

TAURUS S.A.
PUBLIC COMPANY
National Registry of Legal Entities/Ministry of Finance no. 92.781.335/0001-02
NIRE 43 3 0000739 1

MATERIAL FACT

São Leopoldo, October 5, 2018 - Forjas Taurus S.A. (Hereinafter the "Company" or "Taurus"), listed in Level 2 of B3, pursuant to Law 6,404 of December 15, 1976, as amended (the "Corporations Law"), and ("CVM"), in particular CVM Instruction 358 of January 3, 2002, hereby informs its shareholders and the market that its Board of Directors, at a meeting held on this date (and the minutes of which are disclosed simultaneously to this material fact), approved the issue of subscription warrants by the Company.

74 million subscription warrants will be issued through a private issue. Each subscription warrant, regardless of the series, will give its holder the right to subscribe for a preferred share issued by the Company, with the same rights attributed to the other preferred shares of the Company already issued. The issue is mainly aimed at reducing the Company's indebtedness.

There will be 4 series of subscription warrants, with the following characteristics:

- (i) 25 million Series A warrants, each at the issue price of BRL 0.20 and giving the right to subscribe for a preferred share of the Company at a price of BRL 4.00 until Apr/05/2019;
- (i) 20 million Series A warrants, each at the issue price of BRL 0.10 and giving the right to subscribe for a preferred share of the Company at a price of BRL 4.00 until Jul/05/2019;
- (i) 20 million Series A warrants, each at the issue price of BRL 0.10 and giving the right to subscribe for a preferred share of the Company at a price of BRL 6.00 until Oct/07/2019;
- (i) 9 million Series A warrants, each at the issue price of BRL 0.10 and giving the right to subscribe for a preferred share of the Company at a price of BRL 7.00 until Oct/05/2020;

Partial subscription of the subscription warrants will be allowed as long as the total minimum limit of 50% of the total issued has been reached, being it certain that the controlling shareholder has informed the commitment to subscribe the totality of the subscription warrants to which it is entitled under its preemptive right and will evaluate the opportunity to request the reserve of remaining shares for possible additional subscription.

The criteria used to determine the warrant price, that is, the issue price of the shares that will be allocated to the holders of the warrants in the future, if they decide to exercise them, were established based on art. 170, paragraph 1, item III of the Brazilian Corporations Law, based on the average price of the preferred share of the Company (FJTA4) weighted by the volume traded on the B3 trading floor in the three (3) month period between Jul/02/2018 and Oct/02/2018, including said days.

The shareholders will be guaranteed preemptive right to subscribe the warrants pursuant to art. 171 of the Brazilian Corporation Law. The potential dilution percentage resulting from the exercise of subscription warrants for the Company's shareholders is 53.35%.

The Company will arrange for the disclosure of the Notice to Shareholders detailing the procedures for underwriting the subscription warrants and the starting of the term to exercise the preemptive right.

São Leopoldo, October 5, 2018

Sergio Castilho Sgrillo Filho

Director of Investor Relations

Forjas Taurus S.A.