approved in an Annual Shareholders' Meeting

Annual Shareholders' Meeting held on July 15, 2015 approved a new proposal for the Company's Capital Increase in the amount of up to R$100,000,000.00, with minimum amount for approval of R$1,000,000.00, through issuance of up to 31,875,098 new common shares and 29,100,511 new preferred shares, being all nominative, registered and with no par value, at issuance price of R$1.64 per share, and a subscription bonus issued by the Company is an additional benefit to subscribers of each new share.

Detailed information on capital increase and issuance of subscription bonus may be found in the minutes of the Annual Shareholders' Meeting and Notice to Market on July 15, 2015, which were made available in CVM website and in website for the Company's investor relations.

The purpose of this capital increase is to strengthen the Company's capital structure, improve its financial ratios, permit compliance with short-term obligations related to working capital, and manage financial indebtedness. In addition, this capitalization also intends to bring in additional cash in order to replace disbursements made for lawsuit filed by Hunter Douglas N.V., as well as to provide necessary support funds in agreement entered into in proceeding Chris Carter v. Forjas Taurus, S.A. et. al.

Remember that capital increase approved in the Board of Directors' meeting held on April 28, 2015 was not homologated because it does not reach the minimum amount of R$50,000,000.00.

8.2 Carter Case

According to relevant fact disclosed on July 30, 2015, judge of the U.S. District Court for the Southern District of Florida granted a preliminary approval to the agreement in order to end lawsuit proposed against Taurus and its subsidiaries in the United States, Taurus Holdings, Inc. and Taurus International Manufacturing, Inc. (jointly with Taurus, the "Companies") denominated Chris Carter v. Forjas Taurus, S.A. et. al. This agreement, which does not imply a confession or admission of guilt regarding alleged faults in some pistols, provides for the payment of a certain amount for each pistol returned by owners that adhere to the agreement. This payment will be made by insurance company already contracted by the Company. In addition, the Company will offer an additional warranty to owners of pistols so that they may be subject to inspection at no costs and specific training and security material.

Notes to the financial statements

1. Operations

Forjas Taurus S.A. (“Company”) is a Brazilian stock corporation, with its registered office in Porto Alegre (RS), primarily engaged in the manufacture and sale of revolvers, military and civilian pistols, ammunition and investing in other companies. The subsidiary companies produce and sell civilian pistols, glasses, metal parts to order, bullet proof vests, motorcycle helmets, injected plastic products, tools for civil construction, mechanical, gardening and similar products, the purchase, sale and rental of own and third party real estate. Company shares, ON (FJTA3) and PN (FJTA4), have been listed on Bovespa since March 1982.

On June 30, 2015, the Company and its subsidiaries operated with six industrial plants, three of which are located in the state of Rio Grande do Sul, one in the state of Paraná, one in the state of Bahia and one located in the United States of America.

Sales made by the Company and its subsidiaries are directed mainly to private clients in the foreign market, particularly those located in North America, and also public bodies in the domestic market, mainly the state, civil and military police.

Restructuring

On June 30, 2015, the Company presents accumulated losses, shareholders’ deficit, and negative net working capital. Income in the six-month period to date presents losses of R$145,173, caused mainly by unfavorable foreign exchange, as well as by relevant extraordinary expenditures incurred in the period (with highlight on Carter Case or Class Action, for which a provision for contingencies amounting to R$68 million was accounted for in the first quarter). In the second quarter, it is possible to note improvement in operations, as there was a positive income of R$4,720, and net cash flow from operating activities of R$1,458.

Management plans regarding the going concern, to reverse this scenario and return to profitability include various actions, emphasizing the reviewing production processes, increasing productivity and manufacturing efficiency, reducing expenses and costs, increasing the volume of sales with recovery of the US market, as well as growing in other export markets, reprofiling maturity of short-term debt. These actions, as well as capital increase mentioned in note 28, tend to provide to the Company necessary short- and long-term funds to maintain its operating activities.

Concomitantly with actions mentioned above, the Company started a project to implement integrated operating systems, having SAP as the main system, with go live estimated on January 1, 2016.

Notes to the financial statements

Company's management anticipates that these actions, some already implemented and others which are under way, will result in enough momentum for the resumption of its growth and fulfillment of its business plan.

2. Presentation of financial statements

2.1. Preparation basis

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

The authorization for conclusion of these quarter information was given in a Board of Directors meeting held on August 13, 2015.

Company's individual and consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil through the Brazilian FASB (CPC) and its technical interpretations ("ICPC") and guidance ("OCPC"), approved by the Brazilian Securities and Exchange Commission ("CVM").

2.2. Basis of consolidation

		Equity interest	
	Country	06/30/2015	12/31/2014
Taurus Blindagens Ltda.*	Brazil	**100.00%**	100.00%
Taurus Blindagens Nordeste Ltda.*	Brazil	**100.00%**	100.00%
Taurus Holdings, Inc.	United States	**100.00%**	100.00%
Taurus Security Ltda.	Brazil	**100.00%**	100.00%
Taurus Máquinas-Ferramenta Ltda.*	Brazil	**100.00%**	100.00%
Taurus Investimentos Imobiliários Ltda.*	Brazil	**100.00%**	100.00%
Famastil Taurus Ferramentas S.A.**	Brazil	**35.00%**	35.00%
Polimetal Metalurgia e Plásticos Ltda. *	Brazil	**100.00%**	100.00%
T Investment.Co. Inc.***	Panama	**100.00%**	-

(*) The investments reported represent the percentage interest held by the Company, either directly or indirectly in the capital of the subsidiaries.

(**) Non-consolidated.

(***) On April 24, 2015, T Investment Co. Inc., headquartered in Panama is mainly engaged in managing international investments of Forjas Taurus S.A. Forjas Taurus S.A. holds 100% T Investment's capital.

In processing the consolidation of balance sheet and profit or loss accounts, the following items were eliminated:

- Parent company's interest in capital, reserves and retained earnings (accumulated losses) of consolidated companies;
- Balances of asset and liability accounts held among consolidated companies;
- Balances of income and expenses arising of transactions carried out among the consolidated companies; and
- Unrealized gains originating from transactions with investee companies recorded using the equity method, in the proportion of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to asset impairment.

2. Presentation of financial statements

2.3. Functional currency and presentation currency

The individual and consolidated financial statements are presented in Brazilian Reais, which is the functional currency of the Company and its subsidiaries located in Brazil. The functional currency of subsidiary Taurus Holdings, Inc., located in the United States, is the US dollar, its assets and liabilities are translated into reais at the exchange rate effective at balance sheet date and the related statements of income are translated at the monthly average exchange rate. Exchange differences arising from the translation process of foreign subsidiary are recognized in other comprehensive income and presented in equity.

Transactions in foreign currency are translated to Company functional currency at the exchange rate of transaction date. 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 currency translation differences are recognized in P&L.

3. Significant accounting judgments and sources of uncertainties in estimates

When applying accounting practices, management must make judgments and prepare estimates related to carrying amounts of assets and liabilities not easily obtained from other sources. Estimates and respective assumptions are based on historic experience and on other factors that are considered relevant. Actual results of these book values may differ from these estimates.

Information on key judgments referring to accounting policies adopted that affect the amounts recognized in the individual and consolidated financial statements and information about uncertainties, assumptions and estimates is included in the following notes: 12 – Income and social contribution taxes, 15 – Property, plant and equipment, 16 - Intangible Assets, 19 – Provision for civil, labor and tax contingencies and 20 – Financial instruments.

Notes to the financial statements

4. Significant accounting policies

Significant accounting practices adopted by the Company are described in specific notes, relating to the items presented; those generally applicable, in different aspects of the financial statements, are presented in this section.

Accounting practices considered not significant were not included in the financial statements. The accounting practices are consistently applied by Company investees.

a) Financial instruments

(i) *Non-derivative financial assets*

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

These assets are classified under loans and receivables.

Such loans and receivables are initially recognized at fair value increased by any attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost through the effective interest method, adjusted by any impairment loss.

(ii) *Non-derivative financial liabilities*

The Company has the following non-derivative financial liabilities: loans, financing, non-convertible debentures, bank overdraft facility, trade accounts payable and other accounts payable. These liabilities are initially recognized at fair value increased by any attributable transaction costs. After initial recognition, they are measured at amortized cost using the effective interest method.

(iii) *Derivative financial instruments*

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

Derivatives are initially recognized at their fair value, and the attributable transaction costs are recognized in profit or loss when incurred. After initial recognition, derivatives are measured at fair value at balance sheet date and changes in fair value are recorded in P&L.

Notes to the financial statements

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

(iv) Impairment

The Company and its subsidiaries evaluate at balance sheet date if there is any objective evidence indicating that the financial asset or group of financial assets is not recoverable. A financial asset or group of financial assets is considered not recoverable if and only if there is objective evidence of impairment as a result of one or more events that have happened after the initial recognition of assets (a "loss event" incurred) and this loss event has an impact on estimated future cash flows of the financial asset or group of financial assets that can be reasonably estimated.

b) Statements of value added

Statement of value added is not required by IFRS and is presented as a complement in compliance with Brazilian corporate law. Its purpose is to evidence wealth created by the Company-during the year, as well as to demonstrate its distribution among several agents.

c) New standards, amendments and interpretations of standards

i) New or amended standards adopted for the first time in 2015.

The Company and its subsidiaries are of the understanding that the amendments and revised standards issued by the IASB in effect as from January 1, 2015 had no significant impacts on the financial statements.

ii) New standards early applied in 2015

The IASB issued Amendment to IAS 27 – Equity method in separate financial statements, in effect as from January 01, 2016. This amendment allows adoption of the equity method for investments in subsidiaries in the separate financial statements. The Company already adopts the equity method for purposes of its separate financial statements, as mentioned in item 2.1 b.

Notes to the financial statements

iii) New or revised standards in effect as from the next years:

IFRS 9 Financial Instruments (Effective as from 01/01/2018)	This standard ultimately aims at replacing IAS 39. Major changes are as follows: (i) all financial assets must be initially recognized at their fair values; (ii) the standard divides all financial assets into: amortized cost and fair value; and (iii) the concept of embedded derivatives was extinguished.
IFRS 15 Revenue from Contracts with Clients (in effect as from 01/01/2017)	Its main purpose is to provide clear principles for revenue recognition and simplify the reporting process.
Change in IFRS 11 Interests in Joint Operations (Effective as from 01/01/2016)	Entities participating in a joint venture must apply the principles referring to business combinations, including as regards disclosure requirements.
Amendment to IAS 16 and IAS 38 Acceptable Depreciation and Amortization Methods (effective as from 01/01/2016)	Depreciation and amortization methods must be based on the economic benefits obtained through use of the asset.
Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entities - consolidation exceptions (effective as from 01/01/2016)	Among other clarifications, this amendment establishes that a non-investment entity may maintain, in applying the equity method, measurement at fair value through profit or loss used by its investments.
Amendment to IAS 1 (effective as from 01/01/2016)	The purpose of this amendment is to emphasize that financial and accounting information must be objective and easy to understand.
IFRS 7 Third-party service agreements	Service agreements usually characterize continuing involvement in a financial asset transferred for disclosure purposes. This continuing involvement will be confirmed if its characteristics meet the definitions described in the standard (paragraphs B30 and 42C). Effective as from 01/01/2016.
IFRS 5 Reclassification of non-current assets held for sale and maintained for distribution to partners/shareholders	This standard clarifies, through the guidance issued, the circumstances in which an entity reclassifies assets held for sale into assets maintained for distribution to partners/shareholders (and vice-versa) and the cases in which assets maintained for distribution to partners/shareholders no longer meet the criterion for referred to classification. Effective as from 01/01/2016.

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

The Company also understands that there are no other standards and interpretations issued but not yet adopted that may, in the opinion of management, significantly impact Company disclosed net income or equity. Management intends to adopt such standards when they become applicable to the Company.

5. Financial risk management

Notes to the financial statements

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

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

Trade accounts receivable and other receivables

The Company and its subsidiaries adopt the practice to analyze the financial situation of counterparties, and also define credit limits and permanently accompany outstanding balances. The Company's sales revenue is not concentrated on a single client and there is no credit risk concentration.

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

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

Credit risk exposure

The maximum credit risk exposure on balance sheet date was:

Notes to the financial statements

	Consolidated		Parent company	
		Book value		Book value
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Financial assets held to maturity				
Trade accounts receivable	**164,698**	163,477	**47,962**	57,925
Cash and cash equivalents	**87,530**	104,536	**9,065**	25,161
Interest earning bank deposits	**42,499**	55,224	**19,955**	33,939
Foreign exchange forward and interest rate swap contracts used for asset hedging	**33,298**	36,106	**33,298**	36,098
Other receivables	**29,053**	25,866	**24,557**	20,844
Total	**357,078**	385,209	**134,837**	173,967

Maximum exposure to credit risk for trade accounts receivable at the reporting date by geographic region was as follows:

	Consolidated			Parent company
		Book value		Book value
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Domestic market	**68,267**	80,104	**38,680**	29,316
Foreign market	**96,431**	83,373	**9,282**	28,609
Total	**164,698**	163,477	**47,962**	57,925

Impairment losses

Company and subsidiaries set up a provision for impairment losses which represents its estimate of losses incurred from trade accounts receivable, other receivables and investments. Loans and receivables granted at the balance sheet date mature as follows:

				Consolidated
	Gross	Gross	*Impairment*	*Impairment*
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Falling due	**114,814**	135,921	-	
Overdue between 0-30 days	**17,792**	7,890	-	(4,184)
Overdue between 31-360 days(1)	**14,992**	5,330	**(3,082)**	(5,237)
Overdue for more than one year	**17,100**	14,336	**(17,100)**	(14,336)
Total	**164,698**	163,477	**(20,182)**	(23,757)

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

				Parent company
	Gross	Gross	*Impairment*	*Impairment*
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Falling due	**24,505**	45,660	-	
Overdue between 0-30 days	**3,469**	3,995	**-**	(594)
Overdue between 31-360 days(1)	**15,144**	4,758	**(105)**	(2,943)
Overdue for more than one year	**4,844**	3,512	**(4,052)**	(3,512)
Total	**47,962**	57,925	**(4,157)**	(7,049)

Notes to the financial statements

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

5.2. Liquidity risk

This is the risk that the Company will face difficulties in fulfilling its obligations associated with its financial liabilities which are settled with cash payments or with other financial assets.

Company and subsidiaries monitor their operating cash flow requirements, excluding the potential impact from extreme circumstances that cannot be reasonably forecast, such as natural disasters. Additionally, subsidiary Taurus Holdings, Inc. has credit facilities amounting to USD 75,000,000, USD 22,600,000 of which has been used. Therefore, it is possible to guarantee that these companies have balances in treasury which are sufficient to meet their operating working capital requirements, including compliance with financial obligations.

Presented below are the contractual maturities of financial liabilities, including payments of estimated interest, excluding the impact of currency negotiation agreements at the net position.

						Consolidated
						06/30/2015
	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities						
Suppliers	**55,140**	**55,140**	**55,140**	**-**	**-**	**-**
Loans and financing	**462,639**	**512,746**	**217,481**	**79,097**	**194,291**	**21,877**
Debentures	**125,926**	**155,750**	**60,961**	**46,537**	**48,251**	**-**
Advance on real estate credits	**2,207**	**2,365**	**2,365**	**-**	**-**	**-**
Advances on foreign exchange contracts	**123,093**	**127,236**	**127,236**	**-**	**-**	**-**
Advance of receivables	**53,526**	**53,526**	**53,526**	**-**	**-**	**-**
Other accounts payable	**37,331**	**37,331**	**37,331**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(33,298)**	**(33,298)**	**(33,298)**	**-**	**-**	**-**
Derivative instruments (liabilities)	**838**	**838**	**838**	**-**	**-**	**-**
	827,402	**911,634**	**521,580**	**125,634**	**242,543**	**21,877**

Notes to the financial statements

	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
						Consolidated
						12/31/2014
Non-derivative financial liabilities						
Suppliers	36,321	36,321	36,321	-	-	-
Loans and financing	490,686	552,133	279,784	141,391	128,208	2,750
Debentures	125,831	169,769	17,497	100,623	51,649	-
Advance on real estate credits	8,548	9,817	9,817	-	-	-
Advances on foreign exchange contracts	57,856	60,849	60,849	-	-	-
Advance of receivables	25,114	25,114	25,114	-	-	-
Other accounts payable	30,142	30,142	30,142	-	-	-
Derivative financial instruments						
Derivative instruments (assets)	(36,106)	(36,106)	(36,106)	-	-	-
Derivative instruments (liabilities)	23,898	23,898	23,898	-	-	-
	762,290	871,937	447,316	242,014	179,857	2,750

	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
						Parent company
						06/30/2015
Non-derivative financial liabilities						
Suppliers	**89,961**	**90,946**	**90,946**	**-**	**-**	**-**
Loans and financing	**309,645**	**345,692**	**176,774**	**70,771**	**95,485**	**2,662**
Debentures	**125,926**	**155,750**	**60,961**	**46,537**	**48,251**	**-**
Advances on foreign exchange contracts	**123,093**	**127,236**	**127,236**	**-**	**-**	**-**
Advance of receivables	**3,623**	**3,662**	**3,662**	**-**	**-**	**-**
Other accounts payable	**10,240**	**10,240**	**10,240**	**-**	**-**	**-**
Derivative financial instruments						
Derivative instruments (assets)	**(33,298)**	**(33,298)**	**(33,298)**	**-**	**-**	**-**
	629,190	**700,228**	**436,521**	**117,308**	**143,736**	**2,662**

	Book value	Contractual cash flow	Up to 1 year	1-2 years	2-5 years	Over 5 years
						Parent company
						12/31/2014
Non-derivative financial liabilities						
Suppliers	40,988	40,988	40,988	-	-	-
Loans and financing	348,537	395,968	209,230	117,160	66,868	2,710
Debentures	125,831	169,769	17,497	100,623	51,649	-
Advance on foreign exchange contracts	57,856	60,849	60,849	-	-	-
Other accounts payable	12,197	12,197	12,197			
Derivative financial instruments						
Derivative instruments (assets)	(36,098)	(36,098)	(36,098)	-	-	-
Derivative instruments (liabilities)	23,163	23,163	23,163	-	-	-
	572,474	666,836	327,826	217,783	118,517	2,710

Notes to the financial statements

5.3 Market risk

This is the risk that variation in market prices, such as foreign exchange rates and interest rates, will affect the results of Company and subsidiaries or the amount of their investment in financial instruments. The objective of market risk management is to manage and control exposures to market risks, within acceptable parameters and, at the same time, optimize return.

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

(i) Currency risk

Company and subsidiaries are subject to currency risk from sales, purchases and loans denominated in a currency other than the respective functional currencies of Company entities, which in the majority of cases is the Real (R$), but also the US dollar (USD). In general, the Company aims to protect its expected exposure to foreign currencies in relation to sales forecast for the next months. The Company uses future market contracts, mostly maturing in less than one year of balance sheet dates, to hedge against currency risks. When necessary, future market contracts are renewed on maturity.

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

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

	Consolidated			Parent company
	USD thousand			USD thousand
	06/30/2015	**12/31/2014**	**06/30/2015**	**12/31/2014**
Accounts receivable	**31,081**	32,873	**2,818**	7,353
Accounts receivable from foreign related parties	**-**	-	**173**	3,417
Advances on foreign exchange contracts	**(39,674)**	(21,781)	**(39,674)**	(21,781)
Loans and financing	**(109,816)**	(108,561)	**(79,422)**	(86,356)
Foreign suppliers	**(4,129)**	(3,504)	**(1,092)**	(484)
Net balance sheet exposure	**(122,538)**	(100,973)	**(117,197)**	(97,851)

The exposure to consolidated currency risk includes the guaranteed bank loans from Taurus Holdings, Inc. for the amount of USD 21,124 on June 30, 2015 (USD 21,180 on December 31, 2014).

Notes to the financial statements

The following exchange rates were used in the first semester of 2015 and in 2014:

	Average rate		Spot rate	
	06/30/2015	**12/31/2014**	**06/30/2015**	**12/31/2014**
R$/USD	**3.0039**	2.3599	**3.1026**	2.6562

Sensitivity analysis

The impact on the devaluation of the Real to the US dollar on June 30, 2015 in equity and P&L is presented below. This analysis is based on the expected exchange rate of year end, which is of R$3.30 (probable scenario), based on the Focus report of June 26, 2015, issued by the Central Bank of Brazil. The analysis considers that all the remaining variables, especially interest rates, are kept constant.

	Consolidated		Parent company	
	Shareholders' equity	**Income (loss) for the year**	**Shareholders' equity**	**Income (loss) for the year**
June 30, 2015				
R$/USD (forecast rate 3.30)	**(24,189)**	**(24,189)**	**(23,135)**	**(23,135)**
R$/USD (25% - forecast rate 4.13)	**(125,283)**	**(125,283)**	**(119,822)**	**(119,822)**
R$/USD (50% - forecast rate 4.95)	**(226,377)**	**(226,377)**	**(216,509)**	**(216,509)**

(i) Interest rate risk

Company and subsidiaries adopt the policy of maintaining a combination of internal and external interest rates on loans, thus keeping 60.32% of debt in US dollar and 39.68% in Brazilian reais.

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

	Consolidated		Parent company	
	06/30/2015	**12/31/2014**	**06/30/2015**	**12/31/2014**
Financial assets	**78,547**	136,530	**53,253**	80,292
Financial liabilities	**636,110**	609,940	**540,317**	529,917

A variation of 10 percentage points in interest rates, on the reporting date of the financial statements, would increase (reduce) equity and net income for the year on the balance for interest not settled, by the amounts presented below. The analysis considers that all the remaining variables, especially regarding foreign currency, are kept constant. The analysis was made considering the same base for June 30, 2015 and December 31, 2014.

Notes to the financial statements

	Consolidated		Parent company	
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Change in interest rate on financing	**(3,357)**	(2,914)	**(2,939)**	(2,461)
Change in interest rate on short-term investments	**308**	579	**136**	255

5.4 Capital management

The policy adopted by management is to maintain a solid capital base for future business development, adding value to shareholders, creditors and the market in general, by monitoring return on capital. However, the results obtained in the past few years have deteriorated this parameter, as follows:

	Consolidated	
	06/30/2015	12/31/2014
Total liabilities	**1,038,449**	927,648
Less: Cash and cash equivalents and interest earning bank deposits	**(130,029)**	(159,760)
Net debt (A)	**908,420**	767,888
Total unsecured liability (B)	**(57,077)**	52,115
Net debt to equity ratio as of June 30, 2015 and December 31, 2014 (A/B)	**(15.92)**	14.73

The actions taken in order to reestablish this ration are described in Note 1.

6. Operating segments

The Company has four reportable segments represented by strategic business units which are administered separately and differ from one another based on the offer of products and services, technologies and marketing strategies. The following summary describes the operations of each one of Company reportable segments:

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

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

Notes to the financial statements

Machinery – this refers to developing, manufacturing and selling operating machinery and related components; these operations used to be undertaken by Taurus Máquinas-Ferramenta Ltda. and its subsidiary SM Metalurgia Ltda. These operations were disposed of in June 2012 through sale of SM Metalurgia Ltda. Taurus Máquinas still presents results due to technical assistance expenses and financial expenses.

Other – the result of the forging segment (Polimetal Metalurgia e Plásticos Ltda.); bulletproof vests and plastic products (Taurus Blindagens Ltda.). These also include other operations such as the manufacture and sale of glasses, anti-riot shields and providing services. These segments were added, since they do not fall into the quantitative limits for separated disclosure as a reportable segment.

The performance of each segment is evaluated quarterly based on segment profit before income tax and social contribution, as included in the internal reports, since management understands that this information is more significant for evaluating the results of certain segments in relation to other entities that operate in these industries.

Notes to the financial statements

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

	Firearms		Helmets		Machinery (discontinued)		Other		Total	
	06/30/2015	06/30/2014	06/30/2015	06/30/2014	06/30/2015	06/30/2014	06/30/2015	06/30/2014	06/30/2015	06/30/2014
External income	276,860	218,102	58,840	62,921	-	332	13,315	19,719	349,015	301,074
Inter-segment income	45,265	20,589	-	30	-	-	6,018	2,393	51,283	23,012
Cost of sales	(208,388)	(173,126)	(38,746)	(41,391)	-	(410)	(11,711)	(14,335)	(258,845)	(229,262)
Gross income (loss)	113,737	65,565	20,094	21,560	-	(78)	7,622	7,777	141,453	94,824
Sales expenses	(35,213)	(31,904)	(8,777)	(9,985)	(29)	(140)	(1,010)	(1,362)	(45,029)	(43,391)
General and administrative expenses	(37,267)	(25,158)	(2,187)	(1,230)	(651)	(1,571)	(513)	(375)	(40,618)	(28,334)
Depreciation and amortization	(4,251)	(3,423)	(85)	(95)	-	-	(778)	(921)	(5,114)	(4,439)
Other operating income (expenses), net	(68,228)	(1,052)	(19)	1,307	(2,236)	(2,013)	(13)	220	(70,496)	(1,538)
Equity income (loss)	-	-	-	-	-	-	(294)	(1,015)	(294)	(1,015)
	(144,959)	(61,537)	(11,068)	(10,003)	(2,916)	(3,724)	(2,608)	(3,453)	(161,551)	(78,717)
Operating income (loss)	(31,222)	4,028	9,026	11,557	(2,916)	(3,802)	5,014	4,324	(20,098)	16,107
Financial income	85,086	56,054	3,829	4,333	6,717	2,121	695	551	96,327	63,059
Financial expenses	(156,768)	(83,574)	(1,856)	(2,037)	(8,610)	(1,316)	(925)	(2,443)	(168,159)	(89,370)
Net financial income (loss)	(71,682)	(27,520)	1,973	2,296	(1,893)	805	(230)	(1,892)	(71,832)	(26,311)
Profit (loss) per reportable segment before income and social contribution taxes	(102,904)	(23,492)	10,999	13,853	(4,809)	(2,997)	4,784	2,432	(91,930)	(10,204)
Elimination of inter-segment income	(45,265)	(20,589)	-	(30)	-	-	(6,018)	(2,393)	(51,283)	(23,012)
Income (loss) before income and social contribution taxes	(148,169)	(44,081)	10,999	13,823	(4,809)	(2,997)	(1,234)	39	(143,213)	(33,216)
Income and social contribution taxes	416	6,200	(1,620)	(2,485)	-	-	(756)	(649)	(1,960)	3,066
Net income for the year	(147,753)	(37,881)	9,379	11,338	(4,809)	(2,997)	(1,990)	(610)	(145,173)	(30,150)
Assets of reportable segments	577,926	652,610	150,612	157,686	1,780	4,072	251,054	276,751	981,372	1,091,119
Liabilities of reportable segments	913,964	823,576	36,330	45,702	(38,915)	(13,662)	127,070	131,413	1,038,449	987,029

Notes to the financial statements

Geographical information

Information on revenue presented below is based on the client's geographic location.

	Firearms		Helmets	
	06/30/2015	**06/30/2014**	**06/30/2015**	**06/30/2014**
Domestic market				
Southeast	**19,595**	6,865	**16,813**	17,556
South	**7,378**	10,839	**2,725**	3,106
Northeast	**6,540**	9,596	**19,914**	18,840
North	**1,243**	6,606	**9,949**	13,232
Midwest	**5,442**	7,229	**9,113**	10,100
	40,198	41,135	**58,514**	62,834
Foreign market				
United States	**218,496**	152,486	-	-
Argentina	**1,141**	741	-	-
Germany	**152**	742	-	-
Bolivia	**-**	-	**42**	-
Chile	**-**	1,219	-	-
Russia	**1,116**	-	**-**	-
Peru	**-**	866	-	-
El Salvador	**-**	1,192	-	-
Ukraine	**1626**	-	-	-
South Africa	**909**	356	-	-
France	**1,367**	-	-	-
Philippines	**223**	2,889	-	-
Italy	**119**	-	-	-
Lebanon	**-**	1,030	-	-
Pakistan	**1,988**	1,110	-	-
New Zealand	**219**	-	-	-
Nicaragua	**895**	-	-	-
Paraguay	**3,060**	1,627	**284**	87
Thailand	**459**	-	-	-
Jordan	**3,192**	-	-	-
Dominican Republic	**-**	584	-	-
Honduras	**-**	1,138	-	-
Djibouti	**930**	2,845	-	-
Other countries	**770**	8,142	-	-
	236,662	176,967	**326**	87
	276,860	218,102	**58,840**	62,921

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

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

Notes to the financial statements

7. Assets and liabilities held for sale and discontinued operations

Non-current assets held for sale and result from discontinued operations

The Company classifies noncurrent assets as held for sale if their book value will be recovered through a sale transaction considered probable.

For the sale to be highly probable, management must be committed to the asset sale plan and must have started a firm program to find a buyer and conclude the plan. In addition, the asset held for sale should be effectively put for sale for a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to be concluded within up to one year as from the date of its classification.

The group of assets held for sale is measured at the lower of book value and fair value less expenses to sell. If book value is higher than fair value, an impairment loss is recognized in P&L. Any reversal or gain will only be recorded until the limit of the recognized loss.

Depreciation of assets held for trading ends when a group of assets is designated as held for sale.

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

In 2012, the Company sold SM Metalurgia Ltda. to Renill Participações Ltda. In 2013, after total price renegotiation of the contract, the principal balance decreased from R$115,350 to R$ 57,520 subject to TJLP and interest of 1.8% p.a. as from agreement execution, payable as follows:

Number of installments	Principal installment amounts	Maturities
1	1,960	Parts supply
2	2,055	06/30/2014 and 12/30/2014, not received to date.
14	3,675	as from 06/30/2015, biannual installments.

The balance receivable is as follows:

	06/30/2015	12/31/2014
Sales amount (renegotiated)	**57,520**	57,520
Contractual monetary restatement	**13,203**	10,693
Amount received	**(873)**	(873)
Balance receivable	**69,850**	67,340
Provision for loss	**(69,850)**	(67,340)
Total	-	-

Notes to the financial statements

The Company maintained a provision for loss recorded in 2014 and restated this provision as of June 30, 2015 in the amount of R$ 69,850, since the Company: i) believes that there has been deterioration of the credit conditions; ii) has not yet concluded full formalization of guarantees of the operation; iii) and since buyer is a limited liability company and is undergoing in-court reorganization.
Beginning as of July 2015, the Company will no longer adjust balance receivable, as it does not expect to receive those amounts.

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

At the end of 2013, Company management, aligned with the structural changes in the strategies of focusing on higher value added segments, decided to decommission the production line and forging services to third parties of subsidiary Polimetal. The machines and equipment were made available for sale and recorded as “assets held for sale”. At June 30, 2015, this balance amounts to R$ 4,314 (R$ 4,417 at December 31, 2014). Revenues from forging services to third parties, when in operation, represented less than 5% of Company sales. The other industrial activities of Polimetal continue being normally carried out.

8. Cash and cash equivalents and interest earning bank deposits

Cash and cash equivalents

Cash and cash equivalents include cash balances and highly liquid short-term investments, i.e. which may be redeemed within three months as from investment date, without penalties for the Company and with low risk of change in their market value.

	Consolidated		Parent company	
	06/30/2015	**12/31/2014**	**06/30/2015**	**12/31/2014**
Cash balance	**2,068**	5,420	**1,598**	4,565
Demand deposits	**82,712**	53,917	**7,467**	10,341
Interest earning bank deposits	**2,750**	45,199	**-**	10,255
Cash and cash equivalents	**87,530**	104,536	**9,065**	25,161

Short-term investments classified as cash and cash equivalents are remunerated at rates that vary between 100% and 103% of CDI on June 30, 2015 (98% to 104% of CDI on December 31, 2014), having as counterparties financial institutions considered top-tier by Management.

Interest earning bank deposits

	Consolidated		Parent company	
	06/30/2015	**12/31/2014**	**06/30/2015**	**12/31/2014**
Short-term investments - CDB	**42,499**	55,224	**19,955**	33,939
Total	**42,499**	55,224	**19,955**	33,939
Current	**35,243**	33,632	**12,699**	12,347
Non-current	**7,256**	21,592	**7,256**	21,592

Notes to the financial statements

Interest earning bank deposits are remunerated at rates of 99.83% of CDI on June 30, 2015, and are held in guarantee for short-term financing. Redemption thereof is programmed to occur in conjunction with financing amortization and such investments are presented in current and non-current assets based on their planned redemption dates.

9. Trade accounts receivable

Trade accounts receivable are recorded for the billed amount, including direct taxes, the burden of which is attributed to the Company.

Present value calculation is made for each transaction based on an interest rate that reflects the term, currency and risk of each transaction. In the period, the average rate used by the Company was of approximately 0.97% p.m. The balancing entry of present value adjustments of accounts receivable is posted to gross income in P&L. The difference between present value of a transaction and the face value on billing is considered financial income.

Allowance for doubtful accounts is set up in amount considered sufficient by Management to cover any losses upon realization of accounts receivable.

	Consolidated		**Parent company**	
	06/30/2015	**12/31/2014**	**06/30/2015**	**12/31/2014**
Clients - domestic	**71,231**	78,023	**27,969**	22,438
Clients – domestic related parties	**-**	-	**11,388**	7,543
Clients - foreign	**96,431**	87,318	**8,744**	19,532
Clients – foreign related parties	**-**	-	**538**	9,077
Adjustment to present value	**(2,964)**	(1,864)	**(677)**	(665)
	164,698	163,477	**47,962**	57,925
Allowance for doubtful accounts - domestic	**(14,026)**	(17,508)	**(2,547)**	(4,294)
Allowance for doubtful accounts no bankers	**(6,156)**	(6,249)	**(1,610)**	(2,755)
	(20,182)	(23,757)	**(4,157)**	(7,049)
Total	**144,516**	139,720	**43,805**	50,876

The Company's exposure to credit and currency risk as well as to impairment of trade accounts and other accounts receivable, including accounts receivable aging, are disclosed in Note 5. Changes in the allowance for doubtful accounts are as follows:

	Consolidated	**Parent company**
Balance at December 31, 2014	(23,757)	(7,049)
Additions	**(98)**	**(43)**
Reversal of allowance for doubtful accounts	**4,428**	**3,082**
Realization of allowance for doubtful accounts	**117**	**116**
Foreign exchange variation	**(872)**	**(263)**
Balance at June 30, 2015	**(20,182)**	**(4,157)**

Notes to the financial statements

10. Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted moving average (WMA) principle and includes expenses incurred in the acquisition of inventories, production and processing costs (based on normal operating capacity) and other costs incurred to place them in their current site and conditions.

Provision for inventory loss is recorded for slow moving products and for items with sales price lower than build-up cost.

	Consolidated		Parent company	
	06/30/2015	**12/31/2014**	**06/30/2015**	**12/31/2014**
Finished goods	**111,467**	106,929	**34,595**	22,997
Work in process	**35,387**	34,123	**22,330**	24,595
Raw material	**58,999**	51,586	**29,331**	16,246
Auxiliary and maintenance materials	**6,032**	7,886	**1,805**	3,216
	211,885	200,524	**88,061**	67,054

11. Recoverable taxes

	Consolidated		Parent company	
	06/30/2015	**12/31/2014**	**06/30/2015**	**12/31/2014**
ICMS	**12,391**	7,970	**3,510**	1,033
IPI	**3,757**	1,411	**2,200**	294
PIS	**1,254**	708	**1,189**	613
COFINS	**5,812**	3,299	**5,477**	2,825
Income and social contribution taxes	**12,718**	11,079	**3,917**	5,404
Total	**35,932**	24,467	**16,293**	10,169
Current	**34,975**	23,419	**15,981**	9,719
Non-current	**957**	1,048	**312**	450

12. Current and deferred income and social contribution taxes

Current and deferred income and social contribution taxes for the year are calculated at the rate of 15% and surtax of 10% on taxable income in excess of R$120 for income tax and 9% on taxable income for social contribution tax, and consider offset of income and social contribution tax losses, limited to 30% of annual taxable profit. Companies which compute income and social contribution taxes as a percentage of their deemed profit use aforementioned rates, however on billing percentages of 8% and 12%, respectively.

Current and deferred taxes are recognized in P&L unless they refer to business combinations or items recognized directly in equity or in other comprehensive income (loss).

Deferred taxes are recognized in relation to the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the related amounts used for taxation purposes.

Notes to the financial statements

A deferred income tax and social contribution asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets and liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.
Deferred income and social contribution tax assets are reviewed at each reporting date and reduced when their realization is no longer probable.

a) Breakdown of deferred tax assets and liabilities

	Consolidated		Parent company	
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
On temporary asset differences and income and social contribution tax losses				
Provision for sales commissions	**1,197**	1,534	**1,145**	1,495
Adjustment to present value	**1,592**	870	**792**	446
Provision for judicial claims	**5,893**	4,358	**1,925**	1,660
Provision for losses on insurance claims	**782**	782	**782**	782
Allowance for doubtful accounts	**3,790**	2,702	**1,414**	459
Provision for product warranty	**4,812**	3,627	**2,190**	1,383
Adjustment of deferred revenues	**-**	-	**-**	-
Derivative financial instruments	**341**	8,167	**-**	7,875
Income and social contribution tax losses (i)	**35,180**	35,506	**7,000**	7,000
Inventories – unrealized profits	**4,761**	2,633	**-**	-
Other items	**1,579**	1,568	**122**	137
	59,927	61,747	**15,370**	21,237
On temporary liability differences				
Equity evaluation adjustments	**(1,554)**	(1,788)	**(993)**	(1,146)
Depreciation base difference	**(9,138)**	(8,090)	**(1,741)**	(1,758)
Goodwill allocation	**(9,338)**	(8,397)	-	-
Financial charges	**(1,436)**	(1,372)	**(1,318)**	(1,314)
Derivative financial instruments	**(11,321)**	(12,276)	**(11,322)**	(12,273)
	(32,787)	(31,923)	**(15,374)**	(16,491)
Total asset (liability) balance, net	**27,140**	29,824	**(3)**	4,746
Classified as non-current assets	**38,330**	39,627	**-**	4,746
Classified in the non-current liabilities	**(11,190)**	(9,803)	**(3)**	-

Changes in deferred taxes:

	Consolidated	Parent company
Opening balance of deferred taxes, net	29,824	4,746
Posted to P&L (Note 12.b)	**(1,048)**	**(4,750)**
Allocated to consolidation goodwill	**(941)**	**-**
Effect of exchange variation	**(695)**	**-**
Closing balance of deferred taxes, net	**27,140**	**(3)**

(i) Company management considered the existence of accumulated income and social contribution tax losses recorded on net income in the Company and in subsidiaries Polimetal Metalurgia e Plásticos Ltda., Taurus Blindagens Ltda. and Taurus Holdings Inc. Assessment of the existence of future taxable income, which supports the recording of deferred tax assets, was based on the operating activities of Company segments.

Notes to the financial statements

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

	Consolidated		Parent company	
Year	**Total**	**Interest %**	**Total**	**Interest %**
2017	432	1.23%	-	-
2018	1,314	3.74%	-	-
2019	1,849	5.26%	142	2.03%
2020	2,915	8.29%	444	6.34%
2021	4,141	11.77%	863	12.33%
2022	6,049	17.19%	1,462	20.89%
2023	7,650	21.75%	1,903	27.19%
2024	8,175	23.24%	2,186	31.23%
Over 2024	2,655	7.55%	-	-
Total	35,180	100.00%	7,000	100.00%

The amount of income and social contribution tax losses on which deferred taxes are not recorded totaled R$503,721 - Consolidated (R$416,752 in 2014) and R$160,354 – Company (R$84,665 in 2014).

The main balances of income and social contribution tax losses refer to subsidiary Taurus Máquinas-Ferramenta Ltda. Tax credits arising from income and social contribution tax losses not recognized by this subsidiary totaled R$ 76,821 (R$ 76,224 in 2014).

Notes to the financial statements

b) Reconciliation between the tax expense and the result from the multiplication of book profit by the local tax rate

	Consolidated		Parent company	
	06/30/2015	**06/30/2014**	**06/30/2015**	**06/30/2014**
Accounting loss before income and social contribution taxes	**(143,213)**	(33,216)	**(140,423)**	(36,860)
Combined statutory rate	**34%**	34%	**34%**	34%
Income and social contribution taxes:				
Calculated at combined statutory rate	**48,692**	11,293	**47,744**	12,532
Permanent additions:				
Non-deductible expenses	**(57)**	(35)	**(56)**	(35)
Permanent exclusions:				
Tax exempt income – equity pickup	**(100)**	(345)	**(26,498)**	(1,762)
Other - Law no. 11,196/05	**-**	81	**-**	-
Unrecognized tax loss	**(29,569)**	(11,403)	**(25,734)**	(4,061)
Non-deductible provisions	**(22,615)**	-	**-**	-
Effects from different rates of subsidiaries taxed based on profit computed as a percentage of deemed profit	**581**	2,365	.	-
Other items	**1,107**	1,110	**(206)**	36
Income tax and social contribution in income for the year	**(1,960)**	3,066	**(4,750)**	6,710
Breakdown of Income and social contribution taxes in P&L for the year:				
Current	**(912)**	(3,713)	**-**	-
Deferred assets	**(1,048)**	6,779	**(4,750)**	6,710
	(1,960)	3,066	**(4,750)**	6,710
Effective rate	**1.37%**	9.23%	**3.38%**	18.20%

13. Advance on real estate credits

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

To represent the real estate credits arising from the aforementioned hire contracts, the Company issued Real Estate Credit Notes – CCI, and assigned them, onerously, to CIBRASEC – Companhia Brasileira de Securitização, which used them as the basis for issuing two series of Certificates of Real Estate Receivables – CRI. The terms and maturity dates for these certificates are fixed monthly, with the last falling due on July 15, 2015. On June 30, 2015, total restated balance amounts to R$ 2,207 (R$ 8,548 at December 31, 2014).

Notes to the financial statements

14. Investments

	Taurus Blindagens Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Holdings, Inc.	Taurus Security Ltda. (1)	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-Ferramenta Ltda.(1)	Taurus Investments Co. Inc.	Famastil Taurus Ferramentas S.A. (2)	Parent company 06/30/2015	Parent company 12/31/2014
Current assets	91,727	28,243	306,495	60	6,228	104,846	3,253	31,866	55,599		
Non-current assets	66,571	15,950	90,330	241	66,934	262,192	1,238	-	37,087		
Current liabilities	16,634	6,673	91,321	3	18,775	117,803	53,471	-	31,316		
Non-current liabilities	13,132	7,267	131,479	547	11,286	31,019	12,781	-	31,246		
Capital	80,209	9,400	946	100	39,917	250,589	273,639	34,129	20,000		
Shareholders' equity	128,532	30,253	174,025	(249)	43,101	218,216	(61,761)	31,866	30,124		
Net revenue	44,433	22,120	220,094	-	6,018	47,853	-	-	29,781		
Net income (loss) for the year	8,377	5,676	(69,632)	-	3,005	(3,804)	(5,721)	-	(96)		
Number of shares/quotas	648	9,400	302,505	100,000	30,752,186	250,589,337	165,007,117	11,000,000	_		
Direct ownership interest (%)	0.01%	0.10%	100%	100%	76.45%	100%	60.30%	100%	-		
Opening balances	1	28	208,184		20,712	164,884			2,215	**396,024**	430,287
Capital payment (4)	-	-	-	-	**962**	**40,589**	**40,639**	**31,395**	-	**113,585**	9,017
Equity income (loss) (3)	-	**5**	**(72,685)**	-	**2,274**	**(4,318)**	**(3,210)**	-	-	**(77,934)**	(88,426)
Loss on investments	-	-	-	-	**(45)**	-	-	-	-	**(45)**	(137)
Exchange variation over investments	-	-	**35,510**	-	-	-	-	**472**	-	**35,982**	24,577
Profit distribution	-	**(3)**	-	-	-	-	-	-	-	**(3)**	-
Capital transactions	-	-	-	-	**8,117**	**14,949**	**(23,066)**	-	-	-	-
Equity valuation adjustments (5)	-	-	-	-	-	-	-	-	-	-	(112)
Reclassified to provision for capital deficiency (1)	-	-	-	-	-	-	**(14,363)**	-	_	**(14,363)**	20,818
Closing balances (3)	**1**	**30**	**171,009**	-	**32,020**	**216,104**	-	**31,867**	**2,215**	**453,246**	396,024

(1) On June 30, 2015, as a result of subsidiaries Taurus Security Ltda. and Taurus Máquinas-Ferramenta Ltda. presenting shareholders' deficit, amounts corresponding to investments of Forjas Taurus S.A. in these companies are recorded under caption "other accounts payable" in current liabilities at R$249 and R$37,242, respectively.
(2) On December 20, 2011, the investment in subsidiary Famastil Taurus Ferramentas S.A. was transferred to subsidiary Polimetal Metalurgia e Plásticos Ltda. as part of the corporate restructuring occurred in 2011. The amount of R$ 2,215 refers to goodwill on the investment in Famastil Taurus Ferramentas S.A. which remains with Forjas Taurus S.A.
(3) For purposes of determining the investment amounts, equity and net income of each investee are adjusted by unrealized profits in transactions among the companies.
(4) Capital increase in subsidiary Taurus Investimentos Imobiliários Ltda. amounting to R$ 962 and capital payment in subsidiaries Polimetal Metalurgia e Plásticos Ltda. amounting to R$ 40,589 and Taurus Máquinas-Ferramenta Ltda. amounting to R$ 40,639 were made in cash with the capitalization of the loan account.
(5) Equity valuation adjustment referring to deferred taxes upon merger of subsidiary Taurus Helmets Ltda. into parent company Taurus Blindagens

Notes to the financial statements

Foreign operations

Taurus Holdings, Inc., located in the United States, is the parent company of Taurus International Manufacturing Inc., Braztech International L.C. and other subsidiaries also located in the USA, operating mainly in the resale of Firearms imported from Forjas Taurus S.A., aimed at the wholesale market. Major book balances of the subsidiary are as follows:

	Taurus Holdings, Inc.	
		Consolidated
	06/30/2015	**12/31/2014**
Assets	**396,825**	319,208
Liabilities	**222,800**	111,060
Net revenue	**220,094**	276,737
Income (loss) for the year	**(69,632)**	(9,430)

15. Property, plant and equipment

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

The Company opted for reevaluating property, plant and equipment items at deemed cost for the opening date of 2009. The effects from deemed cost increased property, plant and equipment balance, the balancing entry being to equity, net of tax effects.

Cost includes expenses that are directly attributable to acquisition of an asset. 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 borrowing costs on qualifiable assets.

Gains and losses on the disposal of a property, plant and equipment item are determined comparing the amounts resulting from asset disposal with the related carrying amount, and are recognized net in other revenues account in P&L.

Depreciation is recognized in P&L based on the straight line method in relation to the estimated useful life of each asset. The estimated useful lives for current and comparative periods are approximately the following:

Group	Useful life
Buildings	27 years
Machinery and equipment	15–20 years
Casts and tooling	5 years
Furniture	15 years
Other components	5–6 years

Notes to the financial statements

The depreciation methods, useful lives and residual values are reviewed every year end and any adjustments are recognized as change in accounting estimates.

Notes to the financial statements

Consolidated

	Land, buildings and facilities	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles and other assets	Construction in progress	Advances to suppliers	Total
Cost or deemed cost								
Balance at December 31, 2014	138,591	206,960	52,578	20,184	3,291	9,746	297	431,647
Additions	**118**	**2,479**	**253**	**686**	**168**	**3,632**	**-**	**7,336**
Disposals	**-**	**(723)**	**(2)**	**(35)**	**(514)**	**(4)**	**(13)**	**(1,291)**
Transfers of assets under construction	**-**	**878**	**1,089**	**6**	**-**	**(1,973)**	**-**	**-**
Effect of exchange variation	**7,626**	**5,811**	**-**	**998**	**26**	**-**	**-**	**14,461**
Transfers to other groups	**(5,219)**	**5,218**	**(2)**	**(117)**	**2**	**-**	**-**	**(118)**
Balance at June 30, 2015	**141,116**	**220,623**	**53,916**	**21,722**	**2,974**	**11,401**	**284**	**452,035**
Depreciation								
Balance at December 31, 2014	20,277	101,420	35,902	14,062	2,764	-	-	174,425
Depreciation for the year	**1,843**	**9,328**	**3,265**	**1,066**	**178**	**-**	**-**	**15,680**
Disposals	**-**	**(250)**	**(2)**	**(19)**	**(449)**	**-**	**-**	**(720)**
Effect of exchange variation	**1,500**	**3,467**	**-**	**861**	**37**	**-**	**-**	**5,865**
Transfers to other groups	**(1,276)**	**2,984**	**(1)**	**(1,748)**	**(77)**	**-**	**-**	**(118)**
Balance at June 30, 2015	**22,344**	**116,949**	**39,164**	**14,222**	**2,453**	**-**	**-**	**195,132**
Book value								
December 31, 2014	118,314	105,540	16,676	6,122	527	9,746	297	257,222
June 30, 2015	**118,772**	**103,674**	**14,752**	**7,500**	**521**	**11,401**	**284**	**256,903**

Notes to the financial statements

	Land, buildings and facilities	Machinery and equipment	Casts and tooling	Furniture and computers	Vehicles	Construction in progress	Parent company Total
Cost							
Balance at December 31, 2014	3,177	61,235	25,902	8,259	1,848	3,300	103,721
Additions	**-**	**534**	**16**	**104**	**92**	**1,022**	**1,768**
Disposals	**-**	**(3,387)**	**(13)**	**(40)**	**(153)**	**-**	**(3,593)**
Transfers of assets under construction	**-**	**273**	**77**	**2**	**-**	**(352)**	**-**
Transfers to other groups	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at June 30, 2015	**3,177**	**58,655**	**25,982**	**8,325**	**1,787**	**3,970**	**101,896**
Depreciation							
Balance at December 31, 2014	1,044	30,492	17,710	5,369	1,375	-	55,990
Depreciation for the period	**157**	**2,429**	**1,659**	**373**	**119**	**-**	**4,737**
Disposals	**-**	**(883)**	**(7)**	**(25)**	**(100)**	**-**	**(1,015)**
Balance at June 30, 2015	**1,201**	**32,038**	**19,362**	**5,717**	**1,394**	**-**	**59,712**
Book value							
December 31, 2014	2,133	30,743	8,192	2,890	473	3,300	47,731
June 30, 2015	**1,976**	**26,617**	**6,620**	**2,608**	**393**	**3,970**	**42,184**

Construction in progress

The balance of construction in progress of R$3,970 – Company and R$ 11,401 – Consolidated in 2015 (R$ 3,300 and R$9,746 in 2014, respectively) refers to machinery and equipment still in the phase of being implemented and construction in progress. These assets are expected to become operational in 2015.

Guarantee

Loans raised by the Company from financial institutions are guaranteed by its assets. Although a significant portion of fixed assets is used to guarantee loans and financings, historically the Company has settled its liabilities within the established contractual terms thus it was never necessary to enforce such guarantees. On June 30, 2015, guarantees provided by the Company amounted to R$55,538 (R$52,764 in 2014).

Notes to the financial statements

16. Intangible assets

Goodwill

In the consolidated financial statements, the goodwill on the acquisition of investments, after applicable allocations, is included in intangible assets. Goodwill is presented in the investment group in the financial statements of the Company.

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

Other intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition, whereas the cost of intangible assets acquired in a business combination is their fair value at acquisition date. Balances are presented less accumulated amortization and impairment losses.

Development expenses which involve a plan or project aimed at producing new or substantially improved products are capitalized only if these development costs may be reliably measured, if the product or process is technically and commercially feasible, if the future economic benefits are likely to arise and if the Company has the intention and sufficient resources to conclude the development and use or sell the asset.

Amortization of intangible assets other than goodwill is based on their estimated useful lives and is recognized in P&L using the straight-line method. The estimated useful lives for current and comparative periods are of approximately 5 years for systems implementation and development costs.

We also clarify that impairment of Company goodwill and indefinite-lived intangible assets is determined on an annual basis using the “value in use” concept, through discounted cash flow models of cash-generating units.

Notes to the financial statements

						Consolidated
	Goodwill	Trademarks and patents	Development of products	Systems implementation	Other intangible assets	Total
Cost						
Balance at December 31, 2014	40,823	12,368	12,202	2,548	11,702	79,643
Acquisitions	-	-	654	24	-	678
Write-offs	-	-	(786)	-	-	(786)
Effect of exchange variation	1,377	1,410	436	-	2,110	5,333
Balance at June 30, 2015	**42,200**	**13,778**	**12,506**	**2,572**	**13,812**	**84,868**
Amortization						
Balance at December 31, 2014	-	275	6,328	2,011	2,979	11,593
Amortization for the period	-	45	350	130	699	1,224
Effect of exchange variation	-	-	-	-	725	725
Balance at June 30, 2015	**-**	**320**	**6,678**	**2,141**	**4,403**	**13,542**
Book value						
December 31, 2014	40,823	12,093	5,874	537	8,723	68,050
June 30, 2015	**42,200**	**13,458**	**5,828**	**431**	**9,409**	**71,326**

Impairment test for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill was allocated to the Group's operating divisions, which represent the lowest level within the Group, in which goodwill is monitored for internal management purposes, never above the Group's operating segments

Cash-generating unit	06/30/2015	12/31/2014
Forjas Taurus S.A.	**21,194**	21,194
Taurus Holdings, Inc.	**12,466**	11,089
Taurus Blindagens Ltda.	**7,868**	7,868
Famastil Taurus Ferramentas S.A.	**545**	545
Polimetal Metalurgia e Plásticos Ltda.	**127**	127
Total	**42,200**	40,823

The impairment testing of the aforementioned CGUs is performed annually based on fair value less selling expenses, estimated based on discounted cash flows. At June 30, 2015, there is no indication of the need to record a provision. The assumptions adopted by the Company are disclosed in the annual financial statements as of December 31, 2014.

Notes to the financial statements

17. Loans and financing

The terms and conditions of outstanding loans were as follows:

				Consolidated			
				06/30/2015		12/31/2014	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	82,000	**51,029**	128,939	107,222
FINAME	R$	2.50% to 8.70% p.a.	2021	9,600	**5,494**	17,675	5,950
FINEP	R$	4.00% to 5.25% p.a.	2020	64,240	**28,439**	64,240	33,826
BNDES	R$	3.50% p.a.	2020	9,995	**10,073**	9,995	10,074
BNDES Progeren	R$	TJLP + 4.40 to 4.50% p.a.	2016	63,977	**20,547**	63,977	38,202
FNE	R$	9.50% p.a.	2019	9,806	**6,345**	9,806	7,051
Working capital	USD	*Libor* + 1.55% to 5.60% p.a.	2017	106,400	**149,431**	115,300	120,893
Working capital	USD	3.05% to 5.20% p.a.	2016	25,037	**69,889**	76,995	107,446
Working capital	USD	80–100% of CDI	2016	31,390	**91,242**	10,619	25,889
Investments	USD	5.33% p.a.	2017	6,035	**16,027**	6,035	14,028
Investments	USD	*Libor* + 2.25% p.a.	2017	1,731	**3,923**	1,731	3,454
FINIMP	USD	*Libor* + 2.23% to 4.41% p.a.	2016	4,178	**9,919**	7,055	16,323
Dell financing	USD	Cost 0%	2016	201	**281**	201	328
Total					**462,639**		490,686
Current liabilities					**208,339**		258,865
Non-current liabilities					**254,300**		231,821

				Parent company			
				06/30/2015		12/31/2014	
	Currency	Nominal interest rate	Year of maturity	Contracted value	Book value	Contracted value	Book value
Loans and financing							
Working capital	R$	CDI + 2.42 to 3.00% p.a.	2018	82,000	**51,029**	128,939	107,222
FINAME	R$	2.50% to 5.50% p.a.	2021	3,389	**2,131**	11,464	1,862
BNDES	R$	3.50% p.a.	2020	9,995	**10,073**	9,995	10,074
Working capital	USD	*Libor* + 3.41% to 5.60% p.a.	2017	31,400	**79,311**	40,300	83,643
Working capital	USD	3.05% to 3.91% p.a.	2016	21,891	**69,149**	73,849	106,248
Working capital	USD	85–100% of CDI	2016	31,390	**91,242**	10,619	25,889
FINIMP	USD	*Libor* + 2.23% to 4.41% p.a.	2016	3,170	**6,709**	6,047	13,599
Total					**309,645**		348,537
Current liabilities					**169,146**		192,987
Non-current liabilities					**140,499**		155,550

Maturity dates of non-current liabilities are as follows:

Year of maturity	Consolidated		Parent company	
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
2016	**69,482**	122,695	**62,284**	101,443
2017	**140,973**	83,825	**60,756**	37,509
2018	**18,459**	16,528	**12,999**	12,139
2019 onwards	**25,386**	8,773	**4,460**	4,459
	254,300	231,821	**140,499**	155,550

Loans and financing are guaranteed by promissory notes, short-term investments, chattel mortgages for machinery and equipment and real estate mortgages. The sureties granted by the parent company and the sureties granted by the Company to its subsidiaries are reported in Note 21 – Related parties.

Notes to the financial statements

Loan and financing contracts agreed between the Company and its subsidiaries include covenants that limit certain corporate alterations, as under: change in direct or indirect controlling interest in the Company, reduction of capital of the Company and/or its subsidiary, distribution of dividends, payment of interest on equity or any other payments to shareholders of the Company and/or its controlling company in case of delay to fulfill any obligation and reduction of Company capital. In addition to these points, they require maintenance of certain financial ratios: indebtedness (net financial debt/EBITDA) lower than 3.5; interest coverage index (EBITDA/net financial expenses) equal to or higher than 2.75 times. If such restrictions are not met, creditors may claim accelerated maturity. All the above ratios are calculated quarterly, or annually (according to the contract) based on the last twelve months. The Company did not comply with aforementioned covenants; however, the Company received a waiver from the bank on June 30, 2015, informing that they do not intend to claim accelerated maturity.

18. Debentures

Company-issued debentures, in a single series, are not convertible into shares distributed on the secondary market through the National Debenture system, with restrictions on the placing allocated to the 1st and 2nd issue, exclusively to qualified investors and the 3rd issue allocated to banks.

Debentures	Principal R$	Issuing Date	Outstanding debentures	Financial charges	06/30/2015	12/31/2014
2nd issuance (a)	50,000	09/06/2011	200	DI rate + 2.8%	**19,527**	27,302
3rd issue (b)	100,000	06/13/2014	10,000	DI rate + 3.25%	**106,399**	98,529
				Total - Principal	**125,926**	125,831
				Current liabilities	**56,416**	15,933
				Non-current liabilities	**69,510**	109,898
				Transaction costs incurred	**1,971**	1,956
				Transaction costs appropriated	**635**	316
				Transaction costs to appropriate	**1,336**	1,640

(a) Unit nominal value will be paid in 13 quarterly installments, with grace period of 2 years, the first installment on August 23, 2013. These debentures are guaranteed by personal security of Company subsidiaries in Brazil.

(b) Unit nominal value will be paid in 3 quarterly installments, with grace period of 2 years, the first installment on June 30, 2016. No guarantees have been given.

Covenants

The instrument provides for accelerated maturity in case of noncompliance with respective covenants, which include, among other obligations: maintenance of certain financial ratios, such as: (net debt/EBITDA) equal to or lower 3.25 times (3rd issue) and 3 times (2nd issue) and EBITDA/net financial expenses equal to or higher 2.75 times (3rd issue), in which: net debt is equal to total debts (including sureties and guarantees) less cash and cash equivalents, EBITDA is equal to pre-tax income, interest, taxes, depreciation and amortization for the past 12 months and net financial expenses, which correspond to total financial income less financial expenses for the past 12 months, adjusted for nonrecurring items.

These ratios are duly monitored by management. The contract for the 2nd issue establishes that the ratios must be met quarterly. These ratios were not met in the current year; however, a waiver was obtained from the financial institutions in June 2015 and formalized at the General Debenture-holders Meeting.

Notes to the financial statements

19. Provision for civil, labor and tax contingencies

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.

The Company, based on the opinion of its legal advisors and the analysis of judicial proceedings pending judgment, set up a provision for contingencies at an amount considered sufficient to cover estimated losses, as follows:

				Consolidated
			06/30/2015	12/31/2014
	Provision	Judicial deposit (1)	Net	Net
Labor	**11,714**	**3,731**	**7,983**	7,901
Civil	**69,159**	**-**	**69,159**	29,881
Tax	**6,143**	**1,184**	**4,959**	4,663
	87,016	**4,915**	**82,101**	42,445
Classified in current liabilities	**49,612**			
Classified in non-current liabilities	**37,404**			

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

Changes in provisions are as follows:

			Consolidated	Parent company
	Civil and labor	Tax	Total	Civil and labor
Balance at December 31, 2014	41,127	5,847	46,974	4,882
Provisions recorded in the year	**76,032**	**296**	**76,328**	**935**
Provisions used in the period**(2)**	**(33,853)**	**-**	**(33,853)**	**(154)**
Write-off of provision	**(173)**	**-**	**(173)**	**-**
Foreign exchange variation	**(2,260)**	**-**	**(2,260)**	**-**
Balance at June 30, 2015	**80,873**	**6,143**	**87,016**	**5,663**

(2) Considers R$31,862 (USD10,250) referring to purchase of credits in lawsuit with Hunter Douglas, by T Investiment, described below.

Notes to the financial statements

Hunter Douglas

On June 30, 2015, direct subsidiary Taurus Máquinas-Ferramenta Ltda. (TMFL) is a party to lawsuit filed by Company Hunter Douglas, as follows:

A proceeding for which a provision was accrued by the Hunter Douglas N.V. (company organized under the laws of Curacao, with main office in Rotterdam, Holland) against Wotan Máquinas Ltda. in connection with the collection originating from the loan agreement for export financing purposes executed by these parties in 2001.

Subsidiary Taurus Máquinas-Ferramenta Ltda. figures as defendant due to the rent of industrial facilities to Wotan Máquinas Ltda. in 2004.

Due to a contrary decision lower court handed down on which appeals may be filed, the Company decided to begin negotiations with Hunter Douglas, which resulted in the execution of a Final Commitment Agreement referring to the Credit Assignment Sale and Purchase Agreement on June 26, 2015, by means of which the T Investments Co Inc, entity belonging to the Taurus Group will acquire credits from Hunter Douglas N.V. in face of Wotan Máquinas Ltda. and other rights for USD 10,250 thousand (R$ 31,802). Materialization of this commitment, resulted in the following effects: the Company acquired: i) the credits owned by Hunter Douglas N.V. in face of Wotan Máquinas Ltda.; ii) all rights linked or accessory to these credits, especially referring to mortgages; and iii) all rights deriving from the proceeding, whether or not directly linked to the credits.

Carter case

In financial statements for the second and first quarter of 2015, the main lawsuit for which the Company calculated a provision relates to execution of a preliminary agreement to end lawsuit filed with the U.S. District Court for the Southern District of Florida against Taurus and its subsidiaries in the USA, Taurus Holdings. Inc. and Taurus International Manufacturing, Inc. (together the, "Companies"). Said preliminary agreements results from individual lawsuit by Chris Carter v. Forjas Taurus, S.A. et. al., related to alleged faults presented by some pistol models manufactured by the Companies, and classified as possible risk of loss by its legal advisors. However, possible developments of this lawsuit led to the decision, in April 2015, of entering such an agreement for the purpose of minimizing possible future risks related to change in lawsuit level and considering specific characteristics of the US legal environment, even though the history of faults reported by the Company's clients is not very long. Updated agreement value is R$66,516, referring to expenses with insurance, fees, and disclosure. Of this total, 58% were accounted for in the short term and 42% in the long term.

<u>Updating of proceeding on June 30, 2015</u>

On July 30, 2015, the Company received confirmation that the Agreement referring to Carter Case lawsuit was approved by the North-American court (preliminary approval) and is now proceeding to the next steps, mainly:

Notes to the financial statements

(a) disclosure of lawsuit Notice in the North-American market; (b) preparation of website for information management and administration and adhesion by clients; and (c) preparation of the safety training program, a video used to train and guide weapon handling and safety procedures.

The Company has 75 days to carry out these process stages, which are being managed by Taurus USA team (deadline October 13). Deadline for objections to the agreement is December 14, 2015.

After this process, North-American court will conduct its final evaluation, which is initially scheduled for January 20, 2016 (10:00 a.m.). Only after final approval, process for weapon reimbursement will actually take place.

Also in July 30, the Company disclosed in Brazil a relevant fact on preliminary approval.

Approved agreement proposal results from intense negotiations and, based on the opinion of its North-American legal advisors, Taurus' management understands that this agreement is the most effective measure to end possible developments of said lawsuit, as well as that lawsuit involving a lower financial impact to the Company, avoiding risks and possible additional adverse effects to which it would be exposed in case dispute continues.

Other proceedings

Company and subsidiaries are party to other proceedings assessed by their legal advisors as involving a possible or remote unfavorable outcome, for which no provision has been recorded, given that accounting practices adopted in Brazil do not require this procedure to be performed, as follows:

	Consolidated				**Parent company**			
	06/30/2015		**12/31/2014**		**06/30/2015**		**12/31/2014**	
	Possible	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**	**Possible**	**Remote**
Tax	**10,551**	**904**	10,568	10,973	**194**	**489**	766	10,545
Civil	**18,097**	**1,412**	30,473	4,340	**10,587**	**1,163**	7,345	530
Labor	**29,167**	**3,754**	25,940	1,947	**18,757**	**220**	16,124	-
Other *	**5,439**	**10**			**5,401**	**10**		
	63,254	**6,080**	66,981	17,260	**34,949**	**1,882**	24,235	11,075

* Other: Administrative and Environmental Law and Intellectual Property

20. Financial instruments

a) Derivatives

The Company and its subsidiaries Taurus Blindagens Ltda. undertake operations involving derivative financial instruments. The management of these instruments is done through operating strategies and internal controls, aimed at assuring liquidity, profitability and security. The contracting of financial instruments for hedging purposes is made based on a periodic analysis of the exposure to risk that management intends to cover (currency, interest rate, etc.).

Notes to the financial statements

The control policy consists of permanently accompanying the terms contracted compared with the existing market terms.

We summarize below our positions with derivative instruments:

	Consolidated			Parent company
	06/30/2015	**12/31/2014**	**06/30/2015**	**12/31/2014**
Derivative financial instruments assets	**33,298**	36,106	**33,298**	36,098
Derivative financial instruments liabilities	**(838)**	(23,898)	**-**	(23,163)
	32,460	12,208	**33,298**	12,935

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

					Consolidated
		06/30/2015		12/31/2014	
Instrument	**Contract currency with respect to notional value**	**Notional – in thousands**	**Fair value**	**Notional – in thousands**	**Fair value**
Swap Fixed x Libor (i)	US dollars - USD	**5,711**	**(838)**	5,711	(735)
Swap Pre x CDI (ii)	Reais - BRL	**51,363**	**1**	14,007	54
Swap Interest + EV USD x CDI + R$ (iii)	Reais - BRL	**100,000**	**33,297**	163,200	24,844
Non-deliverable forward (exports) (iv)	US dollars - USD	**-**	**-**	49,801	(16,000)
Non-deliverable forward (debt in foreign currency) (v)	US dollars - USD	**-**	**-**	73,000	4,045
			32,460		12,208

(i) The Company has conventional swap positions Libor 6m x CDI for the purpose of fixing the flow for debt payments tied to a post fixed rate, to a post fixed rate in the domestic market.
(ii) The Company has conventional fixed rate swap positions related to the Certificates of Real Estate credits - CRI aimed at linking the interest rate exposure to a post fixed rate in the domestic market.
(iii) The Company has conventional swap positions for Interbank Deposits (DI) versus US dollar, for the purpose of linking the debt in Reais, tied to the DI, to a debt fixed in dollars. Within this context, the Company has conventional swap positions in dollars versus DI, for the purpose of linking the debt in dollars to a debt in Reais tied to the DI. These swaps are tied to debts with respect to values, terms and cash flows.
(iv) Non-deliverable forward (export) was taken out to hedge a percentage of export revenue highly susceptive to variations in exchange rate to the US dollar.
(v) NDF transactions (debt in foreign currency) taken out to hedge the effects of fluctuations in exchange rates in cash flow from financing agreements and loans in foreign currency.

Fair value does not represent the obligation for immediate cash disbursement or receipt, given that this effect will only occur on the contractual dates or maturity dates of each operation.

Notes to the financial statements

It should be noted that all contracts outstanding on June 30, 2015 refer to operations on the over the counter market, registered with the CETIP, without any type of guarantee margin or accelerated maturity clause forced by Mark to Market (MtM) variations.

b) Fair value versus book value

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

				Consolidated
	06/30/2015		12/31/2014	
	Book value	Fair value	Book value	Fair value
Assets measured at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	**33,298**	**33,298**	36,106	36,106
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**87,530**	**87,530**	104,536	104,536
Interest earning bank deposits (ii)	**42,499**	**42,499**	55,224	55,224
Accounts receivable (iii)	**144,516**	**144,516**	139,720	139,720
	274,545	**274,545**	299,480	299,480
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	**838**	**838**	23,898	23,898
Liabilities measured by the amortized cost				
Loans and financing (iv)	**462,639**	**378,300**	490,686	396,961
Debentures (iv)	**125,926**	**110,431**	125,831	110,431
Advances on foreign exchange contracts (iv)	**123,093**	**109,319**	57,856	54,539
Trade accounts payable and advances on receivables (ii)	**108,666**	**108,666**	61,435	61,435
Advance on real estate credits (iv)	**2,207**	**1,960**	8,548	8,799
	822,531	**708,676**	744,356	632,165

				Parent company
	06/30/2015		12/31/2014	
	Book value	Fair value	Book value	Fair value
Assets measured at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	**33,298**	**33,298**	36,098	36,098
Assets measured at amortized cost				
Cash and cash equivalents (ii)	**9,065**	**9,065**	25,161	25,161
Interest earning bank deposits (ii)	**19,955**	**19,955**	33,939	33,939
Accounts receivable and other receivables (iii)	**43,805**	**43,805**	50,876	50,876
	72,825	**72,825**	109,976	109,976
Liabilities measured at fair value				
Forward exchange contracts and interest rate swap contracts used for hedge operations (i)	-	-	23,163	23,163
Liabilities measured by the amortized cost				
Loans and financing (iv)	**309,646**	**262,446**	348,537	364,049
Debentures (iv)	**125,926**	**110,431**	125,831	160,486
Advances on foreign exchange contracts (iv)	**123,093**	**93,255**	57,856	54,539
Trade accounts payable and advances on receivables (ii)	**93,584**	**93,584**	40,988	40,988
	652,249	**559,716**	573,212	620,062

Notes to the financial statements

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

(ii) Due to their current cycle, fair value of cash and cash equivalents, interest earning bank deposits, trade notes receivable, trade accounts payable, other accounts payable and advances on receivables are supposed to approximate book value.

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

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

In accordance with the hierarchical classification criteria for determining fair value, where: *Level 1:* prices quoted (not adjusted) in active markets, net and visible to identical assets and liabilities which are accessible at the measurement date. Level 2: quoted prices (adjusted or unadjusted), for similar assets and liabilities in active markets; and Level 3: assets and liabilities, not based on observable market data (non-observable inputs). The Company classified in its accounting registers the fair value of its financial instruments as level 2.

Notes to the financial statements

21. Related parties

	Outstanding balances of related parties							Effect from result of related-party transactions	
	Current assets (iii)	Noncurrent assets (receivables from related parties)		Total assets	Current liabilities (i)	Non-current liabilities	Total liabilities	Income	Expense
December 31, 2014									
Taurus Blindagens Ltda.	36	_		36	_	_	_	_	_
Taurus Holdings, Inc.	9,077	-		9,077	32,781	-	32,781	130,360	1,728
Taurus Security Ltda.	-	547		547	-	-	-	-	-
Taurus Investimentos Imobiliários Ltda. (ii)	5,811	-		5,811	-	-	-	-	5,125
Taurus Maquinas-Ferramenta Ltda.	648	37,556	(iv)	38,204	-	-	-	1,777	-
Polimetal Metalurgia e Plásticos Ltda.	10,862	50,544	(iv)	61,406	24,118	-	24,118	3,794	40,386
	26,434	88,647		115,081	56,899	-	56,899	135,931	47,239
June 30, 2015									
Taurus Blindagens Ltda.	**3**	_		**3**	**420**	**2,111**	**2,531**	_	**14**
Taurus Holdings, Inc.	**538**	**-**		**538**	**52,461**	**8,717**	**61,178**	**119,806**	**1,598**
Taurus Security Ltda.	**-**	**547**		**547**	**-**	**-**	**-**	**-**	**-**
Taurus Investimentos Imobiliários Ltda. (ii)	**5,811**	**-**		**5,811**	**-**	**-**	**-**	**-**	**2,638**
Taurus Maquinas-Ferramenta Ltda.	**1,118**	**4,297**	**(iv)**	**5,415**	**-**	**-**	**-**	**912**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**16,490**	**10,647**	**(iv)**	**27,137**	**54,781**	**-**	**54,781**	**2,836**	**45,265**
Companhia Brasileira de Cartuchos	**2,987**	**-**		**2,987**	**7,166**	**-**	**7,166**	**7,908**	**8,945**
	26,947	**15,491**		**42,438**	**114,828**	**10,828**	**125,656**	**131,462**	**58,460**

(i) This refers to amounts recorded under trade accounts payable - R$63,100, related parties R$ 19,153 and advance from clients R$ 32,575.
(ii) Disposal of property, plant and equipment to the parent company.
(iii) This refers to amounts recorded under trade accounts receivable - R$14,913, related parties R$ 10,871 and advance from suppliers R$ 1,163.
(iv) These refer to loan agreement executed with parent company Forjas Taurus S.A. and are restated at 100% of CDI (Interbank Deposit Certificates).

Notes to the financial statements

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

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

Transactions with related parties are carried out under prices and terms agreed by the parties.

With the approval of capital increase at the Special Meeting held on August 20, 2014, Companhia Brasileira de Cartuchos – "CBC", started to hold 52.51% of the common shares issued, becoming the controlling company of Forjas Taurus S.A. (see note 28).

The operations involving Forjas Taurus S.A. and CBC mainly refer to sale of Firearms to be traded and the purchase of ammunition.

Remuneration of key management staff

This includes salaries, fees and benefits, as follows:

	Consolidated		Parent company	
	06/30/2015	06/30/2014	**06/30/2015**	06/30/2014
Remuneration and benefits of statutory officers and Board of Directors' members	**3,869**	2,928	**2,035**	2,928
Rescissions of statutory officers	**3,172**		**3,172**	
Key personnel compensation	**4,979**	4,541	**2,849**	2,100
Total	**12,020**	7,469	**8,056**	5,028

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

Operations of directors and key management personnel

The directors and key management personnel directly control 0.11% of Company voting capital.

Notes to the financial statements

Sureties between related parties

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

	06/30/2015	12/31/2014
Polimetal Metalurgia e Plásticos Ltda.	**197,033**	177,605
Forjas Taurus S.A.	**111,305**	75,183
	308,338	252,788

22. Shareholders' equity (parent company)

a) Capital

The capital is comprised of 8,439,322 common shares and 7,704,716 preferred shares, totaling 16,144,038 shares amounting to R$ 324,876 (R$ 257,797 at December 31, 2013).

Preferred shares

Preferred shares are nonvoting shares, which are not entitled to differentiated dividends but have preference in the return of capital.

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

i. transformation, take-over, merger or spin-off of the company;

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

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

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

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

Notes to the financial statements

Authorized shares (in thousands of shares)

The Special Shareholders' Meeting held on December 19, 2014 approved the reverse split of the shares which comprise the capital of Forjas Taurus S.A.

On February 20, 2015, after a series of auctions, the result of this reverse split was materialized as follows: R$ 5.136013976 per common share and R$ 3.276770599 per preferred share.

	06/30/2015	12/31/2014
Common shares	**4,714**	4,714
Preferred shares	**9,427**	9,427
	14,141	14,141

Shares issued and fully paid up

	Common		Preferred	
	Number (in thousands)	In thousand of reais	Number (in thousands)	In thousand of reais
December 31, 2014				
Common shares R$8.36 - Preferred shares R$5.17*	8,439	70,553	7,705	39,835
June 30, 2015				
Common shares R$2.01 - Preferred shares R$ 1.66*	**8,439**	**16,963**	**7,705**	**12,790**

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

a) <u>Equity evaluation adjustments</u>

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

Accumulated translation adjustments

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

b) <u>Earnings (loss) per share</u>

	06/30/2015	06/30/2014
Loss attributable to shareholders	**(145,173)**	(30,150)
Balance of share at the beginning of the year	**16,144,039**	12,855,692
Total shares	**16,144,039**	12,855,692
Earnings per share - basic and diluted in R$	**(8.9924)**	(2.3452)

Notes to the financial statements

Changes in Company shares already consider the effect from the reverse split of shares approved at the Special Shareholders' Meeting of December 19, 2014.

On June 30, 2015 and 2014, Company basic and diluted earnings per share have the same amount since there are no financial instruments convertible into shares and its common shares are not entitled to differentiated participation in profits.

c) Capital transactions

The corporate restructuring which occurred on May 27, 2011 and involved subsidiary Polimetal Metalurgia e Plásticos Ltda. and the Company resulted in changes in interest held by the parties amounting to R$ 40,996, which was recorded under capital transactions in equity.

23. Operating income

Sale of goods

Operating income is recognized when:

(i) There is sufficient evidence that most significant risks and rewards inherent in the ownership of the assets were transferred to buyer and there is no continuous involvement with the goods sold;

(ii) Future economic benefits are likely to flow to the Company; and

(iii) Associated costs and the possible return of goods may be reliably estimated, there is no continuous involvement with the goods sold, and the revenue amount may be reliably measured.

Sales taxes

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

	Rates
ICMS - Value-Added Tax on Sales and Services	0–25%
IPI - Excise tax	0–45%
Contribution for social security funding–COFINS	3–7.6%
Social integration program–PIS	0.65% and 1.65%

Notes to the financial statements

	Consolidated			Parent company
	06/30/2015	**06/30/2014**	**06/30/2015**	**06/30/2014**
Sales of goods	**410,234**	354,891	**200,420**	166,922
Rendering of services	**622**	40	**622**	40
Adjustment to present value	**(6,693)**	(5,974)	**(1,744)**	(1,037)
Total gross revenue	**404,163**	348,957	**199,298**	165,925
Sales taxes	**(51,729)**	(45,582)	**(17,436)**	(16,579)
Refunds and rebates	**(3,419)**	(2,301)	**(2,039)**	(1,647)
Total net operating income	**349,015**	301,074	**179,823**	147,699

24. Financial income and expenses

Financial income includes interest income on investment funds, changes in fair value of financial assets measured at fair value through profit or loss and gains on hedge instruments. Financial income is recorded on an accrual basis.

	Consolidated			Parent company
	06/30/2015	**06/30/2014**	**06/30/2015**	**06/30/2014**
Financial expenses				
Interest	**(33,781)**	(28,221)	**(29,422)**	(21,112)
Exchange variation	**(111,694)**	(36,379)	**(102,199)**	(35,975)
IOF	**(672)**	(564)	**(53)**	(159)
Swap on financial operations	**(14,640)**	(18,321)	**(14,639)**	(18,247)
Adjustment to present value	**(4,924)**	(2,741)	**(4,358)**	(2,446)
Other expenses	**(2,448)**	(3,144)	**(700)**	(245)
	(168,159)	(89,370)	**(151,371)**	(78,184)
Financial income				
Interest	**3,443**	4,724	**3,607**	2,841
Exchange variation	**61,911**	43,924	**57,375**	42,947
Swap on financial operations	**19,600**	7,879	**19,599**	7,814
Adjustment to present value	**5,592**	4,195	**1,732**	1,504
Other income	**5,780**	2,337	**1,904**	149
	96,326	63,059	**84,216**	55,255
Net financial income (loss)	**(71,832)**	(26,311)	**(67,155)**	(22,929)

Notes to the financial statements

25. Expenses per type

	Consolidated		Parent company	
	06/30/2015	06/30/2014	06/30/2015	06/30/2014
Expenses according to the role				
Cost of goods sold	**(258,845)**	(229,262)	**(140,051)**	(124,362)
Sales expenses	**(45,070)**	(43,441)	**(13,743)**	(16,234)
General and administrative expenses	**(44,377)**	(31,293)	**(20,476)**	(14,533)
Other operating expenses	**(76,075)**	(7,436)	**(3,971)**	(3,046)
	(424,367)	(311,432)	**(178,241)**	(158,175)
Expenses per type				
Depreciation and amortization	**(16,904)**	(16,270)	**(5,181)**	(5,663)
Personnel expenses	**(138,848)**	(125,277)	**(62,464)**	(61,753)
Raw materials and use and consumption materials	**(115,939)**	(96,573)	**(74,037)**	(47,184)
Freight and commissions	**(19,702)**	(18,970)	**(6,077)**	(5,936)
Third party services	**(13,522)**	(9,277)	**(6,804)**	(5,200)
Advertising and publicity	**(8,509)**	(6,525)	**(716)**	(727)
Provision for loss on Renill notes	**(1,117)**	(1,117)	**-**	-
Product warranty expenses	**(5,401)**	(6,368)	**(2,919)**	(4,516)
Water and energy	**(988)**	(4,501)	**(3,548)**	(2,557)
Cost of write-off property, plant and equipment	**(3,123)**	(821)	**(2,430)**	(786)
Losses in the production process	**(8,859)**	(14,832)	**(6,271)**	(11,678)
Provision for contingencies	**(67,307)**	-	**-**	-
Other expenses	**(24,148)**	(10,901)	**(7,794)**	(12,175)
	(424,367)	(311,432)	**(178,241)**	(158,175)

26. Cost of goods sold

	Consolidated		Parent company	
	06/30/2015	06/30/2014	06/30/2015	06/30/2014
Allocated cost of goods sold	**249,986**	214,430	**133,780**	112,584
Unallocated costs	**8,859**	14,832	**6,271**	11,778
Total cost of goods sold	**258,845**	229,262	**140,051**	124,362

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

27. Insurance coverage

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

On June 30, 2015, Company insurance coverage was as follows:

	06/30/2015	
	Consolidated	Parent company
Material damages	260,710	73,701
Civil liability	43,139	8,000
Loss of profit	5,841	-

Notes to the financial statements

28. Subsequent events

a) Carter case

As described in note 19, on July 30, 2015, judge of the U.S. District Court for the Southern District of Florida granted preliminary approval to the agreement to end lawsuit proposed against Taurus and its subsidiaries in the United States, Taurus Holdings, Inc. and Taurus International Manufacturing, Inc. (together with Taurus, the "Companies") denominated Chris Carter v. Forjas Taurus, S.A. et. al. Said agreement refers to lawsuit ‘Chris Carter versus Forjas Taurus S.A. et. al.’, related to alleged faults presented by certain pistol models manufactured by the Companies.

b) Capital increase

Annual Shareholders' Meeting held on July 15, 2015 approved the proposal for the Company’s Capital Increase in the amount of up to R$100,000,000.00 - with assignment of subscription bonus to subscribers of new shares - through issuance of up to 31,875,098 new common shares and 29,100,511 new preferred shares, being all nominative, registered, and with no par value, at issuance price of R$1.64 per share. Detailed information on capital increase and issuance of subscription bonuses may be found in Annual Shareholders' Meeting minutes and in notice to shareholders disclosed on July 15, 2015.

Opinions and Statements / Special Review Report - Unqualified

KPMG Auditores Independentes

August 2015

Forjas Taurus S.A.

Report on the review of

Quarterly information - ITR ended June 30, 2015

Report on the review of quarterly information - ITR

To the Shareholders, Board Members and Directors of

Forjas Taurus S.A.

Porto Alegre - RS

Introduction

We have reviewed the interim, individual and consolidated interim financial information of Forjas Taurus S.A. ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended June 30, 2015, which comprises the balance sheet as of June 30, 2015 and related statements of income, of comprehensive income for the 3 and 6-months period then ended, of changes in shareholders' equity and of cash flows for the quarter then ended, including the explanatory notes.

Company's management is responsible for the preparation of the interim accounting information in accordance with Technical Pronouncement CPC 21 (R1) and with international standard 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 these 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 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 accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and with international standard IAS 34 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

We also reviewed the individual and Consolidated value-added statements for the six-month period ended on June 30, 2015, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities and Exchange Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, 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 the individual and consolidated interim financial information taken as a whole.

Corresponding amounts

Corresponding amounts of individual and consolidated balance sheets as of December 31, 2014 were previously audited by other independent auditors that issued a non-qualified report dated March 26, 2015; and amounts of individual and consolidated financial statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the six-month period ended June 30, 2014 were previously reviewed by other independent auditors that issued an unqualified report dated August 07, 2014.

Porto Alegre, August 13, 2015.

KPMG Auditores Independentes

CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

Opinions and Statements / Fiscal Council opinion or equivalent body

Fiscal Council Opinion

Fiscal Council Opinion

Supervisory Board of Forjas Taurus S.A., in compliance with legal and bylaws' provisions, reviewed information related to the second quarter of 2015. Based on this review and on information of Report on Review of Quarterly Information, issued without qualifications by KPMG Auditores Independentes and dated August 13, 2015, as well as information and clarifications received from the Company's management, said documents have the conditions to be disclosed.

Porto Alegre, August 13, 2015.

Amoreti Franco Gibbon

Haroldo Zago

Mauro César Medeiros de Mello

Reinaldo Fujimoto

Juliano Puchalski Teixeira

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

STATEMENT OF FORJAS TAURUS S.A. BOARD MEMBERS ON FINANCIAL STATEMENTS FOR THE 1ST SEMESTER OF 2015

Messrs. Marco Aurélio Salvany, Thiago Piovesan, Salésio Nuhs e Eduardo Rácz, Officers of Forjas Taurus S.A., company with head office at Avenida do Forte, 511, Vila Ipiranga, Porto Alegre, Rio Grande do Sul State (RS), enrolled in CNPJ under no. 92,781,335/0001-02, in compliance with provisions of items V and VI of Article 25 of CVM Instruction no. 480, of December 07, 2009, state that they have reviewed, discussed and agreed with Financial Statements of Forjas Taurus S.A. and consolidated companies for the period from January 01, 2015 to June 30, 2015.

Porto Alegre, August 13, 2015.

Marco Aurélio Salvany

CEO

Thiago Piovesan

CFO, IRO

Salésio Nuhs

Sales and Marketing Officer

Eduardo Rácz

COO

Opinions and Representations / Representation of the Board Members on the Independent auditors' report

REPRESENTATION OF FORJAS TAURUS S.A. BOARD MEMBERS ON INDEPENDENT AUDITORS' REPORT

Messrs. Marco Aurélio Salvany, Thiago Piovesan, Salésio Nuhs and Eduardo Rácz, Officers of Forjas Taurus S.A., company with head office at Avenida do Forte, 511, Vila Ipiranga, Porto Alegre, RS, enrolled in CNPJ under no. 92,781,335/0001-02, in compliance with provisions of items V and VI of Article 25 of CVM Instruction no. 480, of December 07, 2009, state that they have reviewed, discussed and agreed with opinions expressed by KPMG Auditores Independentes on Financial Statements for the period from January 01, 2015 to June 30, 2015, issued on August 13, 2015.

Porto Alegre, August 13, 2015.

Marco Aurélio Salvany

CEO

Thiago Piovesan

CFO, IRO

Salésio Nuhs

Sales and Marketing Officer

Eduardo Rácz

COO