



Taurus ended the year 2019 with a revenue growth of 18.3%, and Ebitda growth of 62.2% and net income of R\$ 43.4 million

São Leopoldo, March 30, 2020 – Taurus Armas S.A. (“Taurus” or “Company”) (B3: TASA3; TASA4), listed in Level 2 for B3 Corporate Governance (Symbols: **TASA3, TASA4**), one of the largest manufacturers of light firearms in the world, operating with brands Taurus, Rossi and Heritage, presents its profit or loss for the **4th quarter and year of 2019 (4Q19 and FY19)**. Financial and operating information below, except where otherwise indicated, are presented in Brazilian Reais (R\$), follow international accounting standards (IFRS) and Brazilian accounting principles. Comparisons refer to the same periods of 2018.

Economic and financial highlights 2019



Net operating revenue of R\$ 999.6 million, 18.3% higher than in 2018, highlighting the 24.5% increase in net revenue in the domestic market.

Capacity of increasing operational cash generation: Ebitda of R\$ 128.0 million, representing an increase of 62.2% compared to 2018, and a margin of 12.8%.

Net income of R\$ 43.4 million, reversing the negative result recorded in the last seven years

Payment of the first installment of the principal regarding the agreement with the banks’ syndicate, as of June 2019. Event this such payment, the Company ended the year with an increase of 31.4%



Operating highlights 2019

1.2 million firearms produced, equivalent to 5,077 firearms per day, reaching a production and productivity record (432 firearms/employee/year).

Innovation with quality: launch of 50 models and 400 SKUs in the last two years, based on the new product development protocols and in-line manufacturing.

Recognition

- Guns & Ammo: G3 pistol – 2019 best buy; and TX22 pistol – handgun of the year
- NRA (National Rifle Association): Raging Hunter – Golden Bullseye 2019 of the best hunting firearm of the year.

MAIN INDICATORS

| R\$ million | 2019 | 2018 | Change % | 4Q19 | 4Q18 | Change % |
|---|-------------|--------------|-----------|-------------|--------------|----------------|
| Net operating revenue | 999.6 | 845.3 | 18.3% | 272.2 | 221.8 | 22.7% |
| Domestic market | 187.4 | 150.5 | 24.5% | 64.2 | 43.6 | 47.2% |
| Foreign market | 812.2 | 694.8 | 16.9% | 208.0 | 178.2 | 16.7% |
| CPV | -659.0 | -537.7 | 22.6% | -187.8 | -150.2 | 25.0% |
| Gross income | 340.6 | 307.6 | 10.7% | 84.4 | 71.5 | 18.0% |
| Gross margin (%) | 34.1% | 36.4% | -2.3 p.p. | 31.0% | 32.2% | -1.2 p.p. |
| Operating expenses - SG&A | -235.0 | -261.4 | -10.1% | -77.0 | -98.5 | -21.8% |
| Operating income (EBIT) | 105.7 | 46.2 | 128.8% | 7.3 | -27.0 | - |
| EBIT margin % | 10.6% | 5.5% | +5.2 p.p. | 2.7% | -12.2% | +15.5 p.p. |
| Net financial income (loss) | -80.5 | -183.6 | -56.2% | -2.7 | 0.3 | -896.2% |
| Income tax and social contribution | 22.5 | 74.7 | - | 22.7 | 12.3 | - |
| Net income / (loss) (continued operations) | 47.6 | -62.6 | - | 27.3 | -14.4 | - |
| Net income (loss) from discontinued operations | -4.2 | 2.7 | - | -5.2 | -0.9 | 497.0% |
| Net income / (loss) | 43.4 | -59.9 | - | 22.1 | -15.2 | -245.4% |
| Ebitda | 128.0 | 78.9 | 62.2% | 13.2 | -18.6 | - |
| EBITDA margin | 12.8% | 9.3% | +3.7 p.p. | 4.8% | -8.4% | - |
| Adjusted EBITDA* | 128.0 | 116.0 | 10.3% | 13.2 | 18.4 | -28.3% |
| Adjusted EBITDA Margin * | 12.8% | 13.7% | -0.7 p.p. | 4.8% | 8.3% | -3.4 p.p. |
| Net debt (at the end of the period) | 865.7 | 880.3 | -1.7% | 865.7 | 880.3 | -1.7% |

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

Note - Ebitda is not an indicator used in accounting practices. Its calculation is presented in item "Ebitda" of this report.

MESSAGE FROM THE BOARD

We completed the second year of our management at Taurus in 2019, in which we celebrated the 80th anniversary of the Company, satisfied in seeing our work present sound and sustainable results. This was a remarkable year for Taurus, which I can consider as the year of the "**Taurus Firearms era**".

Our net revenue grew 18%, a performance that reflects the achievement of consumer confidence and brand credibility. We recorded an EBITDA growth well above the average recorded by Brazilian industries for the year: 62.2% over 2018, when this indicator had already been very good. This positive result shows that we implemented the right strategy of conquering new markets and developing new products, in addition to solidifying our management policy, based on **robust production processes, logistics and total focus on quality**. These are our differentials and they mirror our strategic tripod – production stability, reliable products and productivity, coupled with cost management – which, in turn, the client perceives as **fast delivery, assured quality and competitive price**.

Considering only our net revenue from firearm sales in Brazil, we grew 25.5% in the year in which the domestic market was opened to any foreign brand, due to the relaxation of the rules for the acquisition of firearms in the country. If Taurus had not regained its credibility, changes in legislation would have benefited competition, which did not happen since we have products with better quality and more competitive prices than competitors. This can be demonstrated by the fact that Taurus is the fourth best-selling brand in the United States, the world's largest consumer market for firearms.

Our ability to generate cash was instrumental to keep our financial commitments. We spent the year 2019 without any overdue financial obligations and, still, contradicting the expectations of many, we paid the first principal installment of the reprofiling of debt with the syndicate of Taurus creditor banks. And we went further. We were also able to invest in the development of 50 new

products, expanding our portfolio with 400 new SKUs. We made all of this without having to dispose of the assets made available for sale, since the market was not favorable for the conclusion of such disposals in 2019.

We surpassed 1.2 million firearms produced in the year. Taurus differentiates itself from its competitors in the industry in that it operates in four different segments, producing revolvers, a segment in which we are the largest manufacturer in the world; pistols, with the fourth best-selling brand in the United States; tactical firearms (rifles and submachine guns); and firearms for sport hunting. In 2019, we produced more than 5,000 firearms every day, maintaining the quality in each piece produced. This was possible due to our robust production process, which gives us operational stability.

If all these achievements were not enough, we went further. Still in 2019, we opened a plant in the United States, doubling our production capacity in the most competitive market in the world; we concluded the agreements for the creation of a joint venture in India, a country with a population of over 1.3 billion people, the largest and fastest growing consumer market in the world; and we won two recognition awards from the specialized magazine Guns & Ammo - 2019 Best Buy with the G3 pistol, and Handgun of the Year with the TX22 pistol, in addition to the Golden Bullseye 2019 of best hunting firearm of the year, awarded by the NRA (National Rifle Association), with the revolver Raging Hunter.

In a year of so many achievements, we had the pleasure of celebrating 80 years of Taurus history in November, with a major event at the Company's headquarters. And finally, ending this year 2019 so positive for Taurus, we recorded a net income of R\$ 43.4 million, reversing a seven-year trend.

I would like to thank all our employees, dedicated professionals committed to our mission statement: COMMITMENT WITH EXCELLENCE.

Salesio Nuhs
CEO

OPERATING PERFORMANCE

In October 2019, Taurus completed 80 years of operation. The Company is focused on the production and trading of small firearms, sold to over 100 countries, with three brands:



The largest manufacturer of revolvers in the world and the fourth best-selling brand in the North American market, Taurus has two industrial plants that operate based on a robust industrial process, ensuring quality and productivity: in Brazil, in the city of São Leopoldo, state of Rio Grande do Sul, and the new unit in the USA, in Bainbridge, Georgia, officially opened in early December 2019, after the closure of activities in the Company's former plant in Florida.

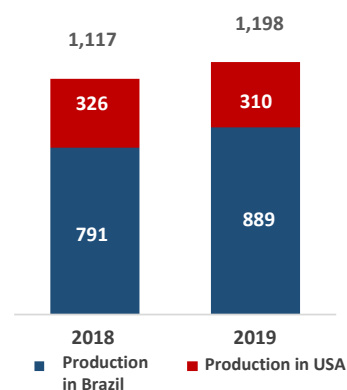
The Company also operates in the production and sale of MIM (Metal Injection Molding) parts, with production mostly for its own use, as well as punctual sales to third parties. This segment was fully operated by the subsidiary Polimetal Metalurgia e Plásticos Ltda. As of December 31, 2019, in line with its strategy, the Company decided to partially spin-off its subsidiary Polimetal, followed by merger by the parent company Taurus of the spun-off portion that is intended to meet internal demands, while operations aimed at third parties remained in the subsidiary. In addition to tax benefits (approximately R\$ 170 million from taking advantage of the negative basis of tax losses for use in calculating Income Tax and social contribution and accelerating the use of ICMS tax credits by Polimetal at Taurus), the operation provides increased synergy and productive and administrative efficiency, improved internal controls, as well as cost and expense reduction.

Based on new products' development protocols and manufacturing based on lean manufacturing process, Taurus launched 50 models and 400 SKUs in the last two years, publicizing new products in several exhibitions in Brazil and abroad. The entire line of light firearms has been updated in accordance with new development protocols.

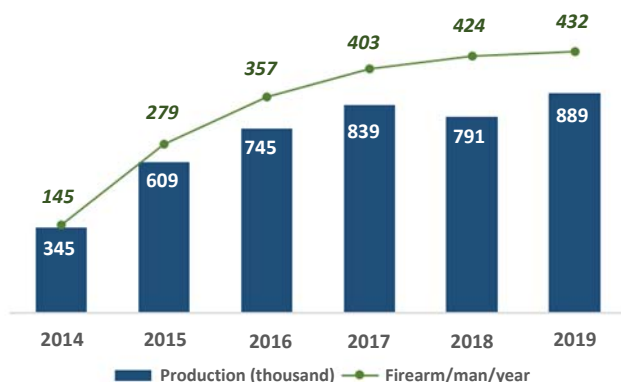
In 2019, the Company's total production reached approximately 1.2 million firearms, of which 889 thousand were produced in the Brazilian plant, an industrial unit that presented a sequence of expressive productivity gains in terms of firearm/employee/year in recent years. Between 2014 and 2019, this productivity indicator increased almost 3 times, reaching 432 firearms/employee in 2019. The evolution took place especially in recent years, after the improvement of the industrial process, as well as investments made in the development of new products and technologies, based on the restructuring effort based on sustainable profitability, in accordance with Taurus' global strategic planning.

Currently, considering the Company's new industrial unit in the State of Georgia and the plant in Rio Grande do Sul, Taurus has the physical structure to produce up to 1.8 million firearms per year, equivalent to more than 5,000 firearms per day.

Production of firearms
Brazil + USA (thousand units)



Production of firearms and productivity – Brazilian Plant



Production record in 2019, with continuous and significant productivity gains over the years

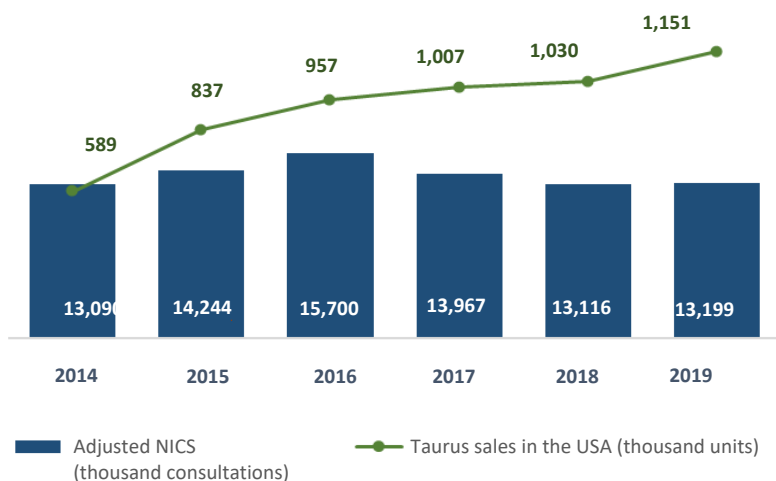
The operational restructuring carried out at the Brazilian plant, which involved the adoption of efficient and robust industrial processes, is also being implemented in the new industrial unit in the USA. During the second semester of 2019, production from the old plant located in Florida was transferred to Georgia, a unit officially opened in December 2019, with all production lines already in operation. The new plant doubled Taurus' installed firearm production capacity in the USA, from 400,000 to 800,000 firearms/year, and brought fixed cost reductions of around US\$ 4.2 million per year. The new operating and management model, with the review of all processes, is being adopted at the North American unit, as it occurred in Brazil, with the support of the consulting firm Galeazzi & Associados.

In 2019, **firearm market in the US** was very competitive for the industry, and sales in commerce did not accelerate. The firearms purchase intention index in that country – NICS – remained practically stable (+0.6%) compared to the year 2018. Nonetheless, Taurus sales in the USA increased 11.7% in relation to the previous year, which indicates that the brand is expanding its share in this market.



The Company's releases, with products that incorporate innovation and quality with an affordable price, have been well accepted by North-American consumers. An example of this improvement was the awards that Taurus firearms received in 2019, such as the ones by the specialized magazine Guns & Ammo: G3 pistol – 2019 best buy and TX22 pistol – handgun of the year; as well as by the NRA (National Rifle Association): Raging Hunter - Golden Bullseye 2019 award for the best hunting firearm of the year.

Adjusted NICS (National Instant Background Check System) and Taurus's sales in USA



2019 x 2014

NICS: +0.8%

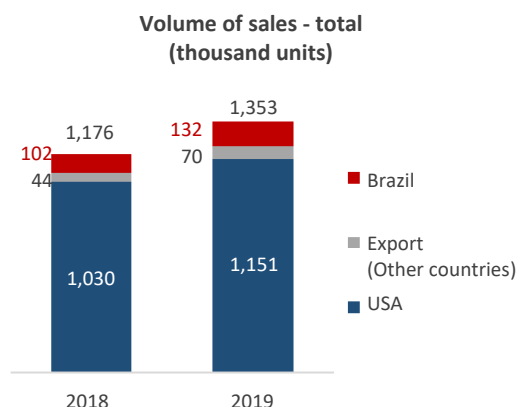
Taurus: +95.4%

2019 x 2018

NICS: +0.6%

Taurus: +11.7%

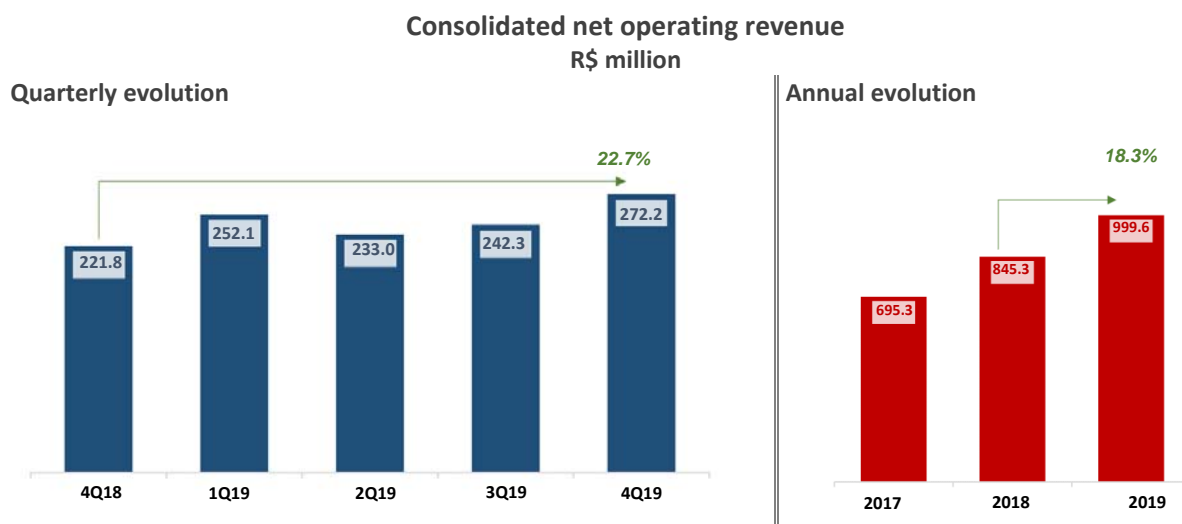
In the **domestic market**, increase of 29.4% in sales volume in the year in comparison with 2018, reflecting the resumption of credibility and admiration for the brand, based on efforts made to take care of quality, to review production processes and to launch innovative products. The Brazilian market showed resumption of activity level in the year, both in terms of institutional acquisitions and mainly individual purchases, the later represented by acquisition of firearms by police officers, magistrates, and CAC's (hunters, shooters and collectors) for private use. During 2019, it was possible to notice changes in Brazilian consumer behavior, with an increase in the number of people interested in buying firearms at distributors and an increase in the share of firearm sales to CAC's in total domestic sales.



Taurus has devoted commercial efforts to expand its operation to **other international markets (in addition to USA)**. Regarding volume, these sales increased 59.1% in 2019 compared to the previous year. Due to authorizations obtained from the Ministry of Foreign Affairs and robust compliance work to meet requirements defined by international buyers, the Company has been successful in expanding its markets, with highlight to sales made in Asian and African countries in 2019 such as the sale of 20,000 units of TS9 Pistol to Philippine police and 10,000 units of the ST12 rifle to the police in Bangladesh. Similarly, increase in sales to other countries, such as South Africa and Guatemala, and resumption or opening of new markets are relevant in the year, even if less expressive in terms of absolute volumes and values such as Azerbaijan and Bulgaria.

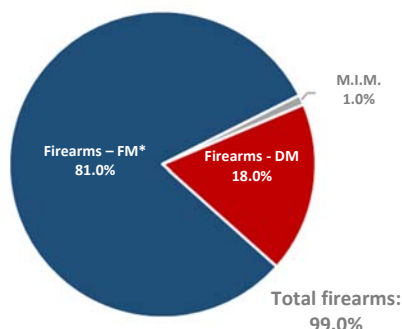
ECONOMIC FINANCIAL PERFORMANCE

Net operating revenue



With revenue of R\$ 272.2 million in the last quarter of the year, Taurus recorded net revenue of R\$ 999.6 million in 2019, exceeding the performance obtained in 2018 by 18.3%, and thus maintaining the upward trend observed in the previous year. The highlight in terms of evolution was the local market, accounting for revenue of R\$ 187.4 million, which represents a growth of 24.4% in relation to the previous year, mainly due to the increase in revenues from firearm sales.

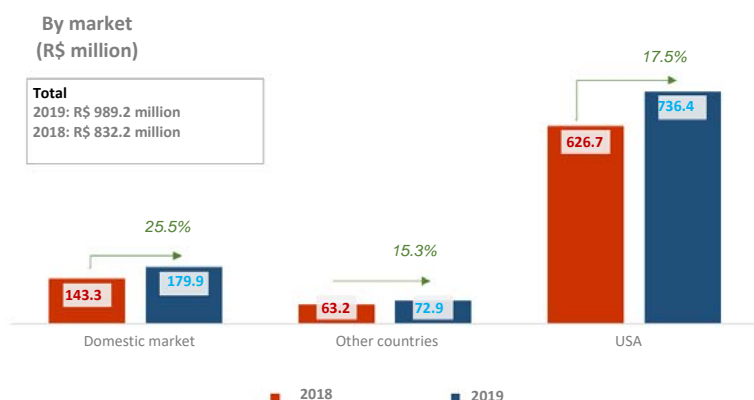
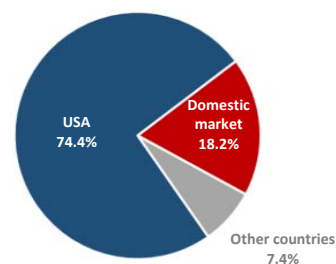
Revenue from the sale of the Company's MIM in 2019 totaled R\$ 10.4 million, or 1.0% of total revenue.

Consolidated Revenue per Segment - 2019
R\$ 999.6 million


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

The maintenance of another consecutive year of increased revenue is an indicator that the Company's broad restructuring, both in operational and management terms, has been positive for businesses.

In the **firearms segment**, net revenue in 2019 was R\$ 989.2 million, 18.7% greater than the result of the previous year. Growth occurred both in domestic market and in North-American market revenues, as well as in export to other countries. Taurus has been presenting quality and innovative products to the market. The Company's broad product portfolio and the renewal of the firearms line, with the launch of 50 models in the last two years (17 in 2019), have attracted consumer interest in Brazil and abroad, contributing to the increase in volume and average price, thus providing positive revenue growth. In 2019, sales of new products accounted for more than half (52.3%) of revenue from sales of Company's firearms.

FIREARMS - Net operating revenue

2019 - R\$ 989.2 million


According to Taurus' largest market, firearm sales in Brazil are directed to the Armed Forces, police, their members and CACs (collectors, snipers and hunters). In 2019, revenue of firearms in **the local market** totaled R\$ 179.9 million, an increase of 25.5% in relation to the previous year. In addition to the resumption of institutional purchases (police and Armed Forces), the Company recorded an increase in the volume of individual sales. The greater strength of the local market can be seen with the success of promotions aimed at CAC's held in the second semester of the year. In the "Semana do Brasil" (Brazil Week) promotion, between September 6 and 15, the entire line of firearms was offered with a 20% discount for orders placed on the Taurus website. This initiative had an excellent response from the consumers, generating sales of over 12,000 units in the period. Between November 25 and December 3, the "Black Week" promotional sales exceeded 4,000 units.

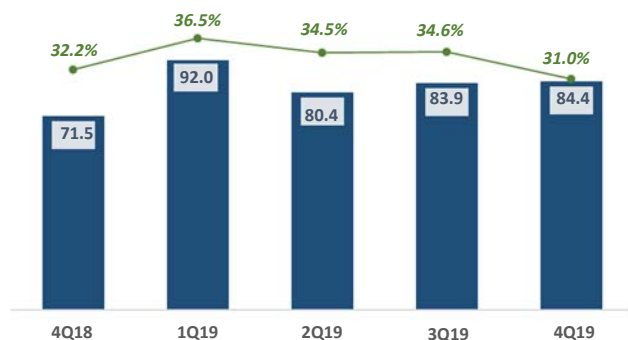
In the **USA**, increased sales, the higher added value portfolio, and the exchange-rate change gain when accounting for these sales in local currency led to a 17.5% increase in revenue for 2019, despite the fact that this market remained very competitive throughout the year. In 2019, the Company recorded a net revenue of R\$ 736.4 million from firearm sales in the USA, which accounts for 73.7% of its total revenue for the year. Taurus has been successful in its strategy of establishing itself as a brand that incorporates innovation, quality and reliability, while offering consumers an option with attractive price. This positioning has allowed the Company to expand its share in the North American market.

The commercial work carried out aiming to expand firearms exports to **other countries** is part of Taurus' strategic planning to increase the market for its products and reduce the degree of dependence on the North American market. Accordingly, an agreement was signed with a steel company in India in January 2020 to build a plant in that country, aiming to expand Taurus' operations in the region (more information about the joint venture can be found in the item "Subsequent events" in this report). In 2019, exports to over 23 countries accounted for revenue of R\$ 72.9 million, with emphasis on sales of ST12 rifles to the Bangladeshi police and sales of TS9 pistols to the Philippine police, international bids won by Taurus after demanding quality and reliability tests performed.

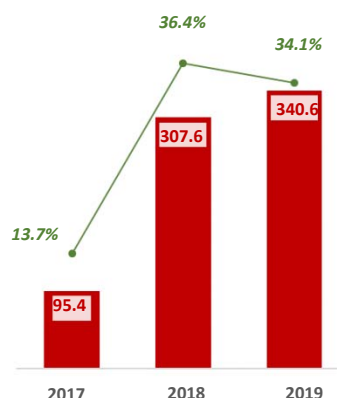
Gross income

Gross income and gross margin

Quarterly evolution



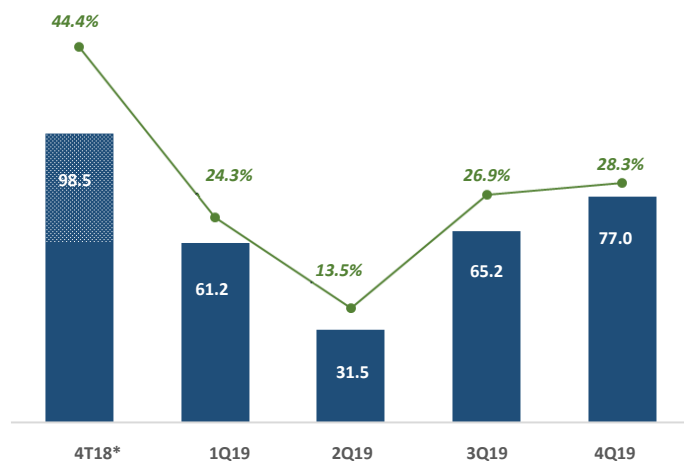
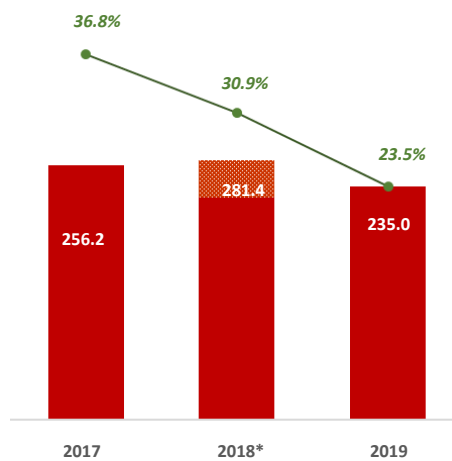
Annual evolution



The Company has been maintaining its focus on quality and innovation, coupled with the cost management process, which aims to ensure business profitability. The model adopted involves a careful control over purchases and close monitoring of the turnover of inventories of raw materials and products, as well as the qualification of suppliers, aiming to guarantee the volume and quality of materials, at an appropriate cost.

With revenue increasing every quarter of the year in relation to the same periods of 2018, and the continuity of the tight cost management process, gross income in 2019 totaled R\$ 340.6 million, the best gross result in the history of Taurus, generated almost exclusively by the firearms operation. The performance of 2019 surpassed by 10.7% that recorded the previous year, which had already shown a strong evolution in relation to 2017. In the last three years, between 2017 and 2019, the Company's gross income grew almost 3.6 times. The increase in gross income was followed by the maintenance of gross margin at a level above 30%, reaching 34.1% in 2019.

The new level of the Company's gross income demonstrates the correctness of the restructuring carried out, with the adaptation of processes and of the product mix, which involved actions such as the eliminating models with negative margins, the redesign of components and the investment in research and development.

Operating expenses
**Operating expenses (SG&A)
and its share in the net operating revenue**
Quarterly evolution

Annual evolution


* 2018 and 4Q18 include R\$ 37.1 million of non-recurring extraordinary expenses referring to the lawsuit in the USA (Burrow Case).

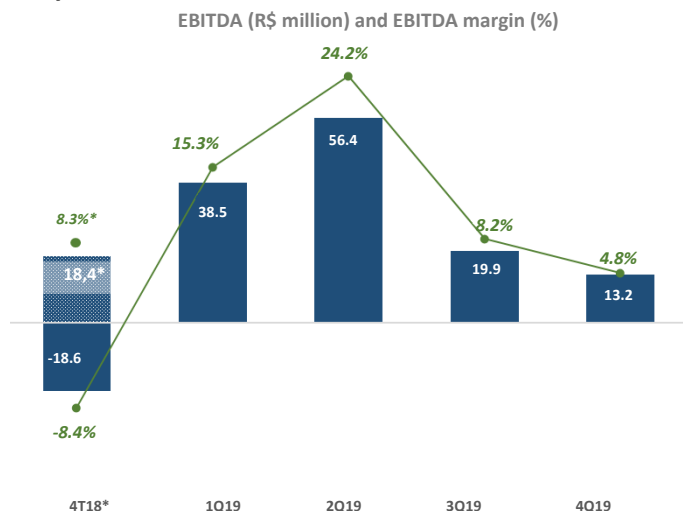
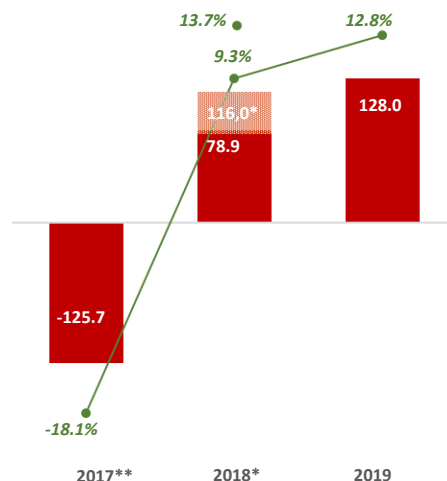
Operating expenses in 2019, of R\$ 235.0 million, decreased 10.1% in relation to the previous year, accounting for 23.5% of the net operating revenue for the year, evidencing the operating profitability gain achieved over the last three years, from 2017 to 2019, as per the chart above. In addition to the positive result of restructuring and review of administrative processes regarding expenses, two main factors explain the decrease in operating expenses in the last year, namely: base increased in 2018 due to non-recurring expenses, totaling R\$ 37.1 million, and extraordinary revenues classified in “other operating revenues/expenses” in 2019.

General and administrative expenses, the most representative group among the Company’s expenses, totaled R\$ 142.2 million in 2019, representing a 3.0% decrease compared to the previous year, contributing to reduce the share of total expenses over net revenue. It is worth remembering that, in 2018, said expenses were pressured by non-recurring disbursements of R\$ 15.6 million related to the judicial agreement signed by the Company in the USA (Burrow Case), partially accounted for in this group of accounts in the last quarter of the year. Disregarding said extraordinary expenses, the account would have increased by 8.5% for the period, an evolution even lower than the 18.3% increase in revenue recorded in 2019.

Cost of sales totaled R\$ 122.7 million in 2019, an increase of 26.4% compared to the last year. Part of this increase is related to the variable expenses that accompany the increase in sales, as well as greater marketing efforts, with actions geared toward reinforcing brand recognition in Brazil and abroad, and other extraordinary expenses.

The **other operating revenues/(expenses)** account recorded a positive balance of R\$ 32.6 million in 2019, compared to a negative balance of R\$ 14.7 million calculated for the previous year. The result for 2019 incorporates extraordinary revenue related to the recovery of taxes from previous years, excluding ICMS from the calculation basis of PIS and COFINS. On the other hand, R\$ 21.5 million of non-recurring expenses related to the Burrow Case were recorded in this account in 2018.

| | 2019 | 2018 | Change % | 4Q19 | 4Q18 | Change % |
|--|---------------|---------------|------------------|--------------|--------------|-------------------|
| Sales expenses | -122.7 | -97.1 | 26.4% | -35.2 | -22.7 | 55.1% |
| General and administrative expenses | -142.2 | -146.6 | -3.0% | -44.0 | -48.2 | -8.7% |
| Losses due to the non-recoverability of assets | -2.7 | -3.0 | -10.0% | -2.4 | -6.8 | -64.7% |
| Other operating revenues/expenses | 32.6 | -14.7 | - | 4.5 | -20.8 | - |
| Operating expenses (SG&A) | -235.0 | -261.4 | -10.1% | -77.0 | 98.5 | -21.8% |
| Net Oper. Exp./ Revenue (%) | 23.5% | 30.9% | -7.4 p.p. | 28.3% | 44.4% | -16.1 p.p. |

Ebitda
EBITDA (R\$ million) and EBITDA margin (%)
Quarterly evolution

Annual evolution


* Ebitda adjusted in 2018 and the 4Q18 excluding R\$ 37.1 million in relation to extraordinary non-recurring expenses related to legal advisory and claims of court settlement signed in the USA ("Burrow Case").

**Disregards the result of the motorcycle helmet operation.

With operational cash flow measured by EBITDA of R\$ 128.0 million and a 12.8% margin in 2019, Taurus completes its second year of positive performance for this indicator, with eight consecutive quarters of positive EBITDA, except for 4Q18, when extraordinary and non-recurring expenses related to a judicial agreement signed in the USA (Burrow Case) put pressure on the result. Said performance shows that the Company assumed a new standard of operating performance after the restructuring carried out, which has been providing greater operational efficiency and cash generation capacity.

The result obtained in the EBITDA of 2019 is higher than that of 2018, the year in which the Company had already presented a positive operating performance, of 62.2%, or, considering the adjusted EBITDA without the non-recurring expenses recorded in that year, of 10.3%. The level reached is compatible with that recorded by international companies in the industry, consolidating the reversal of the negative performance found in this indicator in 2017 and in previous years.

Ebitda calculation – reconciliation in accordance with ICVM 527/12

| R\$ million | 2019 | 2018 | Change % | 4Q19 | 4Q18 | Change % |
|---|--------------|--------------|------------------|-------------|--------------|------------------|
| Income (loss) before financial income (loss) and taxes (Ebit) | 105.7 | 46.2 | 128.5% | 7.3 | -27.0 | -127.0% |
| Depreciation and amortization | 22.3 | 32.7 | -31.9% | 5.9 | 8.4 | -29.8% |
| Ebitda | 128.0 | 78.9 | 62.2% | 13.2 | -18.6 | - |
| EBITDA margin | 12.8% | 0.1 | +3.7 p.p. | 4.8% | -0.1 | - |
| Burrow Case | | | | | | |
| General and administrative expenses | - | 15.6 | - | - | 15.6 | |
| Other operating expenses | - | 21.5 | - | - | 21.5 | |
| Adjusted EBITDA | 128.0 | 116.0 | 10.3% | 13.2 | 18.4 | -28.3% |
| Adjusted EBITDA margin | 12.8% | 13.7% | -0.7 p.p. | 4.8% | 8.3% | -6.2 p.p. |

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

Financial income (loss)

Concurrently with the positive evolution of operating indicators, measures taken with the objective of enabling the recovery of healthy results and the improvement in indicators are showing their positive results in financial terms. With the increase in financial revenues couple with the decrease in financial expenses in relation to 2018, there was a 56.2% decrease in the net balance of the account for the period. In 2019, the net financial result was negative by R\$ 80.5 million, while it totaled a negative amount of R\$ 183.6 million in 2018. This evolution is related to the agreement signed in July 2018 with the union of lending banks, which reduced the Company's cost of debt by 57.7%.

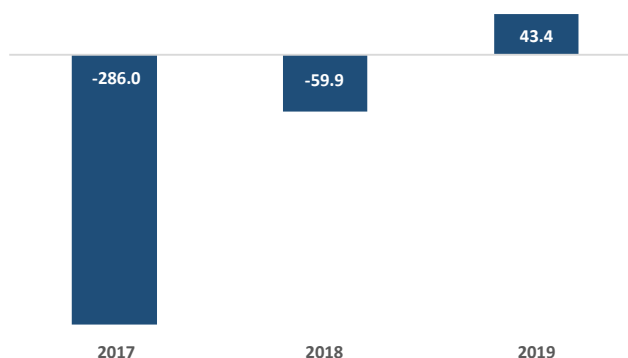
Taurus' financial expenses are mainly influenced by the effect of the changes in the BRL against the USD, which presented an average depreciation of 14.5% in 2018 and of 7.9% in 2019, since the majority of the Company's indebtedness (81.1% as of December 31, 2019), and therefore also the charges for this debt, are quoted in US dollars. The fact that most of Taurus' revenue – 81.8% for the year 2019 – also comes from exports creates a natural hedge for the exchange-rate change.

| <i>R\$ million</i> | 2019 | 2018 | Change % | 4Q19 | 4Q18 | Change % |
|------------------------------------|--------------|---------------|-----------------|-------------|-------------|-----------------|
| Financial revenues | 36.5 | 28.1 | 29.9% | 2.1 | -10.5 | - |
| Financial expenses | -116.9 | -211.7 | -44.8% | -4.8 | 10.8 | - |
| Net financial income (loss) | -80.4 | -183.6 | -56.2% | -2.7 | 0.3 | N/A |

Net income

Based on the improvement in results and operational and financial indicators stemming from the restructuring process implemented at Taurus, the Company recorded an income before income tax of R\$ 25.2 million for the year 2019. Considering the negative result of R\$ 4.2 million from the helmets operation, classified as discontinued operations, and the positive result recorded as Income Tax and Social Contribution of R\$ 22.5 million, the final result in 2019 was a net income of R\$ 47.6 million

This performance highlights the advance obtained from measures taken to guarantee activities' sustainable profitability is evident by reversing the negative net income (loss) that the Company recorded in the last seven years.

Net income (loss) (R\$' million)


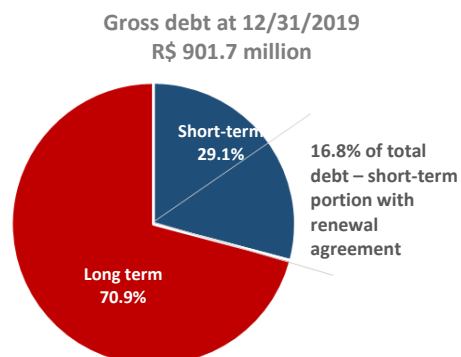
INDEBTEDNESS

At the end of 2019, Taurus recorded gross debt of R\$ 901.7 million. As of July 2019 (3Q19), the Company initiated the payment of the first installment of the principal of the banks' syndicated debt, in the amount of R\$ 74.5 million. With greater capacity to generate cash from its operating activities, even fulfilling its financial obligations, Taurus ended the year 2019 with a cash position and interest earning bank deposits of R\$ 36.0 million, an amount R\$ 7.4 million or 25.9% higher than that recorded as of December 31, 2018. Accordingly, net debt at the end of 2019 was R\$ 865.7 million.

| R\$ million | 12/31/2019 | 12/31/2018 | Change % |
|------------------------------|--------------|--------------|--------------|
| Loans and financing | 97.6 | 103.7 | 84.7% |
| Debentures | 13.3 | 9.5 | 100.0% |
| Advance from receivables | 73.5 | 48.5 | 124.8% |
| Foreign exchange withdrawals | 78.2 | 43.8 | 113.7% |
| Short-term | 262.6 | 205.4 | 27.8% |
| Loans and financing | 577.4 | 627.9 | -8.0% |
| Debentures | 61.6 | 75.6 | -18.5% |
| Long term | 639.1 | 703.6 | -9.2% |
| Gross indebtedness | 901.7 | 908.9 | -0.8% |
| Cash and investments | 36.0 | 28.6 | 25.9% |
| Net indebtedness | 865.7 | 880.3 | -1.7% |

In terms of maturity, the Company's debt is mostly of a long-term nature, a profile assumed since the conclusion of the bank debt renegotiation in July 2018. On December 31, 2019, 70.9% of total gross debt or R\$ 639.1 million, had long-term maturity.

Moreover, as Note to Financial Statements, out of the R\$ 262.6 million recorded in the short term at the end of September 2019, R\$ 151.7 million (or 57.8% of this portion of debt) are represented by discounts on receivables and foreign currency withdrawals, which can be rolled over. Even recorded in the short term, the agreement signed with creditor bank provides for automatic renewal at every maturity, with the possibility of settlement by 10/17/2022. Accordingly, the portion of debt that effectively matures in the short term represented 12.3% of total gross debt on December 31, 2019.

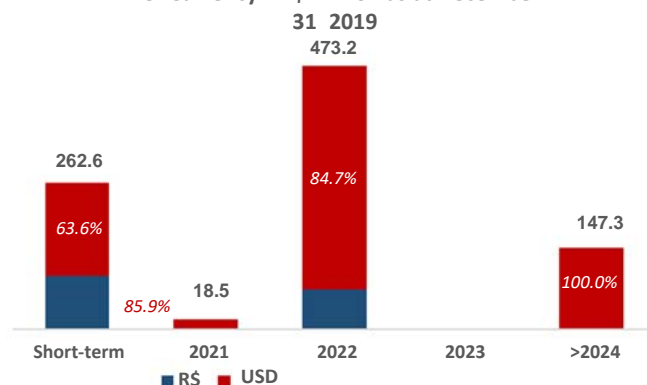


Gross indebtedness – Short Term - 12/31/2019



Taurus' debt is predominantly denominated in US dollars. As of December 31, 2019, the portion of total gross debt recorded in US dollars was R\$ 731.0 million, or 81.1%. Therefore, the quotation of the US dollar against the Brazilian real has a major influence on the Company's debt position. At the same time, as mentioned in this report in "financial expenses" item, Taurus has a natural hedge for this debt in foreign currency, given that most of its revenue – 81.3% in 2019 – also comes from sales abroad and, therefore, made in US dollars.

Schedule of debt expiration
Per Currency – R\$ million as at December



CAPITAL MARKET

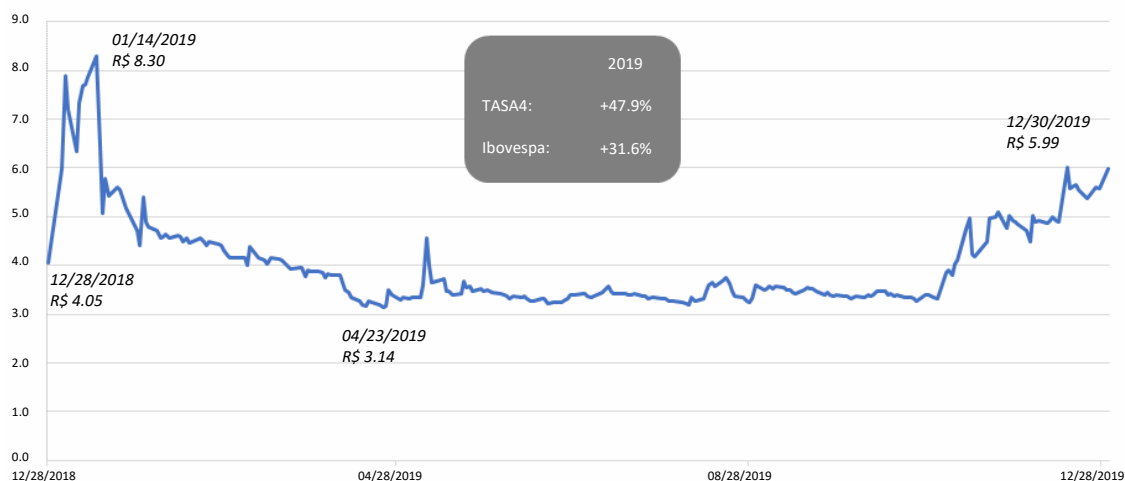
In 2019, Ibovespa, index that measures change in percentage of shares with higher negotiation volume in Bolsa Brasil Balcão – B3, advanced 31.6%, and the market believes in the economy recovery which showed the first signs throughout the year. Investing in shares was an interesting option for investors in 2019, considering the drop in interest rates in the local market. As an indicator of the onset of a new profile of the Brazilian individual investor, the number of individual investors in B3 more than doubled in 2019 (+106.7%), reaching 1.7 million registered SSN's at the end of 2019.

Performance of Taurus' shares (B3: TASA3, TASA4) in 2019 indicated valuation of 6.5% of ON (FJTA3) shares, quoted at R\$ 5.11 at the end of the year, and appreciation of 47.9% of PN (TASA4) shares, quoted at R\$ 5.99 on the same date, surpassing Ibovespa's good performance. Considering this same period, the average daily volume of ON (TASA3) shares traded totaled R\$ 275.8 thousand with average of 2,593 deals concluded, while PN (TASA4) shares reached average daily volume of R\$ 1.6 million and average of 3,464 deals concluded. The market value at the end of the year was R\$ 482.9 million.

Performance of shares and Ibovespa

| | TASA3 | TASA4 | IBOV | Market value |
|------------|----------|----------|---------|-------------------|
| 12/31/2018 | R\$ 4.79 | R\$ 4.05 | 87,887 | R\$ 383.3 million |
| 12/31/2019 | R\$ 5.11 | R\$ 5.99 | 115,645 | R\$ 482.9 million |
| Change | + 6.5% | + 47.9% | + 31.6% | + 26.0% |

Taurus Armas PN – closing price (Dec/16 to Dec/19)

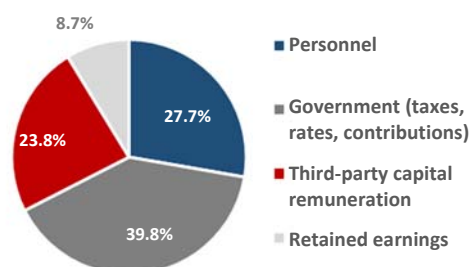


STATEMENT OF ADDED VALUE

In 2019, Taurus' activities generated added value of R\$ 497.0 million, 113.6% higher than the previous year. The value-added ratio in relation to gross revenue of R\$ 1,235.0 million for the year was 40.2%. In other words, of each R\$ 1.00 received by the Company in 2019, R\$ 0.40 were distributed among the company's agents as indicated below.

| <i>R\$ million</i> | | |
|--|----------------|--------------|
| | 2019 | 2018 |
| Revenues | 1,235.0 | 904.2 |
| Inputs acquired from third parties | -747.9 | -669.7 |
| Gross added value | 487.1 | 234.6 |
| Depreciation, amortization and depletion | -22.4 | -32.7 |
| Net added value produced | 464.7 | 201.9 |
| Financial revenues | 36.5 | 28.1 |
| Undistributed value added from discontinued operations | -4.2 | 2.7 |
| Total added value payable | 497.0 | 232.7 |
| Distribution of added value | | |
| Personnel | 137.8 | 130.5 |
| Government (taxes, rates and contributions) | 197.5 | -44.8 |
| Third-party capital remuneration | 118.2 | 206.9 |
| Remuneration of own capital | 0.0 | 0.0 |
| Retained losses | 43.4 | -59.9 |

Distribution of added value
R\$ 497.0 million


SUBSEQUENT EVENTS
Signing of the joint venture agreement in India

On January 27, 2020, the Company released a Material Fact informing that its Board of Directors signed, at a meeting held on January 22, a definitive agreement for the establishment of a joint venture with Jindal Group, the India's largest steelmaker and one of the 10 largest producers in the world, thus allowing the production and trading of firearms in that country.

The Jindal Group, a company with annual sales of over US\$ 24 billion and 200 thousand employees, has a 51% interest in the joint venture, while Taurus holds a 49% interest. The joint venture will set up a firearms plant in India for the production of rifles, pistols and revolvers for the civil, public security and military markets.

The conclusion of this agreement is an important step in Taurus' global strategy and will place the company in a prominent position in the global firearms market.

Quality Award 2019 - Apimec/SP

The public meeting held by Taurus in August 2019 with analysts, other investment professionals and investors in general was selected among the 10 best of the year. In 2019, approximately 5,400 investment professionals participated in the 54 APIMEC SP Meetings held by publicly-held companies. Each meeting was measured, immediately after it was held, using an evaluation questionnaire addressing aspects related to the quality of the information presented and the dynamics of the meeting. At the end of the year, the meetings with the 10 best scores were selected.

Potential impacts of COVID -19 (Material Fact)

Taurus is carefully following the evolution of the Covid-19 pandemic, taking all necessary measures to address the situation in a responsible and effective manner, as well as monitoring the possible inherent risks that may affect its activities. The priority at this time is to protect the health and well-being of employees, and work to minimize the risks arising from the pandemic for your business.

Taurus holds the title of Strategic Defense Company (EAD) and its activity was qualified as essential, under the terms of item IV, art. 3 of Decree No. 10,282, dated March 20, 2020. Under these conditions, the Company must maintain its operations responsibly and observing all limitations imposed by the Federal, State and Municipal Executive Power.

Currently, there has been no significant changes in relation to suppliers. The reliance on imported products is low, and foreign suppliers of more relevant components and inputs can also be replaced by domestic suppliers. For items considered critical, the Company has inventories that meet its needs for a period of about 5 months.

Regarding exports, that account for most of the Company's revenue, Taurus is working based on the planned schedule for the delivery of its products, especially in the North American market. In the domestic market, there has been no change in the behavior of clients and distributors so far.

As a more recent measure regarding its clients, the Company is leasing charter flights to ship ordered products. Thus, Taurus maintains the commitments assumed and guarantees on time deliveries, despite the reduction in commercial flights due to the actions adopted worldwide to control the pandemic.

Adjustments are being made to the operation, aiming to reduce the flow, contacts and agglomerations of workers, as well as instructions on the care to be taken, reinforcing cleaning measures and providing hygiene material, among others. Some activities were directed to the home office regime and, for the next 15 days, shift systems, rotating shifts and working hour changes will be adopted, aiming to balance production with a reduced flow of people to mitigate the risks of virus transmission and preserve social, economic and financial interests.

The measures currently adopted aim to preserve industrial activity with less social, economic and financial impact and are valid up to April 6, 2020. After that date, Taurus will carry out a new assessment of the situation and will keep its shareholders and the market duly informed of any new information regarding this matter.



The document may contain statements that form future perspectives of the Company's business. The projections, results and their impacts depend on estimates, information or methods that may be inaccurate and may not be realized. These estimates are also subject to risks, uncertainties and assumptions, including, but not limited to: general economic, political and commercial conditions in Brazil and in the foreign markets where the Company operates and current and future government regulations. Shareholders and possible investors are herein warned that none of these forecasts and/or expectations is guarantee of future performance, since they involve risks and uncertainties. Future results and the perspective of creation of value for shareholders may significantly differ from those expressed or suggested by statements on the future. Many of the factors that will determine these results and values are beyond Taurus's control or foresight capacity. The Company does not assume, and specifically denies any obligation to update any forecasts, which makes sense only on the date in which they had been made.

ATTACHMENTS

Statement of income

| <i>R\$ million</i> | 2019 | 2018 | Change % |
|---|--------------|---------------|---------------|
| Revenue from sales of goods and/or services | 999.6 | 845.3 | 18.3% |
| Cost of goods and/or services sold | -659.0 | -537.7 | 22.6% |
| Gross income | 340.6 | 307.6 | 10.7% |
| Operating expenses/revenues | -235.0 | -261.4 | -10.1% |
| Sales expenses | -122.7 | -97.1 | 26.4% |
| General and administrative expenses | -142.2 | -146.6 | -3.0% |
| Losses due to the non-recoverability of assets | -2.7 | -3.0 | -10.0% |
| Other operating revenues | 51.2 | 63.3 | -19.1% |
| Other operating expenses | -18.6 | -78.0 | -76.2% |
| Income (loss) before financial income (loss) and taxes | 105.7 | 46.2 | 128.8% |
| Financial income (loss) | -80.5 | -183.6 | -56.2% |
| Financial revenues | 36.5 | 28.1 | 29.9% |
| Financial expenses | -116.9 | -211.7 | -44.8% |
| Income (loss) before income tax | 25.2 | -137.3 | - |
| Income tax and social contribution | 22.5 | 74.7 | -69.9% |
| Current | -12.0 | -1.9 | 531.6% |
| Deferred | 34.4 | 76.6 | -55.1% |
| Net income (loss) of continued operations | 47.6 | -62.6 | - |
| Net income (loss) from discontinued operations | -4.2 | 2.7 | - |
| Consolidated income/loss for the period | 43.4 | -59.9 | - |
| Attributed to the Parent company's partners | 43.4 | -59.9 | - |
| <i>Earnings per share - (Reais / Shares)</i> | | | |
| <i>Basic earnings per share</i> | | | |
| Common shares | 0.5142 | -0.9250 | - |
| Preferred shares | 0.5141 | -0.9250 | - |
| <i>Diluted earnings per share</i> | | | |
| Common shares | 0.4909 | -0.7996 | - |
| Preferred shares | 0.4910 | -0.7996 | - |

Assets

| <i>R\$ million</i> | 12/31/2019 | 12/31/2018 | Change % |
|---|----------------|--------------|--------------|
| Total assets | 1,066.4 | 921.2 | 15.8% |
| Current assets | 694.5 | 616.2 | 12.7% |
| Cash and cash equivalents | 36.0 | 26.8 | 34.3% |
| Cash and banks | 28.4 | 23.6 | 20.3% |
| Marketable securities | 7.6 | 3.2 | 137.5% |
| Interest earning bank deposits | 0.0 | 1.8 | - |
| Accounts receivable | 165.0 | 140.4 | 17.5% |
| Inventories | 315.8 | 277.0 | 14.0% |
| Recoverable taxes | 31.1 | 29.5 | 5.4% |
| Prepaid expenses | 6.3 | 6.3 | 0.0% |
| Other current assets | 140.4 | 134.4 | 4.5% |
| Non-current assets | 371.9 | 304.9 | 22.0% |
| Long term assets | 110.5 | 84.5 | 30.8% |
| Interest earning bank deposits measured at amortized cost | 0.0 | 1.1 | - |
| Deferred taxes | 96.2 | 73.4 | 31.1% |
| Other non-current assets | 14.3 | 10.1 | 41.6% |
| Investments | 0.2 | 0.2 | 0.0% |
| Property, plant and equipment | 181.2 | 144.4 | 25.5% |
| Intangible assets | 79.9 | 75.8 | 5.4% |

Liabilities

| <i>R\$ million</i> | 09/30/2019 | 12/31/2018 | Change % |
|--|----------------|---------------|---------------|
| Total liabilities | 1,066.4 | 921.2 | 15.8% |
| Current liabilities | 630.0 | 535.6 | 17.6% |
| Social and labor obligations | 30.4 | 31.9 | -4.7% |
| Social charges | 9.7 | 14.7 | -34.0% |
| Labor obligations | 20.7 | 17.3 | 19.7% |
| Suppliers | 114.2 | 94.7 | 20.6% |
| Domestic suppliers | 65.9 | 55.9 | 17.9% |
| Foreign suppliers | 48.2 | 38.8 | 24.2% |
| Tax liabilities | 52.9 | 41.9 | 26.3% |
| Federal tax liabilities | 50.8 | 37.7 | 34.7% |
| Income tax and social contribution payable | 12.5 | 8.1 | 54.3% |
| Other Taxes | 38.3 | 29.6 | 29.4% |
| State tax liabilities | 2.1 | 4.2 | -50.0% |
| Municipal tax liabilities | 0.0 | 0.0 | - |
| Loans and financing | 110.9 | 113.1 | -1.9% |
| In domestic currency | 8.9 | 8.3 | 7.2% |
| In foreign currency | 88.7 | 95.4 | -7.0% |
| Debentures | 13.3 | 9.5 | 40.0% |
| Other liabilities | 249.1 | 175.8 | 41.7% |
| Dividends and interest on own capital | 0.0 | 0.0 | - |
| Derivative financial instruments | 0.0 | 0.0 | - |
| Foreign exchange withdrawals | 78.2 | 43.8 | 78.5% |
| Advance from receivables | 73.5 | 48.5 | 51.5% |
| Advances from clients | 49.4 | 28.8 | 71.5% |
| Liabilities in non-current assets held for sale | 27.7 | 33.3 | -16.8% |
| Other liabilities | 20.2 | 21.5 | -6.0% |
| Provisions | 72.5 | 78.2 | -7.3% |
| Tax, social security, labor and civil provisions | 54.4 | 60.3 | -9.8% |
| Other provisions | 18.1 | 17.9 | 1.1% |
| Non-current liabilities | 741.0 | 792.5 | -6.5% |
| Loans and financing | 639.1 | 703.6 | -9.2% |
| In domestic currency | 13.4 | 18.1 | -26.3% |
| In foreign currency | 564.1 | 609.8 | -7.5% |
| Debentures | 61.6 | 75.6 | -18.5% |
| Other liabilities | 24.5 | 1.0 | 2379.0% |
| Deferred taxes | 10.3 | 20.8 | -50.7% |
| Provisions | 67.2 | 67.1 | 0.1% |
| Social security, labor and civil provisions | 61.7 | 61.6 | 0.2% |
| Other provisions | 5.6 | 5.6 | -0.4% |
| Consolidated shareholders' equity | -304.6 | -407.0 | -25.1% |
| Realized capital | 520.3 | 465.2 | 11.8% |
| Capital reserves | -31.1 | -31.2 | -0.2% |
| Disposal of subscription bonus | 9.9 | 0.0 | - |
| Capital transactions | -41.0 | -31.2 | 31.5% |
| Retained Earnings/Losses | -970.3 | -1012.9 | -4.2% |
| Equity valuation adjustments | 46.0 | 47.0 | -2.3% |
| Accumulated translation adjustments | 130.6 | 124.9 | 4.6% |