Contents

Company Data/Capital Breakdown

Number of shares (units)	**Current Year 12/31/2021**
Common - Paid-in capital	46,445,314
Preferred - Paid-in capital	71,564,231
Total - Paid-in Capital	118,099,545
Common - Held in treasury	-
Preferred - Held in treasury	-
Total - Held in treasury	-

Individual FS / Balance Sheet - Assets
(In thousands of Brazilian reais)

Line Item	Description	Current Year 12/31/2021	Prior Year 12/31/2020
1	Total assets	1,936,806	1,305,322
1.01	Current assets	862,066	485,412
1.01.01	Cash and cash equivalents	65,399	34,623
1.01.01.01	Cash and banks	54,006	30,783
1.01.01.02	Highly liquid short-term investments	11,393	3,840
1.01.02	Short-term investments	70,778	-
1.01.02.01	Short-term investments at fair value through profit or loss	70,778	-
1.01.02.01.01	Bank certificates of deposit	70,778	-
1.01.03	Accounts receivable	360,933	183,267
1.01.03.01	Trade receivables	360,933	183,267
1.01.04	Inventories	274,370	204,894
1.01.06	Recoverable taxes	53,471	28,987
1.01.06.01	Recoverable current taxes	53,471	28,987
1.01.07	Prepaid expenses	7,265	4,793
1.01.08	Other current assets	29,850	28,848
1.01.08.03	Other	29,850	28,848
1.01.08.03.03	Related parties - financial loan	4,326	-
1.01.08.03.04	Other receivables	25,524	28,848
1.02	Noncurrent assets	1,074,740	819,910
1.02.01	Long-term receivables	160,678	209,084
1.02.01.07	Deferred taxes	101,951	166,291
1.02.01.07.01	Deferred income tax and social contribution	101,951	166,291
1.02.01.09	Due from related parties	40,681	29,661
1.02.01.09.02	Receivables from subsidiaries	40,681	-
1.02.01.09.04	Due from related parties	-	29,661
1.02.01.10	Other noncurrent assets	18,046	13,132
1.02.01.10.03	Other	4,886	-
1.02.01.10.04	Other	13,160	13,132
1.02.02	Investments	683,822	462,148
1.02.02.01	Equity interests	683,822	462,148

1.02.02.01.02	Equity interests in subsidiaries	683,822	462,148
1.02.03	Property, plant and equipment	204,027	130,012
1.02.03.01	Fixed assets in use	182,697	114,962
1.02.03.03	Construction in progress	21,330	15,050
1.02.04	Intangible assets	26,213	18,666
1.02.04.01	Intangible assets	26,213	18,666
1.02.04.01.02	Intangible assets	26,213	18,666

Individual FS / Balance Sheet - Liabilities
(In thousands of Brazilian reais)

Line Item	Description	Current Year 12/31/2021	Prior Year 12/31/2020
2	Total liabilities and equity	1,936,806	1,305,322
2.01	Current liabilities	959,181	460,921
2.01.01	Payroll, benefits and taxes thereon	46,450	32,150
2.01.01.01	Payroll and related taxes	9,479	7,482
2.01.01.02	Payroll and related taxes	36,971	24,668
2.01.02	Trade payables	90,658	82,490
2.01.02.01	Local suppliers	66,300	69,230
2.01.02.02	Foreign suppliers	24,358	13,260
2.01.03	Taxes payable	39,102	49,915
2.01.03.01	Federal tax liabilities	34,394	47,605
2.01.03.01.01	Income tax and social contribution payable	15,301	7,477
2.01.03.01.02	Other taxes	19,093	40,128
2.01.03.02	State tax liabilities	4,678	2,258
2.01.03.03	Municipal tax liabilities	30	52
2.01.04	Borrowings and financing	618,904	178,673
2.01.04.01	Borrowings and financing	618,904	178,673
2.01.04.01.01	In local currency	43,572	8,684
2.01.04.01.02	In foreign currency	575,332	169,989
2.01.05	Other payables	122,520	73,712
2.01.05.02	Other	122,520	73,712
2.01.05.02.02	Dividends payable	68,002	-
2.01.05.02.04	Intragroup borrowing	3,385	22,721
2.01.05.02.08	Advances from customers	40,897	48,931
2.01.05.02.09	Other payables	10,236	2,060
2.01.06	Provisions	41,547	43,981
2.01.06.01	Tax, social security, labor and civil provisions	35,012	34,823
2.01.06.01.01	Tax provisions	27,689	27,689
2.01.06.01.02	Social security and labor provisions	6,536	6,413

2.01.06.01.04	Civil provisions		787		721
2.01.06.02	Other provisions		6,535		9,158
2.01.06.02.01	Provision for warranties		6,535		9,158
2.02	Noncurrent liabilities		220,578		802,132
2.02.01	Borrowings and financing		74,407		611,408
2.02.01.01	Borrowings and financing		74,407		611,408
2.02.01.01.01	In local currency		-		74,270
2.02.01.01.02	In foreign currency		74,407		537,138
2.02.02	Other payables		95,164		134,467
2.02.02.01	Due to related parties		53,996		85,088
2.02.02.01.02	Due to subsidiaries		-		18,435
2.02.02.01.04	Due to other related parties		53,996		66,653
2.02.02.02	Other		41,168		49,379
2.02.02.02.03	Taxes payable		22,707		31,192
2.02.02.02.04	Provision for negative equity		18,461		17,621
2.02.02.02.06	Trade payables		-		566
2.02.04	Provisions		51,007		56,257
2.02.04.01	Tax, social security, labor and civil provisions		51,007		56,257
2.02.04.01.02	Social security and labor provisions		35,818		41,512
2.02.04.01.03	Provisions for Employee Benefits		221		-
2.02.04.01.04	Civil provisions		14,968		14,745
2.03	Equity		757,047		42,269
2.03.01	Issued capital		308,191		560,287
2.03.02	Capital reserves	-	27,281	-	31,116
2.03.02.03	Disposal of subscription warrants		9,880		9,880
2.03.02.04	Stock options granted		5,423		-
2.03.02.09	Capital Transactions	-	42,584	-	40,996
2.03.04	Profit reserve		233,936		-
2.03.04.01	Legal reserve		15,065		-
2.03.04.07	Tax incentive reserve		92,587		-
2.03.04.08	Proposed additional dividends		126,284		-
2.03.05	Retained earnings/accumulated losses		-	-	704,720
2.03.06	Valuation adjustments to equity		45,225		45,857

2.03.08	Cumulative translation adjustments	196,976	171,961
2.03.08.01	Cumulative translation adjustments	196,976	171,961

Individual FS / Statement of Profit or Loss
(In thousands of Brazilian reais)

Line Item	Description	Current YTD 01/01/2021 to 12/31/2021	Prior YTD 01/01/2020 to 12/31/2020
3.01	Net operating revenue	1,728,844	1,118,706
3.02	Cost of sales	- 867,550	- 581,582
3.03	Gross profit	861,294	537,124
3.04	Operating (expenses) income	59,449	- 108,106
3.04.01	Selling expenses	- 90,569	- 65,353
3.04.02	General and administrative expenses	- 129,999	- 107,403
3.04.03	Impairment losses	- 1,696	4,156
3.04.04	Other operating income	97,511	11,643
3.04.05	Other operating expenses	- 13,205	- 7,515
3.04.06	Equity in earnings (losses)	197,407	56,366
3.05	Profit before finance income (costs) and taxes	920,743	429,018
3.06	FINANCE INCOME (COSTS)	- 67,693	- 246,913
3.06.01	Finance income	223,521	248,235
3.06.02	Finance costs	- 291,214	- 495,148
3.07	Pretax income	853,050	182,105
3.08	Income tax and social contribution	- 217,990	81,498
3.08.01	Current	- 153,650	- 19,465
3.08.02	Deferred	- 64,340	100,963
3.09	Profit (loss) from continuing operations	635,060	263,603
3.11	profit (loss) for the period	635,060	263,603
3.99.01.01	Common shares (ON)	5.37733	2.74218
3.99.01.02	Preferred shares (PN)	6.48158	3.22846
3.99.02.01	Common shares (ON)	5.37733	2.74218
3.99.02.02	Preferred shares (PN)	5.89284	2.89058

Individual FS / Statement of Comprehensive Income
(In thousands of Brazilian reais)

Line Item	Description	Current YTD 01/01/2021 to 12/31/2021	Prior YTD 01/01/2020 to 12/31/2020
4.01	Profit for the period	635,060	263,603
4.02	Other comprehensive income	25,014	41,386
4.02.01	Translation adjustments for the period	25,014	41,386
4.03	Comprehensive income for the period	660,074	304,989

Individual FS / Statement of Cash Flows - Indirect Method
(In thousands of Brazilian reais)

Line Item	Description	Current YTD 01/01/2021 to 12/31/2021	Prior YTD 01/01/2020 to 12/31/2020
6.01	Net cash from operating activities	199,562	190,303
6.01.01	Cash generated by operating activities	660,736	276,504
6.01.01.01	Profit (loss) before income tax and social contribution	853,050	182,105
6.01.01.02	Depreciation and amortization	12,808	13,719
6.01.01.03	Cost of capital assets written off	3,597	226
6.01.01.04	Allowance for doubtful debts	1,696	-4,156
6.01.01.05	Share of results of investees	-197,407	-56,367
6.01.01.08	Accrued interest on borrowings and intragroup borrowings	33,857	37,356
6.01.01.10	Allowance for inventory losses	-3,812	-6,622
6.01.01.11	Provision for warranties	-5,062	-15,538
6.01.01.12	Provision for civil, labor and tax risks	-2,623	-3,934
6.01.01.13	Exchange differences on borrowings and other items	-35,368	129,715
6.01.02	Changes in assets and liabilities	-315,688	-52,533
6.01.02.01	(Increase) decrease in trade receivables	-179,362	-66,057
6.01.02.02	Decrease (increase) in inventories	-65,664	-38,444
6.01.02.03	Decrease (increase) in other receivables	-31,221	-17,065
6.01.02.04	(Decrease) increase in trade payables	7,602	12,697
6.01.02.05	Increase (decrease) in accounts payable	-47,043	56,336
6.01.03	Other	-145,486	-33,668
6.01.03.01	Payment of income tax and social contribution	-145,486	-33,668
6.02	Net cash from investing activities	-179,831	-65,385
6.02.01	Due from related parties	-11,086	-7,933
6.02.04	In property, plant and equipment	-88,298	-49,408
6.02.05	In intangible assets	-9,669	-8,251
6.02.06	Financial investments	-70,778	17
6.03	Net cash from financing activities	11,045	-97,671
6.03.02	Borrowings and intragroup borrowings	182,696	330,094
6.03.03	Repayment of borrowings	-243,477	-416,475
6.03.04	Capital increase	118,869	40,010
6.03.07	Payment of interest on borrowings and intragroup borrowings	-31,224	-27,498
6.03.10	Due to related parties	-15,819	-23,802
6.05	Increase (decrease) in cash and cash equivalents	30,776	27,247
6.05.01	Cash and cash equivalents at the beginning of the year	34,623	7,376
6.05.02	Cash and cash equivalents at the end of the year	65,399	34,623

Individual FS / Statement of Value Added
(In thousands of Brazilian reais)

Line Item	Description	Current YTD 01/01/2021 to 12/31/2021	Prior YTD 01/01/2020 to 12/31/2020
7.01	Revenue	2,318,707	1,429,748
7.01.01	Sales of goods and services	2,222,892	1,413,949
7.01.02	Other income	97,511	11,643
7.01.04	Allowance for (reversal of) doubtful debts	-1,696	4,156
7.02	Inputs purchased from third parties	-800,179	-536,082
7.02.01	Cost of products, goods and services sold	-547,715	-342,480
7.02.02	Supplies, power, outside services and other inputs	-252,464	-193,602
7.03	Gross value added	1,518,528	893,666
7.04	Withholdings	-12,808	-13,719
7.04.01	Depreciation, amortization and depletion	-12,808	-13,719
7.05	Wealth created	1,505,720	879,947
7.06	Wealth received in transfer	420,928	304,601
7.06.01	Equity in earnings (losses)	197,407	56,366
7.06.02	Finance income	223,521	248,235
7.07	Wealth for distribution	1,926,648	1,184,548
7.08	Wealth distributed	1,926,648	1,184,548
7.08.01	Personnel expenses	233,637	171,235
7.08.01.01	Wages	156,987	121,784
7.08.01.02	Benefits	65,574	40,776
7.08.01.03	Severance Pay Fund (FGTS)	11,076	8,675
7.08.02	Taxes, fees and contributions	762,587	252,799
7.08.02.01	Federal	637,906	186,929
7.08.02.02	State	124,442	65,679
7.08.02.03	Municipal	239	191
7.08.03	Lenders and lessors	295,364	496,911
7.08.03.01	Interest	291,214	495,148
7.08.03.02	Rentals	4,150	1,763
7.08.04	Shareholders	635,060	263,603
7.08.04.03	Retained earnings (accumulated losses)	635,060	263,603

Individual FS / Statements of Changes in Equity / SCE - 01/01/2021 to 12/31/2021
(In thousands of Brazilian reais)

Line Item	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	560,287	-31,116	-	-704,720	217,818	42,269
5.03	Adjusted opening balances	560,287	-31,116	-	-704,720	217,818	42,269
5.04	Shareholders' capital transactions	-252,096	3,835	126,284	176,681	-	54,704
5.04.01	Capital increases	118,869	-	-	-	-	118,869
5.04.03	Recognized stock options granted	-	5,423	-	-	-	5,423
5.04.06	Dividends	-	-	126,284	-194,284	-	-68,000
5.04.08	Others transactions	-	-1,588	-	-	-	-1,588
5.04.09	Reduction of share capital	-370,965	-	-	370,965	-	-
5.05	Total comprehensive income	-	-	-	635,060	25,014	660,074
5.05.01	Profit for the period	-	-	-	635,060	-	635,060
5.05.02	Other comprehensive income	-	-	-	-	25,014	25,014
5.05.02.04	Translation adjustments for the period	-	-	-	-	25,014	25,014
5.06	Internal changes in equity	-	-	107,652	-107,021	-631	-
5.06.01	Recognition of reserves	-	-	107,652	-107,652	-	-
5.06.02	Realization of revaluation reserve	-	-	-	631	-631	-
5.07	Closing balances	308,191	-27,281	233,936	-	242,201	757,047

Individual FS / Statements of Changes in Equity / SCE - 01/01/2020 to 12/31/2020
(In thousands of Brazilian reais)

Line Item	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	520,277	-31,116	-	-970,315	176,533	-304,621
5.03	Adjusted opening balances	520,277	-31,116	-	-970,315	176,533	-304,621
5.04	Shareholders' capital transactions	40,010	-	-	1,045	846	41,901
5.04.01	Capital increases	40,010	-	-	-	-	40,010
5.04.08	Others transactions	-	-	-	1,045	846	1,891
5.05	Total comprehensive income	-	-	-	264,550	40,439	304,989
5.05.01	Net income for the period	-	-	-	263,603	-	263,603
5.05.02	Other comprehensive income	-	-	-	947	40,439	41,386
5.05.02.04	Translation adjustments for the period	-	-	-	-	41,386	41,386
5.05.02.06	Realization of valuation adjustments to equity	-	-	-	947	-947	-
5.07	Closing balances	560,287	-31,116	-	-704,720	217,818	42,269

Consolidated FS / Balance Sheet - Assets
(In thousands of Brazilian reais)

Line Item	Description	Current Year 12/31/2021	Prior Year 12/31/2020
1	Total assets	2,093,620	1,460,650
1.01	Current assets	1,455,990	930,859
1.01.01	Cash and cash equivalents	185,764	91,231
1.01.01.01	Cash and banks	171,251	85,983
1.01.01.02	Highly liquid short-term investments	14,513	5,248
1.01.02	Short-term investments	70,778	-
1.01.02.01	Short-term investments at fair value through profit or loss	70,778	-
1.01.02.01.01	Bank certificates of deposit	70,778	-
1.01.03	Accounts receivable	515,163	317,406
1.01.03.01	Trade receivables	515,163	317,406
1.01.04	Inventories	491,864	298,343
1.01.06	Recoverable taxes	65,261	33,319
1.01.06.01	Recoverable current taxes	65,261	33,319
1.01.07	Prepaid expenses	30,985	22,222
1.01.08	Other current assets	96,175	168,338
1.01.08.01	Noncurrent assets for sale	66,396	133,850
1.01.08.03	Other	29,779	34,488
1.01.08.03.02	Others account receivables	29,779	34,488
1.02	Noncurrent assets	637,630	529,791
1.02.01	Long-term receivables	151,816	203,121
1.02.01.07	Deferred taxes	121,380	188,580
1.02.01.07.01	Deferred income tax and social contribution	121,380	188,580
1.02.01.10	Other noncurrent assets	30,436	14,541
1.02.01.10.03	Other	5,627	-
1.02.01.10.04	Recoverable taxes	24,809	14,541
1.02.02	Investments	4,420	2
1.02.02.01	Equity interests	4,420	2
1.02.02.01.04	Investments in joint ventures	4,261	-
1.02.02.01.05	Other investments	159	2
1.02.03	Property, plant and equipment	379,023	233,355

1.02.03.01	Fixed assets in use	302,958	216,115
1.02.03.03	Construction in progress	76,065	17,240
1.02.04	Intangible assets	102,371	93,313
1.02.04.01	Intangible	102,371	93,313
1.02.04.01.02	Intangible assets	102,371	93,313

Consolidated FS / Balance Sheet - Liabilities
(In thousands of Brazilian reais)

Line Item	Description	Current Year 12/31/2021	Prior Year 12/31/2020
2	Total liabilities and equity	2,093,620	1,460,650
2.01	Current liabilities	1,119,801	575,350
2.01.01	Payroll, benefits and taxes thereon	66,860	57,488
2.01.01.01	Payroll and related taxes	10,068	32,138
2.01.01.02	Payroll and related taxes	56,792	25,350
2.01.02	Trade payables	143,606	111,892
2.01.02.01	Local suppliers	82,160	69,476
2.01.02.02	Foreign suppliers	61,446	42,416
2.01.03	Taxes payable	96,632	68,259
2.01.03.01	Federal tax liabilities	91,276	65,946
2.01.03.01.01	Income tax and social contribution payable	21,105	14,274
2.01.03.01.02	Other taxes	70,171	51,672
2.01.03.02	State tax liabilities	5,311	2,258
2.01.03.03	Municipal tax liabilities	45	55
2.01.04	Borrowings and Financing	618,904	178,673
2.01.04.01	Borrowings and Financing	618,904	178,673
2.01.04.01.01	In local currency	43,572	8,684
2.01.04.01.02	In foreign currency	575,332	169,989
2.01.05	Other payables	140,158	103,504
2.01.05.02	Other	140,158	103,504
2.01.05.02.02	Dividends payable	68,002	-
2.01.05.02.06	Payables from noncurrent assets for sale	2,098	-
2.01.05.02.09	Other payables	41,181	49,062
2.01.05.02.10	Liabilities related to noncurrent assets held for sale and discontinued operations	5,830	27,297
2.01.05.02.11	Other payables	23,047	27,145
2.01.06	Provisions	53,641	55,534
2.01.06.01	Tax, social security, labor and civil provisions	41,731	40,983
2.01.06.01.01	Tax provisions	27,689	27,689
2.01.06.01.02	Social security and labor provisions	8,776	8,770
2.01.06.01.04	Civil provisions	5,266	4,524

2.01.06.02	Other allowances, provisions and accruals	11,910	14,551
2.01.06.02.01	Provision for warranties	11,910	14,551
2.02	Noncurrent liabilities	216,772	843,031
2.02.01	Borrowings and financing	74,407	688,007
2.02.01.01	Borrowings and financing	74,407	688,007
2.02.01.01.01	In local currency	-	74,270
2.02.01.01.02	In foreign currency	74,407	613,737
2.02.02	Other payables	64,169	78,652
2.02.02.01	Due to related parties	1,651	-
2.02.02.01.04	Due to other related parties	1,651	-
2.02.02.02	Other	62,518	78,652
2.02.02.02.04	Other Payables	23,583	31,195
2.02.02.02.05	Suppliers	32,200	46,891
2.02.02.02.06	Trade payables	-	566
2.02.02.02.07	Leases	6,735	-
2.02.03	Deferred taxes	16,469	10,291
2.02.03.01	Deferred income tax and social contribution	16,469	10,291
2.02.04	Provisions	61,727	66,081
2.02.04.01	Tax, social security, labor and civil provisions	55,191	59,512
2.02.04.01.01	Tax provisions	2,641	-
2.02.04.01.02	Social security and labor provisions	37,563	44,767
2.02.04.01.04	Civil provisions	14,987	14,745
2.02.04.02	Other allowances, provisions and accruals	6,536	6,569
2.02.04.02.01	Provision for warranties	6,536	6,569
2.03	Consolidated equity	757,047	42,269
2.03.01	Issued capital	308,191	560,287
2.03.02	Capital reserves	- 27,281	- 31,116
2.03.02.03	Disposal of subscription warrants	9,880	9,880
2.03.02.04	Stock options granted	5,423	-
2.03.02.09	Capital Transactions	- 42,584	- 40,996
2.03.04	Profit reserve	233,936	-
2.03.04.01	Legal reserve	15,065	-
2.03.04.07	Tax incentive reserve	92,587	-
2.03.04.08	Proposed additional dividends	126,284	-

2.03.05	Retained earnings/accumulated losses	- -	704,720
2.03.06	Valuation adjustments to equity	45,225	45,857
2.03.08	Cumulative translation adjustments	196,976	171,961
2.03.08.01	Cumulative translation adjustments	196,976	171,961

Consolidated FS / Statement of Profit or Loss
(In thousands of Brazilian reais)

Line Item	Description	Current YTD 01/01/2021 to 12/31/2021	Prior YTD 01/01/2020 to 12/31/2020
3.01	Net operating revenue	2,740,464	1,859,340
3.02	Cost of sales	- 1,422,708	- 1,071,619
3.03	Gross profit	1,317,756	787,721
3.04	Operating (expenses) income	- 344,191	- 342,590
3.04.01	Selling expenses	- 241,989	- 164,641
3.04.02	General and administrative expenses	- 205,125	- 188,495
3.04.03	Impairment losses	- 1,509	2,859
3.04.04	Other operating income	117,931	13,356
3.04.05	Other operating expenses	- 12,981	- 5,669
3.04.06	Equity in earnings (losses)	- 518	-
3.05	Profit before finance income (costs) and taxes	973,565	445,131
3.06	FINANCE INCOME (COSTS)	- 72,281	- 250,956
3.06.01	Finance income	224,975	252,399
3.06.02	Finance costs	- 297,256	- 503,355
3.07	Pretax income	901,284	194,175
3.08	Income tax and social contribution	- 263,904	70,285
3.08.01	Current	- 179,195	- 20,618
3.08.02	Deferred	- 84,709	90,903
3.09	Profit (loss) from continuing operations	637,380	264,460
3.10	Profit (loss) from discontinued operations, net	- 2,320	- 857
3.10.01	Profit (loss) from discontinued operations	- 2,320	- 857
3.11	Consolidated profit (loss) for the period	635,060	263,603
3.11.01	Attributable to owners of the Company	635,060	263,603
3.99.01.01	Common shares (ON)	5.37733	2.74217
3.99.01.02	Preferred shares (PN)	6.48158	3.22845
3.99.02.01	Common shares (ON)	5.37733	2.74217
3.99.02.02	Preferred shares (PN)	5.89284	2.89057

Consolidated FS / Statement of Comprehensive Income
(In thousands of Brazilian reais)

Line Item	Description	Current YTD 01/01/2021 to 12/31/2021	Prior YTD 01/01/2020 to 12/31/2020
4.01	Consolidated profit for the period	635,060	263,603
4.02	Other comprehensive income	25,014	41,386
4.02.01	Translation adjustment for the period	25,014	41,386
4.03	Consolidated comprehensive income for the period	660,074	304,989
4.03.01	Attributable to owners of the Company	660,074	304,989

Consolidated FS / Statement of Cash Flows - Indirect Method
(In thousands of Brazilian reais)

Line Item	Description	Current YTD 01/01/2021 to 12/31/2021	Prior YTD 01/01/2020 to 12/31/2020
6.01	Net cash from operating activities	397,939	356,985
6.01.01	Cash generated by operating activities	863,971	386,573
6.01.01.01	Profit (loss) before income tax and social contribution	901,284	194,175
6.01.01.02	Depreciation and amortization	28,805	29,251
6.01.01.03	Cost of capital assets written off	15,373	6,025
6.01.01.05	Share of results of investees	518	-
6.01.01.07	Allowance for doubtful debts	1,509	- 2,859
6.01.01.10	Accrued interest on borrowings and intragroup loans	34,159	36,080
6.01.01.11	Provision for warranties	- 73,555	- 23,275
6.01.01.13	Net cash from discontinued operations	1,547	576
6.01.01.15	Exchange differences on translating borrowings and financing	- 35,109	172,332
6.01.01.16	Allowance for inventory losses	- 3,819	- 6,526
6.01.01.19	Provision for legal risks	- 4,067	- 16,662
6.01.01.20	Net cash from discontinued operations	- 2,674	- 2,544
6.01.02	Changes in assets and liabilities	- 304,428	7,775
6.01.02.01	(Increase) decrease in trade receivables	- 171,517	- 131,951
6.01.02.02	(Increase) decrease in inventories	- 163,126	72,054
6.01.02.03	(Increase) in other receivables	- 47,284	- 23,291
6.01.02.04	Increase in trade payables	15,035	- 13,167
6.01.02.05	Increase in accounts payable	62,464	104,130
6.01.03	Other	- 161,604	- 37,363
6.01.03.01	Fair value of held-for-sale asset	4,283	- 222
6.01.03.02	Payment of income tax and social contribution	- 165,887	- 37,141
6.02	Net cash from investing activities	- 247,536	- 78,691
6.02.03	In investments	- 4,779	190
6.02.04	In property, plant and equipment	- 159,771	- 69,748
6.02.05	In intangible assets	- 10,587	- 8,445
6.02.06	Financial investments	- 70,778	17
6.02.07	Net cash from discontinued investing activities	- 1,621	- 705
6.03	Net cash from financing activities	- 51,818	- 212,275
6.03.02	Borrowings and intragroup borrowings	198,043	311,963
6.03.03	Repayment of borrowings	- 342,588	- 531,754
6.03.05	Capital increase	118,869	40,010
6.03.10	Payment of interest on borrowings and intragroup borrowings	- 27,874	- 32,468
6.03.11	Intragroup borrowings	1,651	-
6.03.13	Net cash generated by financing activities of discontinued operations	81	- 26
6.04	Exchange differences on translating cash and cash equivalents	- 4,052	- 8,109
6.05	Increase (decrease) in cash and cash equivalents	94,533	57,910
6.05.01	Cash and cash equivalents at the beginning of the year	91,231	35,966
6.05.02	Cash and cash equivalents at the end of the year	185,764	93,876

Consolidated FS / Statement of Value Added
(In thousands of Brazilian reais)

Line Item	Description	Current YTD 01/01/2021 to 12/31/2021	Prior YTD 01/01/2020 to 12/31/2020
7.01	Revenue	3,385,572	2,198,167
7.01.01	Sales of goods and services	3,269,150	2,182,738
7.01.02	Other income	117,931	12,570
7.01.04	Allowance for (reversal of) doubtful debts	- 1,509	2,859
7.02	Inputs purchased from third parties	- 1,529,816	- 1,162,345
7.02.01	Cost of products, goods and services sold	- 1,071,643	- 810,501
7.02.02	Supplies, power, outside services and other inputs	- 458,173	- 351,844
7.03	Gross value added	1,855,756	1,035,822
7.04	Withholdings	- 28,805	- 29,250
7.04.01	Depreciation, amortization and depletion	- 28,805	- 29,250
7.05	Wealth created	1,826,951	1,006,572
7.06	Wealth received in transfer	222,137	251,541
7.06.01	Equity in earnings (losses)	- 518	-
7.06.02	Finance income	224,975	252,398
7.06.03	Other	- 2,320	- 857
7.06.03.20	Wealth created by discontinued operations for distribution	- 2,320	- 857
7.07	Wealth for distribution	2,049,088	1,258,113
7.08	Wealth distributed	2,049,088	1,258,113
7.08.01	Personnel expenses	262,328	194,386
7.08.01.01	Wages	178,907	140,091
7.08.01.02	Benefits	71,075	44,521
7.08.01.03	Severance Pay Fund (FGTS)	12,346	9,774
7.08.02	Taxes, fees and contributions	849,782	294,493
7.08.02.01	Federal	709,443	217,056
7.08.02.02	State	139,616	76,901
7.08.02.03	Municipal	723	536
7.08.03	Lenders and lessors	301,918	505,631
7.08.03.01	Interest	297,255	503,352
7.08.03.02	Rentals	4,663	2,279
7.08.05	Other	635,060	263,603
7.08.05.01	Accumulated losses, net of valuation adjustments to equity - Continuing operation	637,380	264,460
7.08.05.02	Accumulated losses, net of valuation adjustments to equity - discontinued operation	- 2,320	- 857

Consolidated FS / Statements of Changes in Equity / SCE -- 01/01/2021 to 12/31/2021
(In thousands of Brazilian reais)

Line Item	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity	Consolidated equity
5.01	Opening balances	560,287	-31,116	-	-704,720	217,818	42,269	42,269
5.03	Adjusted opening balances	560,287	-31,116	-	-704,720	217,818	42,269	42,269
5.04	Shareholders' capital transactions	-252,096	3,835	126,284	176,681	-	54,704	54,704
5.04.01	Capital increases	118,869	-	-	-	-	118,869	118,869
5.04.03	Recognized stock options granted	-	5,423	-	-	-	5,423	5,423
5.04.06	Dividends	-	-	126,284	-194,284	-	-68,000	-68,000
5.04.08	Others transactions	-	-1,588	-	-	-	-1,588	-1,588
5.04.09	Reduction of Share Capital	-370,965	-	-	370,965	-	-	-
5.05	Total comprehensive income	-	-	-	635,060	25,014	660,074	660,074
5.05.01	Net income for the period	-	-	-	635,060	-	635,060	635,060
5.05.02	Other comprehensive income	-	-	-	-	25,014	25,014	25,014
5.05.02.04	Translation adjustments for the period	-	-	-	-	25,014	25,014	25,014
5.06	Internal changes in equity	-	-	107,652	-107,021	-631	-	-
5.06.01	Recognition of reserves	-	-	107,652	-107,652	-	-	-
5.06.02	Realization of revaluation reserve	-	-	-	631	-631	-	-
5.07	Closing balances	308,191	-27,281	233,936	-	242,201	757,047	757,047

Consolidated FS / Statements of Changes in Equity / SCE -- 01/01/2020 to 12/31/2020
(In thousands of Brazilian reais)

Line Item	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity	Consolidated equity
5.01	Opening balances	520,277	-31,116	-	-970,315	176,533	-304,621	-304,621
5.03	Adjusted opening balances	520,277	-31,116	-	-970,315	176,533	-304,621	-304,621
5.04	Shareholders' capital transactions	40,010	-	-	1,045	846	41,901	41,901
5.04.01	Capital increases	40,010	-	-	-	-	40,010	40,010
5.04.08	Others transactions	-	-	-	1,045	846	1,891	1,891
5.05	Total comprehensive income	-	-	-	264,550	40,439	304,989	304,989
5.05.01	Net income for the period	-	-	-	263,603	-	263,603	263,603
5.05.02	Other comprehensive income	-	-	-	947	40,439	41,386	41,386
5.05.02.04	Translation adjustments for the period	-	-	-	-	41,386	41,386	41,386
5.05.02.06	Realization of valuation adjustments to equity	-	-	-	947	-947	-	-
5.07	Closing balances	560,287	-31,116	-	-704,720	217,818	42,269	42,269

Taurus Armas S.A.

Management Report - FY2021

São Leopoldo, March 15, 2022

Dear Shareholders,

The management of Taurus Armas S.A. ("Taurus" or "Company"), in compliance with legal and statutory provisions, is pleased to submit for your appreciation our Management Report and Financial Statements for the year ended December 31, 2021, accompanied by this Management Report, Supervisory Board's Opinion, and the Independent Auditor's Report.
Our operating and financial information, except where otherwise indicated, is presented based on consolidated figures and have been prepared in accordance with accounting practices adopted in Brazil, as laid down in International Financial Reporting Standards (IFRSs) applicable to its operations and pronouncements issued by the Accounting pronouncements Committee ("CPC") applicable to our operations. All comparisons take into consideration the year 2020, unless otherwise stated.

Message from Management

R$ 1.0 billion in EBITDA in 2021. For us, this milestone is not surprising, but it is an important barrier break that reflects our current operating performance standard. We carefully paved the road that brought us here, so that today Taurus is a well-structured company, with sound management, operating and corporate governance processes, as well as a well-defined strategic plan for the coming years.

The strong cash generation has enabled us to invest in the Company's growth, a subject we will address below, and in 2021 we achieved one of the major goals of our management, which is the creation of value for all our stakeholders and, therefore, also **making payoffs to our shareholders**. With profit for the year of R$635.1 million in 2021, the Annual Shareholder´s Meeting will propose the payment of dividends totaling **R$194.3 million, which represents about R$1.65 per share**. This is news that consolidates the endpoint of Taurus' turnaround process.

Another important goal of our management was achieved. In December 2020, at our Apimec meeting, in the presence of investors, we expressed our desire to be the largest short firearms company in the world. After less than two years, we can state that **Taurus is the largest seller of short firearms in the world**, compared to the main companies in the United States, such as Smith & Wesson and Ruger, and much larger than other traditional companies in the industry about which we have information, such as Colt, Springfield, Beretta, SIG, CZ, Colt, Walther, FN, and HK.

In terms of operations, with structured processes, we have been focusing on expanding production in order to meet the growing demand for our products. In 2021, we manufactured 2.25 million firearms, a year-on-year 44.5% growth. The US factory, which is being ramped up, produced 868,000 units in the year, a volume higher than the initially estimated maximum capacity of 800,000 firearms per year, considering the original structure, which did not require investments from the Company due to the agreement signed with the State of Georgia. The building still has about 60 percent of its area available, with room for capacity expansion from new investments. At the same time, the productivity of the Brazilian plant continued to increase, so that production for the year totaled 1.4 million guns in 2021, a year-on-year 20 percent increase.

Our sales also continued to rise. In the US, the National Instant Background Check System (NICS), an indicator of the number of people interested in purchasing a gun, showed that demand remained strong in 2021, reaching the second highest level since it was created. Even so, compared to the historical record recorded in 2020, there was a 12% decrease. But our sales in Brazil showed an inverse trend from the NICS, increasing 23.4 percent in 2021, resulting in an increase of our brand’s market share. For 2022, our perception is that the scenario will be similar, with US demand losing a little strength compared to the last two years, while Taurus sales should continue strong, with an increase in market share. Our prospects are based on the orders received and on contacts with distributors and retailers throughout the country made during major trade fairs in the sector at the beginning of the year, especially the largest professional event in the arms industry in the USA, the "Shot Show", held at the end of January.

In addition to the increase of our market share in the USA, we have other projects in progress, such as the Jindal Taurus joint venture in India, which will contribute to expand our operations in the region. The project of building a plant in India is underway, after a significant delay due to difficulties created by the pandemic. Now the building construction is being completed and the first team from Taurus do Brasil visited India for a technical visit in February. The joint venture, even before the start of manufacturing operations, is already creating business opportunities. Our team that traveled to India carried out a technical demonstration to authorities from the Indian Armed Forces of the shooting performance and endurance of the Taurus T4 Rifle in its different versions, for a future bidding process currently being considered. Other business opportunities in the Indian institutional market for the sale of the SMT9 submachine guns, TH9 and TS9 pistols, and another sale of T4 rifles, are in different stages of the negotiation process. With regard to exports to other countries, in December we delivered 12,400 T4 rifles to the Philippine Army, after the firearms were fully approved, without restrictions, in rigorous tests. In a new bid won in December, we will deliver another 1,100 of these firearms to this Army. Also in December, we won the bidding process for 9,500 TS9 pistols for the Philippine National Police, scheduled to be delivered in the second half, based on our current capacity to demand ratio.

In order to ensure the increase in the supply and continuity of our growth, in accordance with our strategic planning, we are investing in physical facilities, research and development, and modern equipment and machinery. The key word at Taurus is “innovation”, which grants us greater productivity, the ability to keep costs low (today we have the lowest production costs in the world), greater production volume, and also higher sales, since consumers are increasingly acknowledging the value that has been added to the products that we deliver to the market. As a result, while we are certain that sales will continue to increase, in terms of operating structure, we are always one step ahead, preparing ourselves to meet the increase in sales. For example, we hired a Vice President of Sales to strengthen our sales function in the United States.

Since technology is key to meet our planning, we strengthen the function by creating the Brazil/USA Integrated Technology and Engineering Center (CITE), which currently has 250 engineers in the product, process, and quality departments. The CITE has increased the agility in the way new products are developed to incorporate innovation and quality, always focusing on consumer demands, at low cost and in line with the most advanced technological solutions in the world. An example is the use of graphene in components and surface protection of metals, providing greater strength and durability. In 2021, we also invested in the upgrading of our plant with the acquisition of cutting-edge equipment.

In terms of infrastructure, the industrial hub was delivered in December and the five partner suppliers that will conduct their operations there are in the installation process. With this structure in full operation, we will increase the agility and quality of our supply chain, while cutting with costs. Another step taken in the expansion project of the plant in Brazil was the acquisition of an area of 100,000 sq. meters next to the current manufacturing complex.

Total investments in 2021 were R$175 million, financed with own resources, generated from the strong operating performance that provided the EBITDA of R$1.0 billion in the year. For 2022, our planning considers investments of around R$250 million, continuing with the upgrading and expansion of the manufacturing complex, with a view to sustain our growth and further increase its competitiveness.

In terms of brand positioning, our planning is based on three groups of actions aimed at creating value: the global brand of a Brazilian multinational; the development of quality, innovative products at competitive prices; and excellence in distribution and services by offering broad support for our customers. As an initiative to strengthen our direct relationship with our consumers in order to provide a unique experience for customers, in November we opened our first concept store in Brasília. The 1,800-sq. meter store, customers can find the complete line of Taurus and CBC products, firearm and ammunition purchase services, technical assistance, 18 shooting ranges, aftersales services, training courses, and segment-related activities. The second store will soon be opened, in São Paulo.

Opening of the first AMTT - Firearm, Ammunition, Shooting, and Training - concept store, in Brasilia

The project that we adopted at Taurus and, therefore, also the strategic planning outlined for the coming years, takes into account other aspects that are key for the stability and control of the business, represented by suitable corporate governance practices. Taurus is on B3's Level II, a market segment that requires the adoption of differentiated corporate governance practices. Transparency is part of our daily routine, presenting our strategic model to the market and providing updates on our actions. In December we held our 4th Apimec meeting, which for the second time in the last three years was rated by attendees as one of the top 10 Apimec meetings in 2021. Our Board of Directors currently includes six qualified, experienced members, five of whom, including the Chairman, are independent directors. We also have a permanent Supervisory Board, responsible for following up and overseeing all management actions. We also have, in our corporate governance structure, the Audit and Risk Committee (CAR) which, in 2021, had its roles and responsibilities laid out in our Bylaws, in order to strengthen internal control. We adopt an attitude of broad transparency with regard to our management and its results. To encourage the retention of the current board members, aiming at providing stability and continuity to the management model, in 2021, we created a stock option plan for officers, approved in at the shareholders' meeting held in April.

In the social front, in 2021 we maintained the prevention actions against the Covid-19 pandemic, taking responsibility for the health of our employees and their families. We also made physical adaptations in the plant in the interest of offering an appropriate working environment, compliant with the required health protocols. We also support society in general, not only by offering support to the communities around our unit, but also throughout Brazil, by donating food, and hospital and protection equipment. At the environmental level, we built a wastewater and water treatment plant, and a waste and chemicals disposal plant.

Because of these actions and of those yet to be taken, we authorized the hiring of Ernest & Young to structure the ESG actions and prepare our first sustainability report based on the GRI model. As a first step, a multidisciplinary ESG committee will be constituted to address the related issues. During this year of implementation, we will be engaged in the ESG Committee, working actively on the issues that will be addressed in our meetings.

Excellence, strength, and dynamism are the characteristics of this sound company. Taurus is, today, a Brazilian giant that generates jobs for more than 3,500 employees and wealth and foreign exchange for Brazil. We have only reached this position because we have the support of our shareholders, the continuous monitoring and direction of our Board of Directors, the trust of our partners and customers, and the tireless work of the entire team of Taurus employees, in Brazil and the USA. We thank everyone for their support in this path to success.

The Management

Operational Performance

Production

We are undergoing a period of accelerated growth of our operations, with the aim of further increasing our position in the international market. The investments made in state-of-the-art machinery and technology and the ramping up process of the US plant have provided a year-on-year increase of 44.5% in the volume of firearms produced in 2021. The US plant, opened in December 2019, has already exceeded the initially projected production capacity of 800,000 units/year, reaching the milestone of 868,000 units in 2021, a volume that more than doubles (+115.4%) the previous year's production. The productivity gain, resulting from the processes adopted and new and modern machinery, led to a 19.8 percent increase in the volume produced at the Brazilian plant, which totaled 1,382,000 firearms in 2021. As a result, we reached 2.25 million firearms manufactured in the year, with an average of 9,300 units per day.

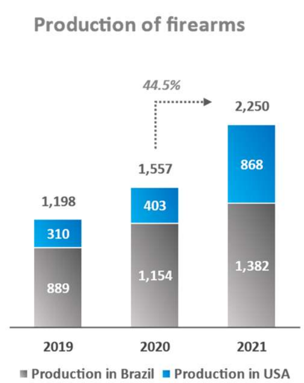
Sales

We believe that demand in the USA will remain at the same level of 2021. Likewise, exports to other countries have been growing with the resumption of international bids and shipments after the initial phase of the pandemic, which slowed down this market segment.

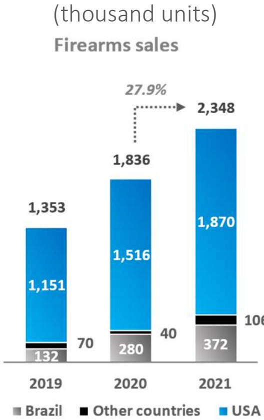
Furthermore, we have been expanding our market share. In the revolvers segment, we hold absolute market leadership in the USA. In 2020, 41 percent of all the revolvers sold in the USA were Taurus brand revolvers and, in 2021, it is estimated that this market share has reached 61 percent. The Company has also been expanding its sales in other firearms segments, especially in products with higher added value, with new projects and models developed by our CITE (Integrated Technology and Engineering Center Brazil/USA), such as the GX4 pistol launched in the first half of 2021.

We sold 2,348 units in 2021, a 27.9 percent increase year-on-year, in all markets. The USA accounted for the sale of 1,870,000 units, or 79.6 percent of total sales in the year, a year-on-year growth of 23.4 percent in sales volume. In Brazil, where the market for Taurus products is much smaller, the year-on-year sales growth was 32.9 percent, while exports to the other countries sales grew gradually during the year, totaling 106,000 units, a year-on-year increase of 163.3 percent.

Production of Taurus firearms
(thousand units)



Sales of Taurus firearms
(thousand units)



A good barometer of the American gun market is the NICS (National Instant Background Check System), a system that checks the number of people interested in buying a firearm in the USA since 1998. In 2020, the number of inquiries in the Adjusted NICS reached the highest level since its creation, and in 2021 it still maintained a level well above the historical average. A comparison of the evolution of the sales volume of Taurus firearms in the USA with this indicator shows the expansion of our market share since in 2021, our sales in the USA increased by 27.9 percent compared to the previous year, while the Adjusted NICS showed a decrease of 12.2 percent.

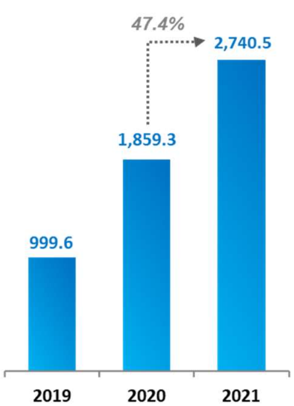
Economic-Financial Performance

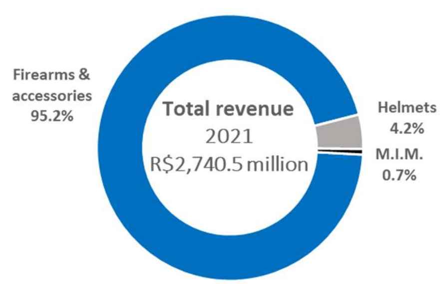
Beginning January 2021, as required by our accounting standards, the results of the helmet operation are once again being consolidated in Taurus earnings. In the course of the last two years—2019-2020—net results of this operation were stated in line item 'Loss from discontinued operations'. Due to the change in accounting standards and in order to maintain the appropriate comparison with the performance in 2020 stated herein considers the consolidation of the helmets operations in the Statement of Profit or Loss.

Net operating revenue

In addition to firearms and accessories, the main operating segment and accounting for 95.2 percent of revenue in 2021, our net operating revenue also includes the sales of M.I.M. (Metal Injection Molding parts) and helmets. All three segments posted a positive change in 2021.

Consolidated Net Operating Revenue (R$ million)



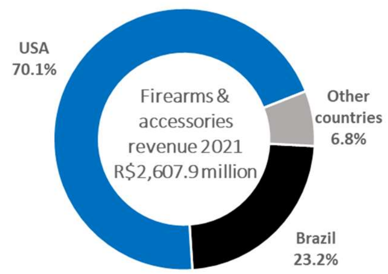


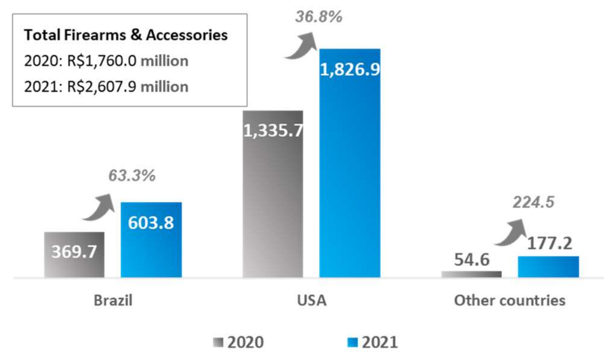
The consolidated net revenue, driven primarily by firearms & accessories, reached R$2,740.5 million in 2021, a year-on-year increase of 47.4 percent. In addition to the higher firearm sales volume, the average price of our products also increased in the year. Based on investments in research and development, we have been adding new products to our product line by bringing to market a higher value added product mix. Further, in June 2021, we increased our firearm prices in the USA by 10 percent and, beginning August 2021, prices in Brazil were increased by 17 percent. Demand was not affected by this increase, which confirms the change in the value of Taurus products perceived by consumers.

Our strategy includes the expansion of our production line of long guns and launching products in market niches, creating a growing value mix in its line, without competing with our current products.

Another reason that contributed to the increase in revenue was the 7.3 percent depreciation of the Brazilian real against the US dollar in 2021. With most of our sales being made abroad, and therefore in US dollars, the foreign exchange fluctuation had a positive impact on our revenue, which is accounted for in local currency.

Net Operating Revenue - Firearms & Accessories (R$ million)





If we consider only the performance of firearms and accessories, the main operating segment, there was a year-on-year increase of 48.2 percent, with a positive change in the three geographies in which we classify our sales: Brazil, USA, and other countries. The segment's revenue for 2021, totaled R$2,607.9 million, with the USA accounting for 70.1% of total sales. The USA are, therefore, our largest market since they are also the world's largest market for firearms and accessories. The demand for Taurus' products continues strong in this country, leveraged by the launches made.

At the end of the year, we recorded backorders for 982,000 units to be delivered in the US and Brazilian markets, a volume equivalent to more than 5 months of integrated production in both countries.

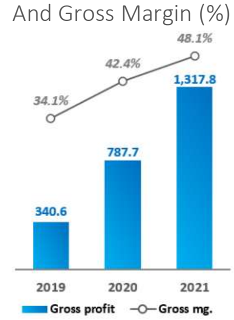
Sales to other countries represent an additional accessible market for Taurus since with the lowest production cost in the world and broad international exposure for the brand, which is present in approximately 100 countries, we guarantee great competitiveness in bids. One of the main highlights of the 224.5 percent increase in revenue from sales to other countries in 2021 was the sale of T4 rifles to the Philippine Army, the results of two international bids won by Taurus for the delivery of more than 12,400 units of this model, with an additional 1,000 units that will be delivered in March 2022.

Gross Profit

With a positive change every quarter of 2021, gross profit totaled R$1,317.8 million for the year, which represents a year-on-year growth of 67.3 percent. With the sales mix of higher value added and the firm management of our costs, the increase in profit was accompanied by an increase in profitability, with a 5.7 p.p. increase in gross margin, which reached 48.1 percent in 2021.

The gross profit growth is due to the increase in production and productivity, with continuous management of costs and dilution of overhead as production, sales, and revenue grow. These factors are related to the upgrading of the manufacturing complex and the adoption of efficient operating processes. The increase in the price list adopted in June in the USA and in August in Brazil, with no negative impact on orders, and the sales mix of higher value added acted to increase gross profitability in 2021.

Gross Profit (R$ million)
And Gross Margin (%)



Operating expenses

During 2021, the operating expenses remained balanced compared to the previous year, accumulating R$344.2 million, with an +0.5 percent increase in the period. Considering the 47.4 percent increase in net operating revenue in the same period, much higher than the change in operating expenses, there was a dilution of these disbursements in 2021, which resulted in the increase of our operating profits.

Some factors allowed for the operating expenses performance in 2021, including the balance of R$104.4 million recorded as 'Other operating income', reducing total expenses for the year, which include: (i) revenue of R$0.5 million from share of results of investees; (ii) revenue from the recovery of PIS/COFINS, IPI and deemed ICMS recognized in 4Q21 (R$32.2 million) and 3Q21 (R$36.8 million); and (iii) nonrecurring revenue equivalent to US$3.0 million in 2Q21, due to the benefit obtained by Taurus USA of full cancellation of the loan obtained under the North American government support program during the crisis caused by the Covid-19 pandemic (Paycheck Protection Program, or PPP), since we met the requirements established in this program.

Selling expenses for 2021 consisted mostly of operating expenses, totaling R$242.0 million, and posted the highest year-on-year increase, of 47.0 percent. A significant portion of selling expenses are variable, following the evolution of sales volume and revenue, since they include items such as commissions, freight and insurance, which explains this change.

The year-on-year change in **general and administrative expenses** for the year was much lower than the percentage change in net revenue, 8.8 percent, totaling R$205.1 million. This result was obtained despite the increase in the structure necessary to support business growth, which included, for example, the expansion of the engineering team at the CITE (Integrated Engineering and Technology Center Brazil/USA), which at the end of 2021 had 250 engineers, in addition to investments in people development through training and qualification actions.

Another factor that influences our operating expenses are the changes in foreign exchange rates, since all the expenses of the US unit are incurred in US dollars and translated into the local currency when they are accounted for in our consolidated financial statements. Thus, the 4.6 percent depreciation of the real in 2021 against the average US dollar put pressure on the operating expenses incurred by Taurus USA.

EBITDA

Business growth and a continuous increase in operating efficiency that provides an increase in revenue and gross margin, as well as the greater dilution of operating expenses in total revenue, allowed us to reach the R$1,0 billion mark for EBITDA in 2021.

We, therefore, have consolidated our ability to be a strong cash generator by setting our new, differentiated level of performance, with EBITDA of R$1,002.9 million in 2021. EBITDA for the year exceeds by 111.4% the operating cash generation measured by this indicator in 2020, a year during which we had benefited from a very heated market, when demand in the US broke historical records. Thus, after a 270.6 percent growth of EBITDA in 2020 compared to 2019, we more than doubled this indicator in 2021.

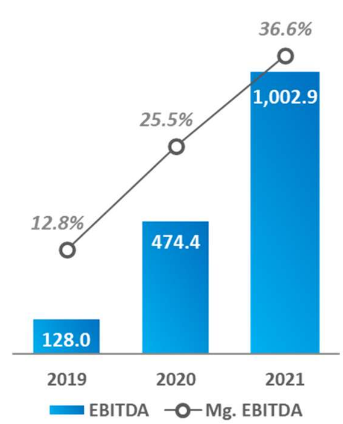
Similarly, our EBITDA margin increased steeply over the last few years, which reflects the growth in operating profitability obtained from our business. This includes investments in research and development, the establishment of new and efficient operational and logistical processes, investments in technology and state-of-the-art equipment, product launches, sales and marketing actions, and all the other business and operating management processes. In 2021, the EBITDA margin increased by 11.1 p.p. year-on-year, reaching 36.6%.

EBITDA calculation - reconciliation according to ICVM 527/12.

R$ million	2021	2020	21 vs. 20 *% change*
Net operating revenue	2,740.5	1,859.3	*47.4%*
Cost of sales	-1,422.7	-1,071.6	*32.8%*
Gross profit	1,317.8	787.7	*67.3%*
Operating expenses	-344.2	-342.6	*0.5%*
Deduction of the share in results of investees	0.5	0.0	-
Depreciation and amortization	28.8	29.3	*-1.7%*
EBITDA	**1,002.9**	**474.4**	***111.4%***
EBITDA margin	*36.6%*	*25.5%*	*11.1 p.p.*
Nonrecurring expenses relating to Covid-19	3.9	4.8	*-18.8%*
Adjusted EBITDA	**1,006.8**	**479.2**	***110.1%***
Adjusted EBITDA margin	*36.7%*	*25.8%*	*10.9 p.p.*

EBITDA (earnings before interest, taxes, depreciation and amortization) is not a financial measurement according to the BR GAAP and International Financial Reporting Standards, or 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.

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



All the factors commented on earlier in this report explain our EBITDA performance, namely (i) sales volume growth with a product mix of higher value added and higher average price; (ii) increase in revenue; (iii) cost of sales increase lower than the increase in net revenue, leading to an increase in the gross margin; and (iv) operating expenses remaining basically stable compared to the previous year.

Finance income (costs)

Foreign exchange gains (income) and losses (costs) are the main components of our finance income and costs. The depreciation of the Brazilian currency is reflected in the form of an exchange gain on the trade receivables portfolio and the cash in US dollars of the US subsidiary and in the form of an exchange loss on the financial obligations resulting from our debt, mostly denominated in US dollars. As we have been consistently reducing our debt while meeting all payment deadlines, finance costs dropped since a lower debt balance requires lower debt servicing cost.

In the consolidated 2021, net finance costs decreased by R$178.7 million (-71.2%) compared to net finance costs calculated for 2020, reflecting primarily the lower cost of our debt, due to coupled two factors, leading to a decrease in the foreign exchange losses: (i) a lower debt balance; and (ii) lower depreciation of the Brazilian real in the year, compared to 2020 when the Ptax US dollar exchange rate was 28.9%, putting pressure on our finance costs, especially in the first half.

Profit

We posted profit of R$635.1 million for 2021, our third consecutive annual profit. Profit earned in 2021 multiplies by 2.4 (+140.9%) the profit earned in the previous year.

Our sound growth in terms of production and sales volume, revenue, and cash generation, while keeping gross margins and EBITDA at high levels, as shown in this report, explain the increase in our profit. At the same time, the control of the debt issue eliminated the pressure of finance costs on profit for the year.

R$ million	2021	2020	21 vs. 20 *% change*
(+) Finance income	**225.0**	**252.4**	***-10.9%***
Foreign exchange gains	*196.6*	*250.7*	*-21.6%*
interest and other income	*28.4*	*1.7*	*1570.6%*
(-) Finance costs	**297.3**	**503.4**	***-40.9%***
Foreign exchange losses	*245.4*	*438.2*	-44.0%
Interest, IOF and other costs	*51.8*	*65.2*	-20.6%
(+/-) Finance income (costs), net	**-72.3**	**-251.0**	*-71.2%*
Ptax dollar exchange rate at end of period (R$)	**5.58**	**5.20**	*7.3%*

We have a well-defined strategic planning and are maintaining a growth trend by expanding our market share, developing new products with higher value added in order to operate in segments where we are currently not present, i.e., without competing with our current own products and moving towards increasing the average price of our sales mix.

At the same time, our entire research and development, logistics (inbound and outbound), and operating structure has been adapted and expanded, in the direction of keeping up with our development. In addition, we have other projects underway that will strengthen our positioning in the global market. For example, the Jindal Taurus joint venture that includes building a plant in India exclusively with funds provided by the Jindal Group of India, while we are providing technology and know-how in order to mirror in the new unit our manufacturing methods currently used in our plants in Brazil and the USA.

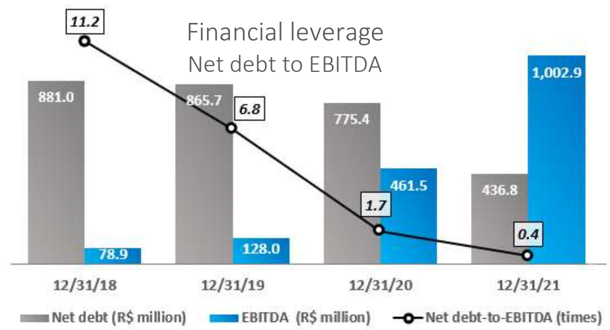
Indebtedness

Business growth and increased operating cash generation have granted us greater financial liquidity that allow us to discharge our financial obligations on the corresponding debt due dates, while being able to make investments to upgrade operating equipment and finance the entire business growth process. We have also prepaid some debt by making additional payments with funds from the exercise of subscription warrants under the ongoing capital increase process, thus reducing our debt balance faster. Thus, our year-on-year gross debt position at the end of 2021 decreased 20.0 percent or R$ 173.4 million. At the same time, given the increase in the balance of cash and short-term investments, net debt decreased by R$ 338.7 million or 43.7 percent.

At the end of 2021, Taurus USA had zeroed out its financial indebtedness and thus our entire debt is held by Taurus in Brazil. In terms of currency, 93.7 percent of our gross debt in denominated in US dollars. Since most of our sales are also made abroad (73,2% of net revenue in 2021), we have a natural currency hedge for this foreign currency-denominated debt.

Since we manage to have our debt under control, we gained new access to the bank credit market. In 4Q21, we entered into an advance on foreign exchange contract (ACC) transaction with a prime amounting to R$108.7 million, which was disbursed in November 2021.

Our net debt has been continuously and consistently reduced in the last years. At the same time, we were consolidated as a strong cash generator. Thus, our leverage was fully reversed, with a drastic reduction in the net debt-to-EBITDA ratio, which at the end of 2021 was 0.4x.



Investments

Today, we are recognized as one of the main firearm manufacturers in the world. Our strategic project is geared to our continuing growth and further expanding this prominent position in the firearms & accessories market so that we become the world's largest manufacturer of revolvers.

Our operation in Brazil is being prepared to be a distribution hub for strategic components for its manufacturing units in the USA and India. In order to support growth, we are investing in infrastructure and equipment.

In 2021, we initiated the expansion of our industrial hub in São Leopoldo with the construction of the Suppliers' Condominium, which was delivered in December. The five suppliers that will operate in the Condominium are making the internal works and adaptations of their facilities. The structure will allow us to streamline processes while ensuring quality and agility in the supply chain and reducing logistic costs.

For the expansion of our manufacturing operations, aiming at increasing the production capacity to 15,000 firearms per day by 2025, we acquired a 100,000 sq-meter area located next to our plant in São Leopoldo, RS. We will be built new facilities on this land and incorporated them into our current industrial complex in order to prepare Taurus to meet the new demands forecast for the coming years.

In 2021, we also invested in plant upgrading, as part of an aggressive manufacturing automation strategy. With an investment of approximately US$34 million, we acquired cutting-edge machinery and equipment that ensure increased productivity and production efficiency. In total, the budget allocated to Capex in the year was R$175.0 million, financed by our strong cash generation.

Statement of Value Added

The value added by Taurus from its activities in 2021 was R$2,049.6 million, which exceeds the value added in the previous year by 62.9%. This indicates that of the total R$3,385.6 million in gross revenue recorded in 2021, 60.5 percent was produced by our own operations. Thus, for each R$1.00 received by Taurus in the quarter, we added R$0.61, which was distributed among personnel (wages, benefits, and severance pay fund, or FGTS), governments (federal, state and municipal taxes), as payments to lenders and lessors (interest and lease payments), in addition to the amounts of retained losses, net of the realization of valuation adjustments to equity.

Capital Markets

Date - 12-month change	TASA3	TASA4	Cap value	Economic value (EV)*
12/30/2020	R$ 15.87	R$ 15.50	R$ 1,507.20	R$ 2,148.80
12/30/2021	R$ 24.51	R$ 24.66	R$ 2,880.99	R$ 3,117.71
Change	*54.4%*	*59.1%*	*91.1%*	*45.1%*

Taurus has common (TASA3) and preferred shares (TASA4) listed on B3's Level II listing segment, a market segment that brings together companies that voluntarily comply with special corporate governance rules. Both shares are part of the B3 Small Caps Index (SMLL) portfolio.

In 2021, taking into account the closing data for December 30, 2020 and 2021, our preferred shares (TASA4) appreciated by 59.1 percent, compared to the depreciation of 11.9 percent of Ibovespa and 16.2 percent of SMLL in the period.

Corporate Governance

Taurus is a publicly traded company, with shares listed on Level II of the B3, a listing segment that brings together companies that undertake to follow differentiated corporate governance rules, in addition to those determined by the Brazilian Corporate Law.

Our management believes that adopting the best corporate governance practices, with transparent actions and follow-ups and controls, is key for the good progress of the business. Thus, our corporate governance model is based on ethical principles, centered on integrity and responsibility in decision making, by seeking to create value for all our stakeholders on this basis. Against this backdrop, in recent years we have reinforced our control structure and sought to improve our corporate governance mechanisms.

The main duties of our **Board of Directors** are setting our strategic stance and course and overseeing the business, as well as the actions of our Executive Committee. In the current two-year term, which will end with the election to be held at the 2023 Annual shareholders' meeting, our Board consists of six members, five of whom, including the Chairman, are independent. Board members are professionals with vast experience in different areas of expertise, and it has been very active by overseeing closely our daily operations. In 2021 the Board met 21 times.

The Board of Directors has an Audit and Risks Committee that provides advisory and technical support, and which in 2020 was declared a statutory committee for the purpose of reinforcing its control and monitoring position.

We also have a permanently functioning **Supervisory Board**, elected annually by the Shareholders' Meeting, consisting of, in the term of office that ends at the Shareholders' Meeting to be held in April, of three members and their alternates. This Board met four times in 2021.

Our **Executive Committee** is responsible for conducting the business and implementing the strategy approved by the Board of Directors, and consists of three statutory officers: the CEO, the CFO, and the Investor Relations and Engineering and Quality Officer.

In 2021, the Board of Directors proposed and approved in a shareholders' meeting, the creation of a shares-based compensation plan for our executive officers, as an incentive and retention tool of our executives.

In addition to our Bylaws, we have policies, codes, and practices that set rules and principles that ensure good corporate governance within Taurus, such as the Related-Party Transactions Policy, the Security Trading Policy, the Code of Ethics, and the Anticorruption Manual.

For detained information on our management and control structure, please see our Reference Form and our Governance Report, both available on our com investor relations website (www.taurusri.com.br) and the Brazilian Securities and Exchange Commission website (www.gov.br/cvm).

Operating Excellence Project

In August 2021, we entered into a partnership with the University of Vale do Rio dos Sinos (Unisinos) to implement the Operating Excellence project. Aligned with our strategic planning, in which ‘innovation’ is the key word, the partnership with Unisinos has three main work fronts: the Taurus Operating Excellence project, the Integrated Technology and Engineering Center, and the development of the Taurus Training Program. Through this partnership, we will develop the Taurus Production System, which will integrate all manufacturing into a broader production system by enhancing the focus on the customer based on connections between the different players within the value chain.

By expanding our partnership with the best research and development centers, we aim at keeping up with the progress in all sorts of product- and process-focused technologies, while integrating customer service, operating capacity, and technological development, which are key steps for Industry 4.0 development. The Industry 4.0 concept, also called the Fourth Industrial Revolution, involves the use of advanced technologies by promoting the digitalization of manufacturing activities in order to improve processes and increase efficiency and productivity. This concept is the basis for the development of the Operating Excellence project, which has the goal of building a Data Science and Smart Factory center after two years, focused on process innovation through simulation and operating research.

Human Resources

We end the year of 2021 with 3,286 employees, 2,985 of whom in Brazil and 301 in the USA. In addition to creating jobs, contributing to the economic development of the regions where our units are located, we also seek to ensure the professional development of our team, thus contributing to the personal career development and the increased efficiency in our business. In 2021, we invested another 1,000 hours in qualification training for our employees.

The highlight of the year was launching the Taurus Training Program, as part of the partnership entered into with the University of Vale do Rio dos Sinos (Unisinos), responsible for mapping out and planning all the aspects of this project. Several qualification modules and stages are being created for all our employees, from the assemblers to the board of directors, in order to prepare the team for the transformations and opportunities that the fourth industrial revolution offers. People development will be one of the key foundations for the development of new businesses and the excellence of our products and processes, as we progress with Industry 4.0.

As part of the Training Program, we started in September the first postgraduation class in Engineering and Production Systems of PROET (Taurus Educational Program of Excellence in Research and Innovation). The course includes classroom simulation of the real demands from our staff and participants are encouraged to develop a project for the continuous improvement of products or processes, under the supervision of our managers. The member of this first class, which consists of 25 Taurus employees from different functions, we conducted an internal selection process among employees who had obtained a university degree and worked in the Company for at least two years.

COVID-19

Since March 5, 2020, we have had a permanent committee to address all matters regarding the pandemic, focusing on preserving the health of employees, supporting society, while maintaining all our activities. The preventive actions were kept in place during 2021, from communication actions to reinforce the awareness of our employees about the importance of respecting the prevention protocols, to the installation of equipment in and making adjustments to our facilities to maintain social distancing and the necessary personal care.

We have taken other initiatives, such as doubling the size of the restaurant, in order to avoid agglomerations, and creating a new resting area. In June we started vaccinating our employees in our premises, per age group, and beginning September we made it mandatory to present proof of Covid-19 vaccination to access our premises.

We also worked to support society by seeking to reduce the social and economic impacts of the pandemic and contribute to the fight spread and treat those infected. We donated 14.3 tonnes of food and toys to institutions that support the lower income population, as well as personal protective equipment, including 500,000 face shields made by Taurus and sent to nine Brazilian states. We also donated 5,000 rapid tests to the City of São Leopoldo and hospital equipment, such as ICU beds and oxygen tanks, to hospitals.

For us it is essential that we continue taking care of our employees and their families, as well as society as a whole, especially the communities located around our headquarters by assuming our share of responsibility for contributing to the population’s wellbeing.

External Audit - CVM Instruction 381/03

Deloitte Touche Tohmatsu Auditores Independentes Ltda. provided the external auditing service consisting of the audit of our financial statements and the financial statements of our subsidiaries for 2021, and the special review of our Interim Financial Information (ITR) issued during the year. The amount paid for this service was R$892,100. The financial statements of our subsidiary Taurus Holdings, Inc were also audited, by the member firm Deloitte in the United States, expressed in USD, and prepared in accordance with accounting practices generally accepted in the United States (USGAAP), for which we paid US$162,500.

Additionally, in 2021, Deloitte Touche Tohmatsu Auditores Independentes Ltda. provided us tax review services and certain tax and corporate compliance reviews, in addition to other assurance work. The total amount of the fees hired for these additional services was R$162,900, which represents approximately 15% of the overall fees charged by the external auditor’s services.

We make sure to avoid the existence of conflicts of interest, loss of independence or objectivity of our independent auditor, and as a practice do not engage the independent auditor’s services for any matter that could interfere in the auditing of our financial statements.

For the engagement of these additional services, Deloitte Touche Tohmatsu Auditores Independentes Ltda. submitted a declaration stating that such services do not compromise the independence and objectivity necessary for the performance of the external audit services of the financial statements.

Corporate Event

Proposed payment of dividends to our shareholders

One of the goals of the strategic plan adopted by the current management was to resume the payments to our shareholders. Because of our business growth and our strong operating and financial indicators achieved, we have taken all the necessary steps to make these payments, including the reversal of the negative equity in 2020. At the Extraordinary Shareholders’ Meeting held on November 11, 2021, the shareholders approved an accounting transaction to reduce our capital by R$370.9 million in order to offset the balance of accumulated losses recognized in our Financial Statements for the year ended December 31, 2020. With profit for the year of R$635.1 million, as disclosed in our Financial Statements for the year ended December 31, 2021, the remaining balance of accumulated losses, totaling R$333.7 million, was fully eliminated.

As a result, the Board of Directors approved the proposal, to be presented at the Annual Shareholders' Meeting to be held on April 19, 2022, for the payment of dividends as shown below.

Management's proposal for the allocation of profit for the year	R$'000
Accumulated losses in the 2020 Financial Statements	704,721
(-) Capital reduction with absorption of accumulated losses (ESM of 11/30/2021)	370,965
Accumulated losses after the capital reduction	333,756
Profit for 2021	**635,060**
(-) Prior year' accumulated losses	333,756
Profit for the year after the offset of accumulated losses	301,304
(-) Legal reserve (5% of profit for the year)	15,065
(+) Valuation adjustment to equity	632
(-) Recognition of the tax incentive reserve	92,587
Adjusted profit for the year	194,284
Mandatory dividends (35% of adjusted profit for the year)	68,000
Additional dividends proposed (65% of adjusted profit for the year)	126,284
Total proposed dividends	**194,284**

Dividends per share (common/preferred)*	R$
Mandatory dividends	0.58
Proposed additional dividends	1.07
Total dividends per share	**1.65**

** The amount of dividends per share is subject to change due to the exercise of subscription warrants.*

1. General Information

Taurus Armas S.A. ("Company"), with registered head office in São Leopoldo, RS, was incorporated on November 17, 1939. Taurus is a Brazilian listed company since 1982 and since 2011 it is listed on Level 2 of Corporate Governance of B3 (ticker symbols TASA3, TASA4). Its parent company is BYK Participações S.A., which in turn is a subsidiary of CBC AMMO LLC, a company based in Delaware, United States of America.

The Company operates in the Firearms and Accessories, Helmets and Accessories, and M.I.M. (Metal Injection Molding) segments. The Company has three manufacturing plants, two in Brazil, located in the State of Rio Grande do Sul, and another now in Bainbridge, Georgia, United States.

Taurus is accredited as an Strategic Defense Company (EED) and is thus qualified to supply products to the Brazilian Armed Forces. In Brazil, sales are aimed at state, federal, civil and military polices, in addition to the civilian market.

Abroad, in addition to distributing TAURUS and ROSSI brand products manufactured in Brazil, the Bainbridge unit manufactures TAURUS pistol models and HERITAGE revolvers. Sales to the United States mainly serve the American civilian market and government agencies in other regions.

Helmet operation

In March 2018, the Company's management made a commitment to sell the helmet operation. In order to conduct this process, Taurus hired specialized consulting services. In light of the divestment decision, the investment was classified as ‘held for sale’ and accounted for pursuant to Brazilian accounting pronouncement CPC 31 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). The helmet operation has one manufacturing plant, in Mandirituba, Paraná State.

In 20212, the Company was still assessing the proposals received for the sale of its helmet operation. Since the Company aims to obtain the return of the actual value of the business, is not under pressure to realize these assets to meet its cash requirements, and the operation remains in progress, the Company decided to return the consolidation of this operation as an going concern in these financial statements, as shown in Note 4.c.

Accessories joint venture

On May 28, 2020, Taurus, after being authorized by its Board of Directors, has signed a non-binding memorandum of understanding (MoU) with an important Brazilian company in the automotive industry, operating in the domestic market, aiming at setting up a joint venture in Brazil to manufacture accessories for light weapons.

The purpose of the joint venture, if all statutory and legal authorizations are obtained, is the manufacture and sale of light weapon accessories for the domestic and foreign markets. With the execution of the MoU, the parties had until September 30, 2020 to complete the feasibility studies for the creation of the joint venture and the business plan to be developed, as well as to establish the conditions necessary for the implementation of the new business. On September 29, 2020, pursuant to the Material Fact Notice disclosed, an addendum to the memorandum of understanding (MoU) was signed, whereby the effective period was extended for an additional period of ten (10) days, so as to finally enter into the agreement for the setting up of the joint venture.

On October 8, 2020, after being authorized by its Board of Directors, the Company entered into a final agreement for the setting up of the joint venture, which will allow the manufacture and sale of clips and other light firearm stamped components.

The partnership was entered into with Joalmi Indústria Metalúrgica Ltda. (“Joalmi”), a company with more than 30 years’ experience in the automotive industry and expertise in engineering, technology and development of stamped parts in ferrous and nonferrous metals, and the assembly of highly complex products, mostly related to car safety systems.

The technology used in the manufacture of the magazines, besides being strategic for the Company, is key for the perfect functioning and safety of the weapons. By creating this joint venture, Taurus will become self-sufficient in the production of magazines, an aftermarket segment, currently dominated by few foreign suppliers. Also, it will allow a steep cost reduction for the Company's operations, with integrated and efficient logistics, volume flexibility, adding value to Taurus Technology and Engineering Center.

The new magazine company is fully aligned with Taurus global strategy of making the unit in Brazil the most efficient firearm plant in the global market and a parts distribution hub for all Group units, to support the efficient and lucrative production model. This operation will also allow Taurus to enter a new market niche currently not exploited by the Company, which is the aftermarket segment.

On March 11, 2021, the establishment of the joint venture was formalized and the Company, in an agreement with partner Joalmi Indústria Metalúrgica Ltda., decided to implement the joint venture's operations as part of the corporate structure of Taurus Plásticos Ltda.

As a result, the name of Taurus Plásticos Ltda was changed to Taurus JM Indústria de Peças Ltda. and the manufacture of parts for firearms was added to its core business description. Taurus JM was released from complying with the procedures of the Division Of Corporations to start the operations at the Joalmi industrial park, on Guarulhos (SP) at the beginning of September 2021.

On September 28, 2021, the Company billed the first batch of Taurus JM magazines to Taurus Armas. In December 2021, this operation will be transferred to Taurus industrial hub, in São Leopoldo (RS). In April 2022, this operation will be transferred to Taurus industrial hub, in São Leopoldo (RS).

COVID-19

Since the beginning of the COVID-19 outbreak, the Company has taken several actions to protect the health of its employees and their families, ensure it would continue as a going concern, and contribute to the development of the local and global economy. So far, the Company has limited the outbreak's impact on its operations. During this period, the Company has not suspended its operations in Brazil and in its unit in the United States, as it is classified as an essential activity because of its status as a Strategic Defense Company. The Company has made changes in its operation in order to reduce the flow, contact and gathering of workers, as well as by providing instructions on the measures to be taken, strengthening cleaning measures, and supplying hygiene supplies, measuring the temperature of everyone who enters its units, and the mandatory use of masks, among other measures. Some activities started to adopt a home office scheme, the employees identified as at-risk were put in leave and Taurus also adopted a new system of work scales, work shift rotation, and changes in working hours, aiming at balancing production with people flows, to mitigate the risks of virus transmission and preserve social, economic and financial interests without changing their productive capacity.

As the Company has not suffered significant changes in its operations, on impacts on the repayment of its debt and payments to its suppliers on due dates were identified. The Company has also adopted measures to maintain its financial health such as:

• Investment prioritization;
• Creation of the Crisis Committee to discuss the impacts of COVID-19;
• Reviewing the annual budget and periodical scenario updating and strict approval process for new expenses.

In compliance with CVM Circular Letter No. 02/2020 of March 10, 2020, which addresses the effects of the COVID-19 pandemic on businesses' financial statements, Management assessed the main risks and accounting impacts, as well as the uncertainties that could affect said financial statements. Taurus reviewed its credit risks and assessed circumstances that would indicate an impairment of the Company's financial and nonfinancial assets, and identified no impacts due to the pandemic. Except for the costs arising from the increase of cleaning procedures, making facemasks and face shields, buying hand sanitizer, sanitization, and other measures directly linked to COVID-19, which during the period of this pandemic, until December 31, 2022, total approximately R$8.7 million, to date no further costs or expenses were incurred. After all the inherent analyses made according to the legal, strategic and operational requirements of the Company, management did not identify any contingencies and the need to recognize provisions linked to, or adjustments to assets arising from COVID-19.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Economic and Financial Restructuring

On July 18, 2018, the Company's Management completed the renegotiation process and execution of the debt agreements with the Bank Syndicate (Banco do Brasil, Banco Santander, Banco Itaú and Banco Bradesco), as well as the renegotiation process of its third issue of public debentures with Banco Haitong.

The Transaction has the following collaterals: (i) collateral assignment of all shares of Taurus Helmets Indústria de Capacetes Ltda. (formerly Taurus Blindagens Ltda.) and Taurus Blindagens Nordeste Ltda. ("Collateral Assignment"); (ii) second degree mortgage on two properties located in Mandirituba, PR and two properties located in Porto Alegre, RS and first degree mortgage on a property located in São Leopoldo, RS ("Mortgage"); (iii) collateral assignment of receivables arising from all the funds resulting from the possible sale of the shares subject to the Collateral Assignment and the Mortgage, as well as rights inherent to the ownership of the Company's restricted account to be opened for the purpose of receiving the funds; and (iv) pledge of Taurus International shares.

As an additional option to assist in the economic and financial restructuring, the Company maintains its strategy of: (a) divestment of non-core assets, namely: the helmet operation (historically cost-effective and profitable), whose decision to sell and authorize the sale efforts was made by the Board of Directors in March 2018, in addition to extensive land in a prime residential area of Porto Alegre, where the Company's former facilities were located; and (b) sound restructuring plan, which is still in progress with some stages to be completed monitored by Management while other stages have been completed, conducted by a specialized consulting firm already hired.

This restructuring plan, which is in progress, showed positive results throughout 2018 with substantial improvements in 2019. The Company believes that it has obtained efficiency gains in 2020, such as greater reduction of production costs, increased production scale, better dilution of finance costs, considerable improvement of its product quality and strengthening of its processes, and it also expects to continue bringing gains over the next years, in particular for its new plant in Bainbridge, Georgia, in the United States.

Debt Renegotiation

On June 8, 2020, the Board of Directors authorized the Company, in an extraordinary meeting, to enter into with the Bank Syndicate a waiver extending the debt repayment maturity until August 31, 2020. During this period, the parties renegotiated the terms of the current agreement for amendment in line with the pandemic scenario. This amendment to the agreement allowed the Company to dilute the principal repayment installments in its cash flow.

On August 10, 2020, the amendments to the agreement relating to the new payment terms and conditions of the obligations to the Bank Syndicate were entered into, which contemplate the rescheduling of the payment of the principal that would mature in June 2020, which decreased from 15.07% to 0.29%, whereas the December 2022 installment decreased from 63.81% to 60.00%. These two adjustments were diluted between the installments due from June 2020 and November 2022. There was a 0.50% annual prospective increase in the bank spread rate. Collaterals also include the pledge of the shares issued by subsidiary Taurus USA. The amount will be adjusted to the Company's future cash flows and diluted over 16 months, including the other amounts and maturity dates already agreed in the previous agreement,

The table below shows the repayment installments in percentages, after the last renegotiation:

REPAYMENT SYSTEM BEFORE RENEGOTIATION	REPAYMENT SYSTEM AFTER RENEGOTIATION - 07.31.2018	REPAYMENT SYSTEM AFTER WAIVER RENEGOTIATION - JUNE 2020
PPEs and DEBENTURES, BANKS BRADESCO, BRASIL, SANTANDER, ITAÚ, HAITONG.	**PPEs and DEBENTURES, BANKS BRADESCO, BRASIL, SANTANDER, ITAÚ, HAITONG.**	**PPEs and DEBENTURES, BANKS BRADESCO, BRASIL, SANTANDER, ITAÚ, HAITONG.**
23.07% OF THE DEBT IN 2018	10.71% OF THE DEBT IN 2019	
30.76% OF THE DEBT IN 2019	15.90% OF THE DEBT IN 2020	
30.76% OF THE DEBT IN 2020	2.80% OF THE DEBT IN 2021	14.03% OF THE DEBT IN 2021 (*)
15.41% OF THE DEBT IN 2021	70.59% OF THE DEBT IN 2022	72.86% OF THE DEBT IN 2022

(*) Up to December 31, 2021, the Company prepaid to the bank syndicate for debt amortization the entire percentage scheduled for 2021 and part of 2022. The outstanding balance for the next year is now 51.06%.

Upon the execution of these amendments, the Company is in regular standing before its creditors, rescheduling the payment of its debt which will be solely supported by its own cash generation so as to continue with the financial deleverage process. Such negotiation was based on the banks' confidence in the Company's current management, strengthening the commitment to all stakeholders, especially at the present difficult period the world is undergoing due to the COVID-19 pandemic, and is fully aligned with Taurus restructuring strategy, based on sustainable profitability, quality and improvement of financial and operating indicators. Up to December 31, 2021, the payments made totaled R$474.1 million, which accounts for 48.94% relating to the total debt principal.

2. Presentation of the Financial Statements for the Year

2.1. Basis of preparation

a) Statement of compliance
The individual and consolidated financial statements have been prepared and are presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and also in accordance with accounting practices adopted in Brazil (BR GAAP), considering the pronouncements, guidelines and instructions issued by the Accounting Pronouncements Committee (CPC), approved by the Brazilian Securities and Exchange Commission (CVM), and the provisions in the Brazilian Corporate Law, and are identified as "Parent" and "Consolidated", respectively.

The financial statements have been prepared based on the historical cost, except for the revaluation of certain properties and financial instruments measured at their revalued amounts or fair values at the end of each reporting period, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The fair value for measurement and/or disclosure purposes in these individual and consolidated financial statements is determined on this basis, except as otherwise required by another accounting pronouncement.

The individual and consolidated annual financial statements for the year ended December 31, 2021 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

b) Management statement
The Company's management states that all material information in the financial statements as at December 31, 2021, and only such information, is being disclosed and corresponds to that used in managing the Company.

The financial statements were approved by the board of directors and authorized for issue on March 10, 2022.

2.2. Basis of consolidation

The consolidated interim financial statements include the financial statements of the Company and the entities controlled by the Company (its subsidiaries) prepared up to December 31 of each year. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether it retains the control over an investee or not if facts and circumstances indicate the occurrence of changes in one or more than one of the three components of control described above.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The consolidation of a subsidiary begins when the Company acquires control over the subsidiary and ends when such control ceases to exist. Specifically, revenue and expenses of a subsidiary acquired or sold during the year are included in profit or loss as from the date the Company acquires control through the date the Company ceases to control the subsidiary.

When the Company loses control over a subsidiary, the gain or loss on disposal is calculated by the difference between: (i) the sum of the fair value of consideration received and the fair value of the and residual interest; and (ii) the previous carrying amount of the assets (including goodwill), the subsidiary' liabilities and noncontrolling interests.

The table below lists the subsidiaries included in the consolidated financial statements:

		Equity interest	
Company	**País**	**2021**	**2020**
Taurus Helmets Indústria de Capacetes Ltda.(*)	Brazil	**100.00%**	**100.00%**
Taurus Blindagens Nordeste Ltda.(*)	Brazil	**100.00%**	**100.00%**
Taurus Holdings, Inc. (***)	United States	**100.00%**	**100.00%**
Taurus Máquinas-Ferramenta Ltda.(*)	Brazil	**100.00%**	**100.00%**
Taurus Investimentos Imobiliários Ltda.(*)	Brazil	**100.00%**	**100.00%**
Polimetal Metalurgia e Plásticos Ltda.	Brazil	**100.00%**	**100.00%**
T. Investments Co. Inc.	Panama	**100.00%**	**100.00%**
Taurus JM Indústria de Peças Ltda.(*)(**)	Brazil	**51.00%**	**100.00%**

(*) The equity interests above represent the percentage rate held by the Company, both directly and indirectly, in the subsidiaries' capital.
(**) Former Taurus Plásticos Ltda. It ceased to be consolidated in 2021, as disclosed in note 14.
(***) Taurus Holdings, Inc. holds a 100% interest in the subsidiaries Taurus International Manufacturing, Inc, Heritage Manufacturing, Inc, Braztech International, L.C., Inc., and Tamel Properties, Inc.

All intragroup transactions, balances, revenue and expenses, and cash flows are eliminated on consolidation. The consolidation of balance sheet and statement of profit and loss line items is based on their nature, supplemented by the elimination of the following:

- Parent's interests in intragroup capital, reserves, and retained earnings (accumulated losses);
- Intragroup balances of assets and liabilities;
- Balances of revenues and expense, and cash flows arising from intragroup transactions; and
- Unrealized gains arising from transactions with investees recognized by the equity method proportionally to the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment of the asset.

2.3. Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The profit or loss, assets and liabilities of joint ventures are reported in this interim financial information under the equity method of accounting, except when the investment is classified as "held for sale", in which case it is accounted for according to CPC 31/IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, an investment in a joint venture is initially recognized in the balance sheet at cost and subsequently adjusted to recognize the Company's interest in the profit or loss and the other comprehensive income of the joint venture. When the Company's interest in an joint venture's losses exceeds its interest in the same associate (which includes any long-term interests that, in substance, are part of the Company's net investment in the joint venture), the company ceases to recognize its interest in additional losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date the investee becomes a joint venture. On the acquisition of the investment in a joint venture, any investment cost that exceeds the Company's interest in the net fair value of the investee's identifiable assets and liabilities is recognized as goodwill, which is added to the carrying amount of the investment. Any amount of the Company's interest in the net fair value of the identifiable assets and liabilities that exceeds the investment cost, after remeasurement, is immediately recognized in profit or loss for the period when the investment is acquired.

The requirements of IAS 36/CPC (CPC 01 (R1)) *Asset Impairment* are applied to determine the need to recognize any impairment loss related to the Company's investment in a joint venture. When necessary, the total carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (which is the higher of its value in use and the fair value less costs of disposal) with its carrying amount. Recognized impairment losses are not allocated to any asset, including goodwill that is part of the carrying amount of the investment. Any reversal of such impairment loss is recognized pursuant to IAS 36 to the extent that the recoverable amount of the investment is subsequently increased.

2.4. Functional and presentation currency

The individual and consolidated financial statements stated in Brazilian reais (R$), which is the functional and presentation currency of the Company and its subsidiaries headquartered in Brazil, as it is the currency of the main economic environment in which the Company operates and which generates cash inflows and outflows. The functional currency of subsidiary Taurus Holdings, Inc., headquartered in the United States of America, and of subsidiary T. Investments Co. Inc., headquartered in Panama, is the US dollar, and their assets and liabilities are translated into Brazilian reais based on the exchange rate at the balance sheet date and their profit or loss are translated based on the monthly average exchange rate, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates on the transaction date are used. Exchange differences arising from the translation process of the foreign subsidiary are recognized in other comprehensive income and recognized in equity.

Foreign currency-denominated transactions are translated into the Company's functional currency at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting periods are retranslated into the functional currency at the exchange rate prevailing on that date. All differences are recognized in the statement of profit and loss. Nonmonetary items recognized at fair value determined in a foreign currency are translated at the exchange rate prevailing on the date that fair value was determined. Nonmonetary items measured at historical cost in a foreign currency are not retranslated.

3. Critical accounting judgments and key sources of estimation uncertainty

In applying the Company's accounting policies, Management makes judgments and estimates regarding the reported amounts of assets and liabilities for which objective information is not easily obtained from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The information on critical judgments related to the accounting policies adopted that affect the amounts recognized in the individual and consolidated interim financial information and information on uncertainties, assumptions, and estimates is disclosed in the following notes: 9 – Trade receivables (expected credit losses on doubtful debts), 10 - Inventories (allowance for inventory losses), 13 – Income tax and social contribution, 14 – Assets held for sale (impairment), 16 – Property, plant and equipment (impairment), 17 – Intangible assets (impairment), 22 – Provision for civil, labor and tax risks, and 23 – Financial instruments.

Due to the COVID-19 pandemic, the Company reassessed the accounting estimates based on performance projections and assessed the accounting impacts from other measures. The main analyses conducted and the Company's conclusions are as follows:

Trade receivables (expected credit losses on doubtful debts): Sales to end customers are paid with credit cards and the Company has the option to advance receipts without risk of default because the contracts with the card company have a no return condition, while at the same time the Company increased its sales volume to its subsidiary Companhia Brasileira de Cartuchos – CBC, which has no history of default and in the current scenario will also experience increase in potential demand.

Inventories (expected losses on inventories): Due to the market upturn, the Company is experiencing high demand for its finished products and the materials that make up its products, so that no changes are identified that would require special attention to this issue.

Income tax and social contribution: In light of its past performance, the Company recognizes accumulated tax loss which, due to the changes in its operations management and market changes can be quickly used in the determination of future taxable income, owing to its current capacity and future profit generation projection. However, the Company still has a significant debt that substantially impacts its finance income (costs), thus contributing to the decrease of taxable income (loss) and our estimates are intended to address these situations and all influence that may affect the tax basis.

Assets held for sale, Property, plant and equipment and Intangible assets (impairment): The Company, based on economic projection studies conducted by a specialized consulting firm, has demonstrated its ability to generate cash through its assets and thus do not point to the need for impairment adjustments or material and/or urgent efforts to realize its held-for-sale assets.

Dividends: The proposed distribution of dividends made by the Company's management that does not exceed mandatory minimum dividends of 35%, as prescribed by the Company's bylaws, and is recognized as current liabilities as it is considered a legal obligation under the Company's bylaws. The portion of the dividends in excess of the mandatory minimum dividends, declared by Management before the end of the annual reporting period to which the accounting statements refer, and not yet approved by the shareholders, is recognized as proposed additional dividends, under shareholders' equity.

Provision for civil, labor and tax risks: The Company has a strong management of its risks, with appropriate technical evaluations that show that there are no specific implications related to the pandemic that may change or increase the existing and/or known risks.

Financial instruments: In contrast to other segments that have been affected by market downturns, the need to raise fund, among other issues, the high demand in the Company's segment has been allowing a better cash position, increasing the availability of credit facilities, and no possible changes also in its financial liabilities have been identified.

The Company assessed its supply chain, current market demands, its customers' ability to settle their debts, its financial capacity and its ability to raise funds and continue as a going concern. The Company, as part of the analyses described above, has revised its allowances, estimates, impairment calculations, and they do not indicate any changes and need to recognize allowances or change its figures.

In light of all circumstances described and analyzed above, there are no impacts that, as already mentioned, give rise to changes in criteria, allowances or any other applicable contingency.

(i) Fair value measurement

Several accounting policies and disclosures adopted by the Company require the measurement of financial and nonfinancial assets and liabilities assets at fair value.

The Company established fair value measurement controls that contemplate the periodic assessment of significant unobservable inputs and valuation adjustments.

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, which may be accessed by the entity on the measurement date.

Level 2: *inputs* other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3: *inputs* for assets or liabilities, which are not based on observable market inputs (unobservable inputs).

The Company uses the Level 2 for fair value measurement purposes.

4. Significant accounting policies

The accounting policies and calculation methods adopted to prepare these financial statements for the year ended December 30, 2021 are the same accounting policies used to prepare the annual financial statements for the year ended December 31, 2020; however, in light of the joint venture operation, described in note 14, and the Share Based Payment Plan, described in Note 27, two new policies were applied as per CPC 15 (R1) *Business Combinations* (IFRS 3) and CPC 10 (R1) *Share-based Payment* (IFRS 2), respectively. All amounts are expressed in thousands of Brazilian reais (R$), unless otherwise stated.

The presentation of the individual and consolidated Statements of Value Added (SVA) is required by the Brazilian Corporate Law and accounting practices adopted in Brazil The IFRSs issued by the IASB do not require the presentation of such statement. Consequently, the presentation of the statement of value added is considered by the IFRSs as supplemental information, without prejudice to the set of financial statements. The purpose of the statement of value added is to disclose the wealth created by the Company and how this wealth is distributed in a given period. The statement of value added has been prepared using information obtained in the same accounting records used to prepare the financial information and pursuant to the provisions of CPC 09 *Statement of Value Added*.

a) Financial instruments – general accounting policy
Financial assets and financial liabilities are recognized in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component and are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, if applicable, on initial recognition. Transactions costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

As at December 31, 2021 and 2010, the Company does not conduct derivative transactions. Additionally, the Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(i) Non-derivative financial assets
All regular way purchases and sales of financial assets are recognized and derecognized on the trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within a period established by regulation or convention in the marketplace.

All financial assets recognized are subsequently measured at amortized cost or at fair value, depending on their classification. These financial assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is written down when impairment losses are verified. Interest income, foreign exchange gains and losses, and *impairment* are recognized in profit or loss.

Instruments that meet the following conditions are measured subsequently at amortized cost:

- Financial assets are maintained in a business model whose objective is to keep the financial assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The instruments are subsequently measured at fair value through other comprehensive income provided that the following conditions are met:

- Financial assets are maintained in a business model whose objective is met by collecting contractual cash flows and selling the financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In general, all other financial assets are subsequently measured at fair value through profit or loss.

Financial assets are not reclassified subsequently to their initial recognition, unless the Company changes its busines model used to manage financial assets. The Company assesses of the objective of the business model in which a financial asset is held in portfolio because this best reflects the way in which the business is run.

At the date of the individual and consolidated financial statements, the Company has the following non-derivative financial assets: cash and cash equivalents classified and measured at fair value through profit or loss; and short-term investments and short-term investments and restricted accounts, trade receivables, due from related parties, and other receivables classified and measured at amortized cost.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Upon the derecognition of a financial asset measured at amortized cost or at fair value through profit or loss, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

(ii) Non-derivative financial liabilities

Financial liabilities All financial liabilities are subsequently measured at amortized cost using the effective interest method or measured at fair value through profit or loss. Financial liabilities are classified at fair value through profit or loss when a financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated at fair value through profit or loss. Financial liabilities measured at FVTPL are measured at fair value and net gains or losses, including interest, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss.

At the date of these individual and consolidated financial statements, the Company has the following non-derivative financial liabilities: borrowings and financing, non-convertible debentures, and trade and other payables, all classified and measured at amortized cost.

Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or when they expire. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in profit or loss.

Based on the accounting policy, the Company classifies the interest paid as financing activity, consistently with its financial statements.

(iii) Impairment

The Company recognizes an allowance for expected credit losses ("ECL") on trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the past credit loss experience, adjusted according to specific factors of debtors, general economic conditions and the assessment of current and projected conditions at the reporting date, including the time value of money, when applicable, as described in note 5.1.

b) New effective standards, interpretations and revised standards
The main new standards or amendments to standards and interpretations effective for annual periods beginning on or after January 1, 2020 and adopted by the Company are as follows:

(i) **CPC 50 / IFRS 17– Insurance Contracts**
This standard came into effect on January 1, 2021, superseding CPC 11 – Insurance Contracts (IFRS 4) that maintains the requirements set out in prevailing local rules. CPC 50 (IFRS 17) provides a global, comprehensive model for accounting for insurance contracts in line with the international accounting standards. After evaluating its business and operations, Management does not anticipate any impacts on the Company's interim financial information, since the Company is neither an issuer nor a policyholder of insurance to cover substantive rights and obligations, given its type of business.

The main new standards or amendments to standards and interpretations not yet effective and not adopted by the Company are as follows:

(ii) **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
In case of sale or contribution of assets between an investor and its associate or joint venture, the transaction effect would only be recognized in profit or loss to the extent the transaction is conducted with an unrelated third party. These amendments are effective for periods beginning on or after January 1, 2022.

(iii) **Amendment to IAS 1 – Classification of Liabilities as Current or Non-current**
This standard will come into effect beginning January 1, 2022. Clarifies aspects to be considered for the classification of liabilities as current or non-current liabilities.

(iv) **Annual improvements to IFRS 2018-2020 Cycle**
This standard will come into effect beginning January 1, 2022. Refer to amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*.

Beginning May 2020, the IASB issued the COVID-19-Related Rent Concessions standard (amendments to IFRS 16), which introduces a practical expedient for how a lessee accounts for rent concessions that occurred during the COVID-19 pandemic. The amendment allows a lessee to elect not to treat them as lease modifications if the modification is related to COVID-19. The Company has not identified any significant impacts as a result of this change in the standard.

Management assessed the impacts of the standards above on the Company's financial statements and does not anticipate any significant impacts arising from their adoption.

c) Restated on accounting balances
Pursuant to international standard IAS 8 (CPC 23) *Accounting Policies, Changes in Estimates and Errors*, the consolidated financial statements for the period prior to December 31, 2020 are being restated for purposes of comparison.

The Company continues to pursue the sale of its helmet operation located in Mandirituba, Paraná, Taurus Helmets Indústria de Capacetes Ltda. and continues to assess proposals to secure a price that reflects the actual value of the business. However, after several years without completing the sale and since the unit is in operation, and also considering the application of CPC 31 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5), the Company is once again consolidating this operation as a going concern in its interim financial information, while the unit that is not in operation, Taurus Blindagens Nordeste Ltda., continues to be stated as a discontinued operation, held for sale.

This way, the amounts corresponding to the previous year, presented for purposes of comparison, were revised and are being restated to reflect the changes mentioned above.

This restatement did not change the Company's profit for the period as shown below.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Statement of profit or loss for the year ended December 31, 2020.

			Consolidated
	12/31/2020	Adjustment	12/31/2020 Restated
Net operating revenue	**1,773,188**	86,152	1,859,340
Cost of sales	**(1,017,849)**	(53,770)	(1,071,619)
Gross profit	**755,339**	32,382	787,721
Operating income (expenses)			
Selling expenses	**(148,826)**	(15,815)	(164,641)
General and administrative expenses	**(182,177)**	(6,318)	(188,495)
Share of results of investees	**-**	-	-
Allowance for impairment of financial instruments	**2,302**	557	2,859
Other operating income, net	**11,958**	1,398	13,356
Other operating expenses, net	**(4,273)**	(1,396)	(5,669)
	(321,016)	(21,574)	(342,590)
Profit before finance income (costs) and taxes	**434,323**	10,808	445,131
Finance income	**250,414**	1,985	252,399
Finance costs	**(500,046)**	(3,309)	(503,355)
Finance income (costs), net	**(249,632)**	(1,324)	(250,956)
Operating profit before taxes	**184,691**	9,484	194,175
Current income tax and social contribution	**(18,893)**	(1,725)	(20,618)
Deferred income tax and social contribution	**87,521**	3,382	90,903
Profit before the reversal of interest on capital	**253,319**	**11,141**	**264,460**
Noncontrolling interests	**-**	-	-
Profit for the year from continuing operations	**253,319**	11,141	264,460
Profit (loss) from discontinued operations	**10,284**	(11,141)	(857)
Profit or loss for the year	**263,603**	-	263,603
Basic loss per share -R$			
Common shares (ON)	2.74217	-	2.74217
Preferred shares (PN)	3.22845	-	3.22845
Diluted loss per share - R$			
Common shares (ON)	2.74217	-	2.74217
Preferred shares (PN)	2.78684	-	2.78684

d) Share-based payment plan (stock options)

The Company’s Stock Option Plan (“Plan”), approved by the Annual and Extraordinary Shareholders' Meeting held on April 26, 2021, is based on the stock options concept, in which the Company grants to the statutory officer(s) a right (and not an obligation) to purchase shares issued by the Company at/in preset prices (strike price) and periods (exercise periods).

The Board of Directors, which shall be responsible for the Plan's administration, may, while respecting the conditions of said Plan, the guidelines set forth by the Shareholders’ Meeting and the applicable statutory provisions, the relevant CVM regulation, and Company Bylaws, create Stock Option Programs (“Program”) under which the specific conditions applicable to stock options that may be granted within the scope of the Plan shall be determined. These conditions include, in particular, the strike price, any vesting periods during which the stock options cannot be exercised, deadlines and periods for exercising stock options, any overall performance goals of the Company that must be met as a condition for exercising the options, among others.

The Company’s current or future statutory directors are eligible to participate in the Plan. The approval of the actual participants and the number of stock options to be granted to each officer shall be determined by the Board of Directors. The statutory executive officer's participation in an grant program does not guarantee his or her participation in subsequent stock option granting programs.

None of the provision of the Plan, the Program, the stock option agreement, and/or the stock option granted shall entitle any participant to remain in any position in the Company, or other company under the Company's control, as applicable, nor shall it interfere in any way with the Company's right, at any time and subject to the applicable legal and contractual terms and conditions, to terminate the employment contract of a statutory executive officer or in any way ensure his or her termination. Information about the plan is described in note 27.

On October 18, 2021, the Company approved in a meeting of the Board of Directors the Company's Second Stock Option Program ("2nd Program") including the eligibility rules of this 2nd Program's beneficiaries and the definition of the grant terms and conditions. All terms and conditions of the Plan, approved by the Company's Annual and Extraordinary Shareholders' Meeting held on April 26, 2021, were observed.

e) Cash-settled payment plan (Phantom Shares)

The Company's Cash-settled Stock Option Plan, known as Phantom Shares, was approved at the Annual and Extraordinary Shareholders' Meeting held on April 26, 2021 and is intended to grant to eligible employees rights on the appreciation of the Company's shares, to be settled in cash, as part of the variable compensation package, so as to acknowledge the successful attainment of the proposed goals that allowed the Company's turn-around and offer incentive to retain executives.

The Company's current or future statutory officers are eligible to participate in the Plan.

In total, the payment of the additional bonus to the Beneficiaries shall correspond to seven hundred and eighty thousand (780,000) phantom shares, corresponding to the average quotation at B3 of one (1) Taurus Armas S.A. preferred share (B3: TASA4) on the previous five trading sessions, including the Base Date, considering the ceiling price of R$25.00. Payment will be made in local currency on December 30, 2021. Information about the plan is described in Note 27.

f) Leases

The Company, through its subsidiary Taurus Holdings, Inc. (USA) recognizes the liabilities assumed against the respective right-of-use assets in accordance with the lease contract entered into with the Georgia Development Authority, in the United States where the Taurus plant is located.

5. Financial Risk Management

The Company's risk management policies are set out to identify and analyze the risks faced by the Company, set limits and appropriate risk controls, and monitor risks and compliance with limits. The risk management policies and systems are regularly reviewed to reflect changes in the market conditions and the Company's activities. The Company is exposed to the following risks arising from the use of financial instruments:

5.1 Credit risk

Credit risk is the risk of the Company incurring financial losses if a customer or a counterparty to a financial instrument fails to perform its contractual obligations, which arises mainly from trade receivables and investment securities. With respect to financial institutions, the Company and its subsidiaries only conduct transactions with financial institutions considered by Management as low risk financial institutions.

Trade and other receivables

The Company and its subsidiaries adopt the procedure of analyzing the financial position of its counterparties, set credit limits, and constantly monitor the outstanding positions. In respect of the Company's revenue, sales are concentrated on related parties Taurus International and Companhia Brasileira de Cartuchos – CBC, and there is no credit risk concentration on other customers.

Credit approvals are individually analyzed before customary payment and delivery terms and conditions are offered. Such analysis includes external assessments and, in certain cases, bank references. Purchase limits are set for each customer, which represent the maximum outstanding amount without requiring credit approval; these limits are periodically reviewed. Customers that failed to comply with the credit limit set by the Company can only operate if receivables are settled. For public bodies, the Company's Management individually assesses the payment capacity and bidding requirements for making a sale. The Company does not have any customer that individually represents more than 5% of Company sales, except with its related parties.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

In monitoring the credit risk, customers are grouped according to their credit characteristics, including whether they are individuals or legal entities, retailers or public bodies, based on their geographic location, industry, and previous financial problems.

With regards to sales to individuals, the Company is able to receive in advance part of the sales amount upon purchase intention, and the product is only billed and delivered if there is no default.

Exposure to credit risks

As at December 31, 2021, the maximum credit risk exposure was as follows:

		Consolidated		Parent
	12-31-2021	**12-31-2020**	**12-31-2021**	**12-31-2020**
Fair value through profit or loss				
Cash and cash equivalents	**185,764**	91,231	**65,399**	34,623
Amortized cost				
Trade receivables	**515,163**	317,406	**360,933**	183,267
Short-term investments and restricted account	**70,778**	16	**70,778**	16
Other receivables	**54,588**	49,013	**38,684**	41,964
Total	**826,293**	457,666	**535,794**	259,870

The balances of trade receivables are disclosed taking into account the expected credit losses (see note 9).

The maximum credit risk exposure for trade receivables per geographic region was as follows:

		Consolidated		Parent
	12-31-2021	**12-31-2020**	**12-31-2021**	**12-31-2020**
Domestic – trade receivables	**316,763**	182,436	**299,136**	172,384
United States – trade receivables	**163,572**	138,526	**15,458**	2,893
Other	**50,968**	12,259	**49,621**	9,539
Total	**531,303**	333,221	**364,215**	184,816

The maximum credit risk exposure on the balance sheet date per type of counterparty was as follows:

		Consolidated		Parent
	12-31-2021	**12-31-2020**	**12-31-2021**	**12-31-2020**
Trade receivables – public bodies	**13,587**	6,862	**13,587**	6,825
Trade receivables – distributors	**412,293**	287,521	**268,543**	152,129
Final customers	**105,423**	38,838	**82,085**	25,862
Total	**531,303**	333,221	**364,215**	184,816

The balances of trade receivables above are disclosed without taking into account the expected credit losses (see note 9).

Allowance for expected credit losses

In conformity with CPC 48/IFRS 9 Financial Instruments, the allowance for expected credit losses takes into consideration an internal risk rating indicator, which observes the customer behavior and the macroeconomic context uncertainties.

As at December 31, 2021, the aging list of the customer portfolio and allowance for expected losses is as follows:

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

						Consolidated
			12-31-2021			12-31-2020
	Portfolio	Allowance	% coverage	Portfolio	Allowance	% coverage
Current	**434,203**	**(4,978)**	**1.1%**	**265,986**	**(5,288)**	**2.0%**
0-30 days past due	**52,115**	**(599)**	**1.1%**	**27,764**	**(367)**	**1.3%**
31-60 days past due[(1)]	**7,298**	**(269)**	**3.7%**	**18,919**	**(160)**	**0.8%**
61-90 days past due[(1)]	**3,434**	**(123)**	**3.6%**	**1,390**	**(110)**	**7.9%**
91-180 days past due[(1)]	**6,888**	**(120)**	**1.7%**	**4,013**	**(335)**	**8.3%**
181-360 days past due[(1)]	**8,507**	**(201)**	**2.4%**	**2,524**	**(433)**	**17.2%**
Over one year past due	**18,858**	**(9,850)**	**52.2%**	**12,625**	**(9,122)**	**72.3%**
Total	**531,303**	(16,140)		**333,221**	(15,815)	

						Parent
			12-31-2021			12-31-2020
	Portfolio	Allowance	% coverage	Portfolio	Allowance	% coverage
Current	**328,760**	**(1,788)**	**0.5%**	**142,945**	**(491)**	**0.3%**
0-30 days past due	**25,809**	**(57)**	**0.2%**	**21,144**	**(206)**	**1.0%**
31-60 days past due[(1)]	**4,074**	**(218)**	**5.4%**	**15,999**	**(41)**	**0.3%**
61-90 days past due[(1)]	**459**	**(80)**	**17.4%**	**632**	**(20)**	**3.2%**
91-180 days past due[(1)]	**127**	**(17)**	**13.4%**	**582**	**(94)**	**16.2%**
181-360 days past due[(1)]	**2,136**	**(87)**	**4.1%**	**929**	**(284)**	**30.6%**
Over one year past due	**2,850**	**(1,035)**	**36.3%**	**2,585**	**(413)**	**16.0%**
Total	**364,215**	(3,282)		**184,816**	(1.549)	

5.2 Liquidity risk

Liquidity risk is the risk related to the Company's difficulty to perform its obligations associated with its financial liabilities, which are settled in cash or using another financial asset.

The Company and its subsidiaries monitor their operating cash flow requirements, which excludes the potential impact arising from extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Contractual maturities of financial liabilities, including payment of estimated interest, are as follows:

				Consolidated
				12-31-2021
	Carrying amount	Contractual cash flow	Up to 1 year	1-2 years
Non-derivative financial liabilities				
Trade payables	143,606	143,606	143,606	-
Borrowings and financing	442,429	459,193	459,193	-
Debentures	33,532	37,774	37,774	-
Foreign currency advances	217,350	231,791	152,957	78,834
	836,917	**872,364**	**793,530**	**78,834**

				Consolidated
				12-31-2020
	Carrying amount	Contractual cash flow	Up to 1 year	1-2 years
Non-derivative financial liabilities				
Trade payables	112,458	112,458	111,892	566
Borrowings and financing	698,528	744,467	94,493	649,974
Debentures	67,881	73,553	9,854	63,699
Foreign currency advances	100,271	107,098	107,098	-
	979,138	**1,037,576**	**323,337**	**714,239**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

				Parent
				12-31-2021
	Carrying amount	Contractual cash flow	Up to 1 year	1-2 years
Non-derivative financial liabilities				
Trade payables	90,658	90,658	90,658	-
Borrowings and financing	442,429	459,193	459,193	-
Debentures	33,532	37,774	37,774	-
Foreign currency advances	217,350	231,791	152,957	78,834
	783,969	**819,416**	**740,582**	**78,834**

				Parent
				12-31-2020
	Carrying amount	Contractual cash flow	Up to 1 year	1-2 years
Non-derivative financial liabilities				
Trade payables	83,056	83,056	82,490	566
Borrowings and financing	621,929	665,043	94,493	570,550
Debentures	67,881	73,553	9,854	63,699
Foreign currency advances	100,271	107,098	107,098	-
	873,137	**928,750**	**293,935**	**634,815**

5.3 Market risk

Market risk is the risk that changes in market prices, such as exchange and interest rates, impact the Company's and its subsidiaries' profit or loss or the amount of their shares in financial instruments. The purpose of market risk management is to manage and control market risk exposures, within acceptable parameters, while maximizing return.

The Company and its subsidiaries perform financial obligations to manage market risks. All these transactions are conducted based on the guidelines established by Management.

(i) Currency (foreign exchange) risk
The Company and its subsidiaries are subject to currency risk on sales, purchases and borrowings denominated in a currency other than the respective functional currencies of the Company's entities.

Sensitivity analysis of exchange rates
As at December 31, 2021, the Company is mainly exposed to fluctuations between the Brazilian real and the US dollar. The sensitivity analysis carried out by the Company considers the effects of an increase or a decrease of 10% between the Brazilian real and the US dollar on its debts and trade receivables. In this analysis, if the Brazilian real appreciates against the US dollar, this would correspond to a net gain of R$38.5 million.
If the Brazilian real depreciates against the US dollar, this would correspond to an expense at the same amount.
The net amounts of trade receivables and trade payables in foreign currencies (not including borrowings and financing) do not pose material risks due to fluctuations in the exchange rate.

(ii) Interest rate risk
The Company is subject to the interest rate risk, which refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to the risk of changes in market interest rates refers mainly to the Company's short- and long-term obligations subject to floating interest rates, mainly the Libor and CDI.

Sensitivity analysis of interest rate
The Company's profit or loss is susceptible to changes in the interest rates levied on short-term investments, borrowings and financing at floating interest rates, mainly pegged to the Libor and CDI. The Company's Management is not aware of any facts that have or may have significant impacts on this rate so as to affect the Company's results of operations.

If the interest rates were 50% higher/lower and all other variables remained unchanged, profit for the period ended

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

December 31, 2021 would decrease/increase by R$6.3 million. This is mainly due to the Company's exposure to the interest rates on borrowings subject to floating rates.

(iii) Capital management
The Company's Management policy is to maintain a solid capital structure for the business future development by adding value to shareholders, creditors and the market in general, through the monitoring of returns on capital, according to the position below:

	Consolidated	
	12-31-2021	**12-31-2020**
Total liabilities	**1,336,573**	1,418,381
Less: Cash and cash equivalents and short-term investments	**(256,542)**	(91,247)
Net debt (A)	**1,080,031**	1,327,134
Total equity (B)	**757,047**	42,269
Net debt-to-equity ratio as at December 31, 2021 and December 31, 2020 (A/B)	1.43	31.40

6. Operating segments

The information reported to the Company's CEO (the chief operating decision maker) to allocate resources and assess the performance of the operating segments focuses on the Company's product category. The Company has three segments. Two of the segments are reportable, represented by strategic business units managed separately, as they differ based on the offer of products and services, technologies and marketing strategies. The other operations are aggregated in segment "Other", as they are not classified within the quantity limits for separate reporting, as prescribed by IFRS 8/CPC 22 Operating Segments. The operations in each one of the Company´s reportable segments can be summarized as follows:

Firearms – The firearm production process, as it refers to a predominantly metallurgy industry, uses the following basic stages: machining (using premolds machined and shaped through machining centers, millers, drills and broaching machines, as the entire shaping process and some machining operations are outsourced), MIM - Metal Injection Molding (metal injected parts), finishing (basically polishing), thermal treatment, surface treatment, final assembly, functional test, engraving and packaging; these operations are conducted by Taurus Armas S.A., Taurus Holdings, Inc. and their subsidiaries. The Taurus JM joint venture (former Taurus Plásticos Ltda.) was established to manufacture magazines for the firearms manufactured by the Company.

Helmets – The helmet production process uses the following stages: injection (using ABS - Acrylonitrile Butadiene Styrene), coating and finishing (using injected parts, through manual and automated coating process), sewing (using fabrics, foam and polycarbonate sheets, through cutting, sewing and button sewing machines), and final assembly; these operations are conducted by Taurus Helmets Ltda. (former Taurus Blindagens Ltda.).

Other – Metal injected parts resulting from the MIM (Metal Injection Molding) segment for third parties (Polimetal Metalurgia e Plásticos Ltda.). It also includes expenses on technical support and finance costs on the machinery operation, which was discontinued in June 2012, and other operations such as manufacturing and sale of glasses and provision of services. These operations were aggregated as they are not classified within the quantity limits for separate reporting as reportable segment.

Each segment performance is assessed on a quarterly basis based on the segment profit before income tax and social contribution, as included in internal reports, since the Company's Management believes that such information is more significant in assessing the profit or loss from certain segments related to other entities that operate in these industries.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The reconciliation of revenue, profit and loss, assets and liabilities and other material components of reportable segments are disclosed below:

	Firearms		Helmets(a)		Other		Total	
	12-31-2021	12-31-2020	**12-31-2021**	12-31-2020	**12-31-2021**	12-31-2020	**12-31-2021**	12-31-2020
Foreign revenue	**2,607,877**	1,759,991	**114,262**	86,152	**18,325**	13,197	**2,740,464**	1,859,340
Intercompany revenue	**945,706**	692,657	**-**	-	**9,218**	7,444	**954,924**	700,101
Cost of sales	**(1,330,225)**	(1,006,905)	**(79,748)**	(53,770)	**(12,735)**	(10,944)	**(1,422,708)**	(1,071,619)
Gross profit	**2,223,358**	1,445,743	**34,514**	32,382	**14,808**	9,697	**2,272,680**	1,487,822
Selling expenses	**(222,113)**	(145,944)	**(21,029)**	(15,245)	**(302)**	(535)	**(243,444)**	(161,724)
General and administrative expenses	**(176,438)**	(161,189)	**(7,448)**	(5,907)	**(1,875)**	(3,217)	**(185,761)**	(170,313)
Depreciation and amortization	**(17,343)**	(15,874)	**(327)**	(424)	**(1,748)**	(1,942)	**(19,418)**	(18,240)
Other operating income (expenses), net	**104,473**	6,788	**1,189**	2	**(712)**	897	**104,950**	7,687
Equity in earnings (losses)	**-**	-	**-**	-	**(518)**	-	**(518)**	-
	(311,421)	(316,219)	**(27,615)**	(21,574)	**(5,155)**	(4,797)	**(344,191)**	(342,590)
Operating profit	**1,911,937**	1,129,524	**6,899**	10,808	**9,653**	4,900	**1,928,489**	1,145,232
Finance income	**222,285**	247,297	**1,453**	1,985	**1,237**	3,117	**224,975**	252,399
Finance costs	**(293,536)**	(496,939)	**(2,529)**	(3,309)	**(1,191)**	(3,107)	**(297,256)**	(503,355)
Finance income (costs), net	**(71,251)**	(249,642)	**(1,076)**	(1,324)	**46**	10	**(72,281)**	(250,956)
Profit (loss) from the reportable segment before income tax and social contribution	**1,840,686**	879,882	**5,823**	9,484	**9,699**	4,910	**1,856,208**	894,276
Elimination of intercompany revenue	**(945,706)**	(692,657)	**-**	-	**(9,218)**	(7,444)	**(954,924)**	(700,101)
Profit before income tax and social contribution	**894,980**	187,225	**5,823**	9,484	**481**	(2,534)	**901,284**	194,175
Income tax and social contribution	**(257,436)**	67,351	**(1,370)**	1,657	**(5,098)**	1,277	**(263,904)**	70,285
Profit (loss) from discontinued operations	**-**	-	**(2,320)**	(857)	**-**	-	**(2,320)**	(857)
Profit (loss) for the year	**637,544**	254,576	**2,133**	10,284	**(4,617)**	(1,257)	**635,060**	263,603
Assets from reportable segments	**1,819,638**	1,229,348	**111,502**	100,060	**162,480**	131,242	**2,093,620**	1,460,650
Liabilities from reportable segments	**1,279,369**	1,362,597	**24,482**	27,297	**32,722**	28,487	**1,336,573**	1,418,381

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Geographic information

The information on net revenue below is based on the customer geographic location.

		Firearms		Helmets
	12-31-2021	12-31-2020	12-31-2021	12-31-2020
Domestic market				
Southeast Region	**510,663**	265,352	**39,983**	29,965
South Region	**52,718**	74,913	**8,228**	5,147
Northeast Region	**15,812**	12,112	**30,326**	25,389
Midwest Region	**11,521**	10,722	**18,761**	13,239
North Region	**13,054**	6,572	**16,179**	11,545
	603,768	369,671	**113,477**	85,285
Foreign market				
United States	**1,826,941**	1,335,713	**368**	590
South Africa	**11,578**	10,473	**-**	-
Germany	**1,622**	2,244	**-**	-
Saudi Arabia	**-**	1,706	**-**	-
Argentina	**4,321**	2,553	**-**	-
Azerbaijan	**1,388**	121	**-**	-
Bosnia	**281**	-	**-**	-
Burkina	**6,440**	1,469	**-**	-
Chile	**2,355**	1,805	**-**	-
Singapore	**636**	-	**-**	-
South Korea	**-**	-	**-**	278
Costa Rica	**267**	-	**-**	-
El Salvador	**1,623**	740	**-**	-
Spain	**218**	-	**-**	-
Philippines	**55,970**	6,319	**-**	-
France	**7,181**	5,125	**-**	-
Ghana	**23,184**	-	**-**	-
Guatemala	**7,142**	4,611	**-**	-
Guiana	**1,258**	-	**-**	-
Honduras	**5,311**	-	**-**	-
Israel	**1,343**	861	**-**	-
Italy	**1,523**	1,372	**-**	-
Lesotho	**271**	-	**-**	-
Lebanon	**2,233**	-	**-**	-
Madagascar	**241**	-	**-**	-
Mexico	**765**	-	**-**	-
Mozambique	**1,271**	-	**-**	-
Namibia	**1,252**	-	**-**	-
Norway	**361**	-	**-**	-
Panama	**1,924**	-	**-**	-
Pakistan	**24,815**	595	**-**	-
Peru	**2,964**	2,289	**-**	-
Poland	**1,248**	-	**-**	-
Czech Republic	**1,259**	596	**-**	-
Senegal	**821**	6,772	**-**	-
Thailand	**1,505**	1,062	**-**	-
Taiwan	**495**	-	**-**	-
Uruguay	**718**	-	**417**	-
Zambia	**659**	-	**-**	-
Other countries	**725**	3,894	**-**	-
	2,004,109	1,390,320	**785**	868
Total net revenue	**2,607,877**	1,759,991	**114,262**	86,153

The sales of the Company's other segments are concentrated on the domestic market and spread throughout all Brazilian regions. The Company's and its subsidiaries' sales do not show high level of concentration that can characterize significant dependence on governmental bodies or any other customer, except for the Related Parties, as described in note 23. Approximately 70% of consolidated revenues derive from the US civilian market and are subject to US regulations.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

7. Cash and cash equivalents

Cash and cash equivalents comprise cash and highly liquid short-term investments, that is, redeemable within up to three months from the investment date, without any penalties for the Company, and subject to an insignificant risk of change in market value.

	Consolidated		Parent	
	12-31-2021	12-31-2020	12-31-2021	12-31-2020
Cash	**67**	95	**47**	77
Unsettled exchange bills (*)	**54,096**	30,721	**53,831**	30,531
Demand deposits	**117,088**	55,167	**128**	175
Short-term investments	**14,513**	5,248	**11,393**	3,840
Cash and cash equivalents	**185,764**	91,231	**65,399**	34,623

(*) The Company receives, as settlement for foreign currency-denominated trade receivables, payment orders for which it can, according to its cash requirement and for purposes of better use of the exchange rate, carry out the foreign exchange closing and receive Brazilian reais in its cash.

Highly liquid short-term investments refer to automatic investments yielding interest ranging between 5% and 35% of CDI.

8. Short-term investments

Non-liquid short-term investments refer to investments in Bank Certificates of Deposit (CDBs) that are not readily convertible into cash, considering the transaction date. The classification of short-term investments depends on the purpose for which the investment was acquired and are adjusted to fair value, according to their category. When applicable, costs directly attributable to the acquisition of a financial asset are added to the originally recognized amount.

		Consolidated		Parent	
	Interest rate	12-31-2021	12-31-2020	12-31-2021	12-31-2020
Bank certificates of deposit (CDBs)	97% to 103% of CDI	**70,778**	16	**70,778**	16
Total		**70,778**	**16**	**70,778**	**16**

9. Trade Receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost less estimated expected losses.

The allowance for doubtful debts was recognized in an amount considered sufficient by Management to cover probable losses on the collection of receivables.

	Consolidated		Parent	
	12-31-2021	12-31-2020	12-31-2021	12-31-2020
Domestic customers	**316,763**	182,436	**299,136**	172,384
Foreign customers	**214,540**	150,785	**65,079**	12,432
	531,303	333,221	**364,215**	184,816
Allowance for expected loss on doubtful debts – domestic receivables	**(9,120)**	(8,017)	**(1,472)**	(319)
Allowance for expected loss on doubtful debts – foreign receivables	**(7,020)**	(7,798)	**(1,810)**	(1,230)
	(16,140)	(15,815)	**(3,282)**	(1,549)
	515,163	317,406	**360,933**	183,267

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables, including the aging list of trade receivables, are disclosed in note 5. The variations in the allowance for expected credit losses are as follows:

	Consolidated	Parent

Balance as at December 31, 2020	**(15,815)**	**(1,549)**
Additions	**(9,020)**	**(5,890)**
Reversal of allowance for expected credit losses	**7,511**	**4,194**
Exchange rate changes	**1,184**	**(37)**
Balance as at December 31, 2021	**(16,140)**	**(3,282)**

10. Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle and includes expenses incurred on the acquisition of inventories, production and transformation costs (based on regular operational capacity) and other costs incurred to bring them to their locations and existing conditions.

The allowance for inventory losses is recorded for slow-moving products which sales price is below production cost.

	Consolidated		Parent	
	12-31-2021	12-31-2020	12-31-2021	12-31-2020
Finished products	**171,935**	49,594	**40,090**	28,303
Raw material	**301,878**	241,301	**211,420**	168,762
Work in process	**5,750**	-	**418**	-
Inventory advances	**32,105**	20,687	**31,488**	20,687
Allowance for inventory losses	**(19,804)**	(13,239)	**(9,046)**	(12,858)
	491,864	298,343	**274,370**	204,894

Variation in the allowance for inventory losses	**Consolidated**	**Parent**
Balance as at December 31, 2020	**(13,239)**	**(12,858)**
Addition	**(6,473)**	**(5,983)**
Reversal	**2,071**	**1,670**
Definitive write-offs	**8,221**	**8,125**
Held for sale returned to operations	**(559)**	**-**
Allowance for losses Taurus USA (Reclassification)	**(9,825)**	**-**
Balance as at December 31, 2021	**(19,804)**	**(9,046)**

11. Recoverable Taxes

	Consolidated		Parent	
	12-31-2021	12-31-2020	12-31-2021	12-31-2020
State VAT (ICMS)	**20,857**	8,257	**19,405**	7,022
Federal VAT (IPI)	**7,350**	2,284	**5,402**	2,280
Tax on revenue (PIS)	**4,833**	1,077	**4,572**	916
Tax on revenue (COFINS)	**21,838**	4,826	**20,809**	4,246
Income tax and social contribution	**13,176**	15,431	**7,302**	13,664
Other	**2,834**	1,444	**867**	859
Total	**70,888**	33,319	**58,357**	28,987
Current	**65,261**	33,319	**53,471**	28,987
Noncurrent	**5,627**	-	**4,886**	-

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

12. Other Assets

	Consolidated		Parent	
	12-31-2021	**12-31-2020**	**12-31-2021**	**12-31-2020**
Advance for settlement of borrowings and financing	**-**	13,073	**-**	13,073
Advances to suppliers	**8,504**	7,636	**7,133**	3,977
Advances to employees	**2,797**	2,344	**2,230**	2,293
Advances for foreign bids	**7,224**	7,923	**7,224**	7,923
Escrow deposits	**14,708**	14,541	**13,161**	13,132
Short-term investments and restricted accounts	**-**	16	**-**	16
Leases	**2,098**	-	**-**	-
Intragroup loans	**-**	-	**4,326**	-
Royalties	**7,815**	-	**7,815**	-
Other receivables	**11,442**	3,496	**1,121**	1,566
Total	**54,588**	49,029	**43,010**	41,980
Current	**29,779**	34,488	**29,850**	28,848
Noncurrent	**24,809**	14,541	**13,160**	13,132

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

13. Current and Deferred Income Tax and Social Contribution

Current and deferred income tax and social contribution for the year are calculated at the statutory rate of 34%, of which 15%, plus a 10% surtax on taxable income exceeding R$240 for income tax, and 9% on taxable income for social contribution. The limit of income tax loss and social contribution loss is 30% of annual taxable income.

For companies calculating income tax and social contribution based on deemed income, the same rates above are used, but assuming a gross revenue at 32%. The foreign subsidiaries are subject to an income tax rate of 21% in the United State and 25% in Panama, levied on taxable income, pursuant to the tax laws prevailing in each country.

Deferred income tax and social contribution were fully recognized, considering the permissions and requirements of technical pronouncement CPC 32 *Income Taxes* (IAS 12) on the differences between assets and liabilities recognized for tax purposes and their corresponding amounts recognized in the individual and consolidated financial statements. Deferred income tax and social contribution are determined based on the tax rates and tax laws in effect at the date the financial statements are prepared.

a) Breakdown of impacts on deferred tax assets and liabilities

		Consolidated		Parent
	12-31-2021	**12-31-2020**	**12-31-2021**	**12-31-2020**
On income tax and social contribution losses				
Income tax loss	41,111	91,720	37,180	87,008
Social contribution loss	16,215	33,874	14,799	32,178
On temporary differences – assets				
Billed and undelivered sale	1,675	487	1,398	487
Impairment	212	212	212	212
Other allowances, provisions and accruals	3,936	981	1,713	-
Realization of revaluation reserve	1,806	517	547	517
Allowance for inventory losses	6,733	9,080	3,075	4,372
Accrued profit sharing	11,524	5,854	6,705	3,708
Accrued commissions	960	304	817	271
Tax provision	-	20,217	-	1,954
Provision for civil, labor and tax risks	31,800	32,233	29,246	30,967
Provision for warranty	3,550	6,091	2,222	3,114
Provision for uncollectible receivables	2,911	1,562	1,116	526
Financial provisions	967	978	967	978
Tax provisions	2,973	-	1,954	-
Unrealized profit on inventories (TIMI)	9,429	1,325	-	-
Total deferred assets	**135,802**	**205,434**	**101,951**	**166,291**
On temporary differences - liabilities				
Goodwill on expected future earnings	(11,438)	(11,465)	-	-
Fair value of investment property	(19,453)	(15,679)	-	-
Total deferred liabilities	**(30,891)**	**(27,145)**	**-**	**-**
Deferred asset balances	**121,380**	188,580	**101,951**	166,291
Deferred liability balances	**(16,469)**	(10,291)	**-**	-
Deferred assets, net	**104,911**	**178,289**	**101,951**	**166,291**

Current and deferred taxes are recognized in profit or loss unless they are related to business combination, items recognized directly in equity or in other comprehensive income.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the corresponding amounts used for taxation purposes. A deferred income tax and social contribution asset is recognized by unutilized tax losses, tax credits and deductible temporary differences when it is probable that future income subject to taxation will be available and against which they will be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes imposed by the same tax authority on the same entity subject to taxation.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Deferred income tax and social contribution assets are reviewed at the end of each reporting period and reduced to the extent that their realization is no longer probable or, otherwise recognized to the extent their realization is probable.

b) Variation in deferred taxes

	Consolidated	Parent
Opening balance of deferred taxes, net	178,289	166,291
Reclassification of investment – joint venture – Taurus JM	(1,467)	-
Held for sale returned to operations – Taurus Helmets	7,556	-
Allocated to profit or loss	(84,709)	(64,340)
Translation adjustments	5,242	-
Closing balance of deferred taxes, net	**104,911**	**101,951**

The amount of income tax and social contribution losses on which no deferred taxes are recognized total R$315.5 million in consolidated, which correspond to the portion of these amounts in the Company's subsidiaries for which it is not probable that future taxable income will be available for offset. In the Parent, income tax and social contribution losses is fully recorded, and in its subsidiaries, they were partially recorded up to the limit of confirmation of realization.

With respect to the recognition of tax credits on income tax and social contribution losses, projections that demonstrate the realization of the tax credit on the tax loss bases generated by the Company have been prepared by a specialized consulting company and supported by the best understanding based on Management's expectations.

The projections of future taxable income include estimates related to the performance of the economy and the Brazilian and foreign markets, selection of exchange rates, sales volume, sales price, tax rates, among others, which may differ from actual data and amounts. As the income tax and social contribution income (expenses) derives not only from taxable income, but also from the tax and corporate structure of the Company and its subsidiaries in Brazil and abroad, the expected realization of temporarily non-deductible differences, the existence of non-taxable income, non-deductible expenses and several other variables, there is no direct correlation between the Company's and its subsidiaries' profit and the income tax and social contribution income (expenses).

As at December 31, 2021, the expected tax loss realization for deferred income tax and social contribution, recorded in noncurrent assets in the Parent and consolidated, is as follows:

					Consolidated
	Income tax loss	**Social contribution loss**	**Deferred income tax**	**Deferred social contribution**	**Total deferred taxes**
Balance recognized as at 12/31/21	164,445	180,162	41,111	16,215	57,326
In 2022	(151,349)	(167,066)	(37,837)	(15,036)	(52,873)
In 2023	(2,623)	(2,623)	(656)	(236)	(892)
In 2024	(2,603)	(2,603)	(651)	(234)	(885)
In 2025	(2,834)	(2,834)	(709)	(255)	(964)
In 2026-2030	(5,036)	(5,037)	(1,259)	(453)	(1,712)

					Parent
	Income tax loss	**Social contribution loss**	**Deferred income tax**	**Deferred social contribution**	**Total deferred taxes**
Balance recognized as at 12/31/21	148,719	164,436	37,179	14,799	51,979
In 2022	(148,719)	(164,436)	(37,179)	(14,799)	(51,979)

The main balances of income tax and social contribution losses are observed in Parent Taurus Armas S.A. and in subsidiaries Polimetal, Taurus International and Taurus Helmets.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

c) Reconciliation of the effective rate of income tax and social contribution

	Consolidated		Parent	
	12-12-2021	**12-31-2020**	**12-12-2021**	**12-31-2020**
Pretax profit (loss)	901,284	184,691	853,050	182,104
Income tax and social contribution at combined tax rates	(306,437)	(62,795)	(290,037)	(61,915)
Permanent additions				
Non-deductible expenses	(2,905)	(340)	(2,554)	(340)
PPR – Statutory and CLT officers	(7,049)	(3,606)	(7,049)	(3,606)
Share of loss of subsidiaries	518	-	(12,465)	(7,340)
Donations/sponsorship	(1,795)	(1,146)	(1,768)	(1,146)
Capital gain on property, plant and equipment	(330)	(138)	(330)	(138)
Thin Cap	(115)	(504)	(115)	(504)
Permanent deductions				
Reintegra	2,488	227	361	227
Deemed ICMS grant	2,926	8,005	2,926	8,005
IPI premium credit	8,352	-	8,352	-
Share of profit of subsidiaries	-	-	79,583	26,504
Other deductions	-	1,105	-	-
Recognized deferred tax on prior-years' tax losses	-	116,180	-	111,272
Unrecognized deferred tax on income tax and social contribution losses	(3,886)	9,654	-	8,471
Unrecognized current income tax and social contribution of related parties	40,523	-	-	-
Current and deferred income tax and social contribution from prior years	-	6,860	-	683
Other (additions)/deductions	3,806	(4,873)	5,106	1,326
Income tax and social contribution in profit or loss for the year	**(263,904)**	**68,629**	**(217,990)**	**81,499**
Current	(179,195)	(18,893)	(153,650)	(19,465)
Deferred	(84,709)	87,522	(64,340)	100,964
	(263,904)	68,629	**(217,990)**	81,499

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

The unrecognized portion of amounts is represented by tax losses and temporary differences not supported by expected future taxable income generation, as described below.

								Consolidated
				12-31-2021				12-31-2020
	Basis	25%	9%	Total	Basis	25%	9%	Total
Provision for uncollectible receivables	7,580	1,895	682	2,577	7,580	1,895	682	2,577
Allowance for loss on agreements receivable	69,849	17,462	6,286	23,748	69,849	17,462	6,286	23,749
Provision for civil, labor and tax risks	3,318	830	299	1,129	3,945	986	355	1,341
Provision for warranty	1,468	367	132	499	1,468	367	132	499
Loss on other receivables	5,370	1,343	483	1,826	5,114	1,279	460	1,739
On income tax and social contribution losses								
Income tax and social contribution losses	315,664	78,916	28,410	107,326	298,447	74,612	26,860	101,472
	403,249	**100,813**	**36,292**	**137,105**	**386,404**	**96,601**	**34,776**	**131,377**

14. Assets held for sale

Noncurrent assets or groups of noncurrent assets (including liabilities) held for sale are classified as "held for sale" if it is highly probable that they will be primarily recovered through sale instead of their continuing use. Such condition is considered met only when the sale is highly probable and the asset (or disposal group) are available for immediate sale "as is". Management must be committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. The assets or group of assets held for sale are measured at the lower of their carrying amount recognized until then or fair value less selling expenses.

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

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

The Company has been receiving proposals for the realization of these assets, but due to market conditions business are progressing slowly.

Carrying amount reconciliation

In thousands of reais	**Consolidated 12-31-2021**	**Consolidated 12-31-2020**
Buildings, land and improvements	51,390	51,390
Taurus Blindagens Nordeste – long-lived asset held for sale	15,006	82,460
Total held-for-sale noncurrent assets	**66,396**	**133,850**
Taurus Blindagens Nordeste – liability held for sale	5,830	27,297
Total held-for-sale liabilities	**5,830**	**27,297**

Buildings, land and improvements.

In 2016, Taurus Armas S.A. transferred the operation from the Industrial Plant located in the city of Porto Alegre, RS to the Industrial Plant located in the city of São Leopoldo, RS. As a result and taking into consideration the provisions of CPC 28 *Investment Property* (IAS 40), the Company reclassified the items formerly classified as Property, plant and equipment to Investment Property.

In 2017, as approved by the Board of Directors, Taurus decided for the sale and availability for intermediation of these assets by market specialists. Accordingly, these properties were reclassified to 'Assets held for sale'.

The fair value for impairment testing purposes was determined by outside independent real estate appraisers, with appropriate and recognized professional qualification, and recent experience in the location and category of the property that is being appraised.

Location: Avenida do Forte, nº 511 - Porto Alegre (RS)

Industrial complex, not occupied, with floor space of 18,600.00 m² in urban land and area of 29,900.00 m².

Held-for-sale asset – Helmets operation

On March 27, 2018, the Board of Directors unanimously authorized the offering of the Helmets business—consisting of the companies Taurus Helmets Indústria de Capacetes Ltda. (former Taurus Blindagens Ltda.) and Taurus Blindagens Nordeste Ltda.—to the market. (note 1 – General Information).

The Company continues to pursue the sale of its helmet operation located in Mandirituba, PR, Taurus Helmets Indústria de Helmets Ltda. Since the Company aims to obtain the return of the actual value of the business and this business remains in operation, the Company decided to return the consolidation of this operation as a going concern in its financial statements since the first quarter of 2021. The Company's Management decided that Taurus Helmets Indústria de Capacetes Ltda no longer meets the classification criteria in CPC 31 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5).

As at December 31, 2021, the group of assets and liabilities held for sale related to the helmet operation of Taurus Blindagens Nordeste Ltda was presented as shown in the table and comprised the following assets and liabilities:

Property, plant and equipment/ Intangible assets	8,775
Inventories	-
Trade and other receivables	6,231
Assets held for sale	**15,006**
Trade and other payables	5,830
Liabilities held for sale	**5,830**

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

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

15. Investments

								Parent	
	Taurus Helmets Indústria de Capacetes Ltda.	**Taurus Blindagens Nordeste Ltda.**	**Taurus Holdings, Inc.**	**T. Investments Co. Inc.**	**Taurus Investimentos Imobiliários Ltda.**	**Polimetal Metalurgia e Plásticos Ltda.**	**Taurus Máquinas-Ferramenta Ltda. (1)**	**12-31-2021**	**12-31-2020**
Current assets	121,143	5,751	529,887	7	64,955	12,786	224		
Noncurrent assets	47,786	57,122	136,710	-	70,111	173,069	1,390		
Current liabilities	38,962	8,520	154,825	-	8,431	14,806	3,696		
Noncurrent liabilities	2,211	1,808	51,676	-	25,776	11,640	27,218		
Capital	73,855	9,400	1,812	61,386	53,292	211,452	293,639		
Equity	127,756	52,545	460,096	7	100,859	159,409	(29,300)		
Net revenue	114,262	-	1,826,941	-	6,989	18,352	-		
Profit (loss) for the year	2,815	(308)	212,761	-	3,856	(1,938)	(1,333)		
Number of shares	14	9,400	302,505	11,000,000	43,623,159	304,779,837	185,007,117		
Direct interest percentage (%)	0,00%	0,10%	100,00%	100,00%	81,86%	100,00%	63,00%		
Opening balances	1	53	219,747	8	79,404	162,935	-	**462,148**	**364,251**
Share of profit (loss) of subsidiaries	**-**	**-**	**212,760**	**-**	**3,156**	**(1,937)**	**(841)**	**213,138**	**44,378**
Exchange differences arising on translating investments	**-**	**-**	**25,016**	**(1)**	**-**	**-**	**-**	**25,015**	**41,386**
Unrealized profit on inventories	**-**	**-**	**(15,731)**	**-**	**-**	**-**	**-**	**(15,731)**	**11,989**
Valuation adjustments to equity	**-**	**-**	**-**	**-**	**-**	**(1,589)**	**-**	**(1,589)**	**-**
Reclassified to provision for negative equity (1)	**-**	**-**	**-**	**-**	**-**	**-**	**841**	**841**	**144**
Closing balances	**1**	**53**	**441,792**	**7**	**82,560**	**159,409**	**-**	**683,822**	**462,148**

(1) The share of profit (loss) of subsidiary Taurus Máquinas-Ferramentas Ltda., amounting to (R$841), is presented on line item 'Provision for negative equity' in noncurrent liabilities.

Indirect interests in jointly-controlled entities classified as joint venture: equity pickup

The Company has within its structure a subsidiary called Polimetal Metalurgia e Plásticos Ltda., which in turn was the sole parent company of a dormant company called Taurus Plásticos Ltda.

Under the memorandum of understanding (MoU) dated May 28, 2020, the Company entered into a partnership with an automotive industry company to form a joint venture, as detailed in note 1 - General Information.

In order to establish this joint venture and streamline its operations, the Company, in an agreement with partner Joalmi Indústria Metalúrgica Ltda,, in agreement with partner Joalmi Indústria Metalúrgica Ltda,, decided to incorporate the operations of the joint venture into the corporate structure of Taurus Plásticos Ltda. The shares were valued considering the balance of the subscribed Capital as at November 30, 2020, divided by the number of shares resulting in a total of approximately R$0.37 per share.

As a result, on March 11, 2021, the name of Taurus Plásticos Ltda was changed to Taurus JM Indústria de Peças Ltda. and the manufacture of parts for firearms was added to its core business description.

In this same transaction, Sicura Comércio e Produtos de Metal Ltda., which belongs to the group of partner Joalmi, entered in the company by paying in capital in the form of fixed capital valued at R$2.2 million represented by the issue of 6,130,416 new shares with par value of approximately R$0.37 per share, equivalent to 49% of the equity of Taurus JM Indústria de Peças Ltda.

Polimetal Metalurgia e Plásticos Ltda. kept a stake of 51%, represented by 6,355,413 shares with par value of approximately R$0.37, paying in R$2.4 million, thus establishing the joint venture that will manufacture magazines.

As a result of these changes, former Taurus Plásticos Ltda, now called Taurus JM Indústria de Peças Ltda, is no longer consolidated in the Company's financial statements since once designated as a joint venture, its profit or loss start to be recognized by the Company under the equity method of accounting, at a 51% proportion, as required by CPC 19 (R2)/IFRS 11 *Joint Arrangements*.

The tables below show the balances of Taurus JM Indústria de Peças Ltda. as at December 31, 2021:

TAURUS JM INDÚSTRIA DE PEÇAS LTDA.
BALANCE SHEET AS AT DECEMBER 31, 2021
In thousands of reais

Assets		**Liabilities**	
Current assets		**Current liabilities**	
Cash and cash equivalents	186	Trade payables	1,486
Trade receivables	-	Payroll and related taxes	290
Inventories	1,716	Taxes, fees and contributions	328
Recoverable taxes	1,082	Financial loan	1
Related parties – Financial loan	-	Other payables	929
Other receivables	2,862		3,034
	5,846	**Noncurrent liabilities**	
		Taxes payable	27
Noncurrent assets			27
Deferred tax assets	1,494	**Total liabilities**	3,061
Related parties	1,443		
Other receivables	20	**Equity**	
	2,957	Capital	4,628
		Advance for future capital increase	3,577
		Retained earnings	152
Property, plant and equipment	2,615	**Total equity**	8,357
Total assets	**11,418**	**Total liabilities and equity**	**11,418**

TAURUS JM INDÚSTRIA DE PEÇAS LTDA.
STATEMENT OF PROFIT OR LOSS AS AT DECEMBER 31, 2021
In thousands of reais

Revenue from sales and/or services	563
Cost of sales and/or services	(841)
General and administrative expenses	(784)
Other operating (expenses) income, net	-
	(784)
Loss before finance income (costs), net, share of results of investees, and taxes	(1,062)
Finance income	49
Finance costs	(3)
Finance income (costs), net	46
Profit (loss) for the year	(1,016)

16. Property, Plant and Equipment

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

The Company elected to measure its property, plant and equipment items at the deemed cost at the opening of 2009. The net effects of deemed cost increased property, plant and equipment and had as a contra entry equity, less taxes.

Cost includes expenditures directly attributable to the purchase of an asset. The cost of assets built by the entity itself includes costs of materials and labor, and any other costs for bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management, the costs of dismantling the item and restoring the site where it is located.

Any gains or losses arising on the disposal of a property, plant and equipment item are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognized at their net amounts as 'Other income' in profit or loss.

Depreciation is recognized on a straight-line basis in profit or loss based on the estimated useful life of each property, plant and equipment item. The approximated estimated useful lives for current and comparative periods are as follows:

Group	Useful life
Buildings	27 years
Machinery and equipment	10 to 20 years
Dies and tools	5 years
Furniture	10 to 15 years
Other components	5 to 6 years

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

										Consolidated
Cost or deemed cost	**Land**	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Other**	**PP&E in progress**	**Advances to suppliers**	**Lease – right of use**	**Total**
Balance as at December 31, 2019	7,587	103,552	238,875	27,679	291	-	14,802	3,080	-	395,866
Additions	-	6,527	29,222	4,120	145	174	18,711	7,371	-	66,270
Write-offs	-	(350)	(18,179)	(401)	-	-	(2,243)	-	-	(21,173)
Transfers	3,005	4,203	(268)	(6,019)	-	-	(9,650)	-	-	(8,729)
Effect of changes in exchange rates	-	6,704	20,707	3,684	70	-	76	-	-	31,241
Balance as at December 31, 2020	**10,592**	**120,636**	**270,357**	**29,063**	**506**	**174**	**21,696**	**10,451**	**-**	**463,475**
Additions	-	4,733	40,889	4,704	160	515	70,836	37,934	-	159,771
First-time adoption of IFRS 16	-	-	-	-	-	-	-	-	10,931	10,931
Write-offs	-	(1,306)	(37,542)	(1,428)	-	-	(1,027)	-	-	(41,303)
Transfers	-	3,830	14,037	678	-	9	(18,554)	-	-	-
Effect of changes in exchange rates	242	2,059	4,105	2,679	33	-	329	-	-	9,447
Held for sale returned to operations	-	558	20,992	1,977	304	-	2,785	312	-	26,928
Balance as at December 31, 2021	**10,834**	**130,510**	**312,838**	**37,673**	**1,003**	**698**	**76,065**	**48,697**	**10,931**	**629,249**
Depreciation										
Balance as at December 31, 2019	-	(25,740)	(171,329)	(17,259)	(291)	-	-	-	-	(214,619)
Depreciation in the year	-	(5,816)	(14,792)	(2,259)	-	(7)	-	-	-	(22,874)
Write-offs	-	278	14,921	814	-	-	-	-	-	16,013
Transfers	-	(2,232)	2,071	8,081	-	-	-	-	-	7,920
Effect of changes in exchange rates	-	(28)	(12,333)	(4,129)	(70)	-	-	-	-	(16,560)
Balance as at December 31, 2020	**-**	**(33,538)**	**(181,462)**	**(14,752)**	**(361)**	**(7)**	**-**	**-**	**-**	**(230,120)**
Depreciation in the year	-	(5,247)	(15,142)	(2,994)	(82)	(95)	-	-	-	(23,560)
Write-offs	-	284	26,149	1,290	-	-	-	-	-	27,723
Depreciation of leased assets – First-time adoption of IFRS 16	-	-	-	-	-	-	-	-	(2,099)	(2,099)
Effect of changes in exchange rates	-	(271)	(1,859)	(3,182)	(25)	-	-	-	-	(5,337)
Held for sale returned to operations	-	(297)	(14,967)	(1,348)	(221)	-	-	-	-	(16,833)
Balance as at December 31, 2021	**-**	**(39,069)**	**(187,281)**	**(20,986)**	**(689)**	**(102)**	**-**	**-**	**(2,099)**	**(250,226)**
Carrying amount										
December 2020	10,592	87,098	88,895	14,311	145	167	21,696	10,451	-	233,355
December 2021	**10,834**	**91,441**	**125,557**	**16,687**	**314**	**596**	**76,065**	**48,697**	**8,832**	**379,023**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

								Parent
Cost or deemed cost	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Other**	**PP&E in progress**	**Advances to suppliers**	**Total**
Balance as at December 31, 2019	44,141	155,996	9,232	52	-	14,697	3,080	227,198
Additions	5,245	23,025	3,467	-	174	10,126	7,371	49,408
Write-offs	-	(3,458)	(289)	-	-	-	-	(3,747)
Transfers	1,808	7,779	186	-	-	(9,773)	-	-
Balance as at December 31, 2020	**51,194**	**183,342**	**12,596**	**52**	**174**	**15,050**	**10,451**	**272,859**
Additions	3,678	26,532	2,435	-	515	17,851	37,287	88,298
Write-offs	-	(5,345)	(335)	-	-	-	-	(5,680)
Transfers	3,882	7,055	625	-	9	(11,571)	-	-
Balance as at December 31, 2021	**58,754**	**211,584**	**15,321**	**52**	**698**	**21,330**	**47,738**	**355,477**
Depreciation								
Balance as at December 31, 2019	(13,702)	(115,495)	(4,964)	(52)	-	-	-	(134,213)
Depreciation in the year	(2,734)	(8,540)	(880)	-	(7)	-	-	(12,161)
Write-offs	-	3,286	235	-	-	-	-	3,521
Transfers	-	-	6	-	-	-	-	6
Balance as at December 31, 2020	**(16,436)**	**(120,749)**	**(5,603)**	**(52)**	**(7)**	**-**	**-**	**(142,847)**
Depreciation in the year	(2,070)	(7,472)	(1,049)	-	(95)	-	-	(10,686)
Write-offs	2	1,786	295	-	-	-	-	2,083
Balance as at December 31, 2021	**(18,504)**	**(126,435)**	**(6,357)**	**(52)**	**(102)**	**-**	**-**	**(151,450)**
Carrying amount								
December 2020	34,758	62,593	6,993	-	167	15,050	10,451	130,012
December 2021	**40,250**	**85,149**	**8,964**	**-**	**596**	**21,330**	**47,738**	**204,027**

PP&E in progress
The balance of construction in progress refers to machinery and equipment still in the implementation stage and current construction works. These assets should come into operation during 2022.

Collateral
The Company uses its assets as collaterals for the funds raised with financial institutions. Even though most property, plant and equipment items are collateralized in borrowings and financing transactions, historically these collaterals have never been enforced. As at December 31, 2021, the Company uses R$34.3 million in collaterals (R$38.7 million as at December 31, 2020).

17. Intangible Assets

Goodwill
Goodwill arising on the acquisition of investments, after appropriately allocated, is added to intangible assets. In the Parent's financial statements goodwill is allocated to investments.

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

Other intangibles
Separately acquired intangible assets are measured at cost on initial recognition, while the cost of intangible assets acquired in a business combination corresponds to their fair value at the acquisition date. The stated balances are net of accumulated amortization and impairment losses.

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

The amortization of intangible assets, other than goodwill, is based on their estimated useful lives and is recognized in profit or loss on a straight-line basis. The estimated useful lives for the current and comparative periods are approximately 5 years for system development and implementation costs.

We also clarify that the recovery of the carrying amount of goodwill and intangible assets with indefinite useful life is tested for impairment at the end of the year or when there are indications that they might be impaired, using the "value in use" concept through discounted cash flow models of the cash-generating units.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

								Consolidated
	Software	**Trademarks and patents**	**Customer relationship**	**Goodwill**	**Product development**	**Intangible assets in progress**	**Other intangibles**	**Total**
Cost								
Balance as at December 31, 2019	10,226	22,762	17,605	45,062	10,798	-	-	106,453
Acquisitions	5,717	-	-	-	9	2,504	-	8,230
Transfers	4,725	-	-	-	(4,420)	6,076	2,348	8,729
Effect of changes in exchange rates	-	3,682	4,936	3,598	1,229	-	(692)	12,753
Balance as at December 31, 2020	**20,668**	**26,444**	**22,541**	**48,660**	**7,616**	**8,580**	**1,656**	**136,165**
Acquisitions	1,337	-	-	-	13	9,237	-	10,587
Transfers	49	-	-	-	607	(656)	-	-
Write-offs	(85)	-	-	-	-	-	(1,778)	(1,863)
Effect of changes in exchange rates	648	1,212	1,624	1,183	421	-	122	5,210
Held for sale returned to operations	1,520	1,284	-	-	-	-	-	2,804
Balance as at December 31, 2021	**24,137**	**28,940**	**24,165**	**49,843**	**8,657**	**17,161**	**-**	**152,903**
Amortization								
Balance as at December 31, 2019	(4,266)	(7,388)	(13,512)	-	(1,343)	-	-	(26,509)
Amortization in the year	(1,513)	-	(2,250)	-	(501)	-	-	(4,264)
Transfers	(7,920)	-	-	-	-	-	-	(7,920)
Effect of changes in exchange rates	(119)	-	(3,805)	-	(235)	-	-	(4,159)
Balance as at December 31, 2020	**(13,818)**	**(7,388)**	**(19,567)**	**-**	**(2,079)**	**-**	**-**	**(42,852)**
Amortization in the year	(2,448)	-	(2,225)	-	(572)	-	-	(5,245)
Write-offs	70	-	-	-	-	-	-	70
Effect of changes in exchange rates	(647)	-	(1,586)	-	(128)	-	-	(2,361)
Held for sale returned to operations	(144)	-	-	-	-	-	-	(144)
Balance as at December 31, 2021	**(16,987)**	**(7,388)**	**(23,378)**	**-**	**(2,779)**	**-**	**-**	**(50,532)**
Carrying amount								
December 2020	6,850	19,056	2,974	48,660	5,537	8,580	1,656	93,313
December 2021	**7,150**	**21,552**	**787**	**49,843**	**5,878**	**17,161**	**-**	102,371

					Parent
	Software	**Trademarks and patents**	**Product development**	**Intangible assets in progress**	**Total**
Cost					
Balance as at December 31, 2019	10,006	9,485	3,988	-	23,479
Acquisitions	5,747	-	-	2,504	8,251
Transfers	(4,004)	-	(2,072)	6,076	-
Balance as at December 31, 2020	**11,749**	**9,485**	**1,916**	**8,580**	**31,730**
Acquisitions	419	-	13	9,237	9,669
Transfers	49	-	607	(656)	-
Balance as at December 31, 2021	**12,217**	**9,485**	**2,536**	**17,161**	**41,399**
Amortization					
Balance as at December 31, 2019	(4,127)	(6,840)	(533)	-	(11,500)
					-
Amortization in the year	(1,388)	-	(170)	-	(1,558)
Transfers	(7)	-	1	-	(6)
Balance as at December 31, 2020	**(5,522)**	**(6,840)**	**(702)**	**-**	**(13,064)**
Amortization in the year	(1,880)	-	(242)	-	(2,122)
Balance as at December 31, 2021	**(7,402)**	**(6,840)**	**(944)**	**-**	**(15,186)**
Carrying amount					
December 2020	6,227	2,645	1,214	8,580	18,666
December 2021	**4,815**	**2,645**	**1,592**	**17,161**	**26,213**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Impairment test of cash-generating units containing goodwill

For impairment testing purposes, goodwill is allocated to the Company's operating divisions, which represent the lowest level inside the Company at which the goodwill is monitored for purposes of internal management, never above the Company's operating segments.

Cash-generating unit	2021
Firearms	49,408

The impairment test for said CGU is performed annually. The recoverable amount of the CGU is the higher of: (a) its fair value less estimated costs to sell and (b) its value in use. The value in use is measured based on the discounted cash flows (before taxes) derived from the continuing use of an asset up to the end of its useful life. The updated tests continue to indicate that there is no need for allowances for impairment losses on goodwill and intangible assets with indefinite useful lives as the amount exceeds the carrying amount by more than 100%.

Main assumptions used in the discounted cash flow projections

The main assumptions used to determine the recoverable value are the discount rate of cash flows and growth rates. The assumptions used are as follows:

	WACC discount rate	Average growth rate	WACC discount rate	Average growth rate
Cash-generating unit		**12-31-2021**		**12-31-2020**
Firearms	12.80%	4.24%	11.90%	4.40%

Discount rate

The discount rate for the CGU is represented by a post-tax rate based on 20-year US Treasury Bond rate, adjusted for a risk premium that reflects the risks of investments in equity securities and the systematic risk of the related unit. The Company estimated, based on Management's experience with the assets of this CGU, the Weighted Average Cost of Capital of the industry in which this CGU operates, which was calculated based on a possible debt-to-equity ratio as at December 31, 2021 of 26.00% (23.00% as at December 31, 2020) for the Firearms CGU at the market interest rate of 7.2% (5.74% as at December 31, 2021).

Growth rate and perpetuity

The projections are in line with the Business Plan prepared by the Company's Management. It is expected that the projected sales growth be in line with the curve observed in previous years and in line with the economic growth of the country. After the projection period, the Company considered the growth and constant percentage of economic growth (growth in perpetuity).

To calculate perpetuity as at December 31, 2021, the Company used a nominal growth rate of 3% (3.20% as at December 31, 2020) in line with the expected long-term inflation projected by the Central Bank of Brazil (BACEN) and macroeconomic indicators released in BACEN's Focus report and in the Country Forecast report of the Economist Intelligence Unit (EIU).

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

18. Borrowings, Financing and Debentures

The terms and conditions of outstanding borrowings, financing and debentures were as follows:

							Consolidated and Parent
					12-31-2021		12-31-2020
	Currency	Statutory interest rate	Maturity year	Contractual amount	Carrying amount	Contractual amount	Carrying amount
Working capital	R$	CDI + 2.50% p.a.	2022	**18,193**	**10,040**	18,193	15,066
FINAME	R$	2.50% to 8.70% p.a.	2021	**-**	**-**	702	7
Debentures	R$	CDI + 2.50% p.a.	2022	**50,000**	**33,532**	67,881	67,881
Foreign exchange advance	US$	5.95% to 7.0% p.a.	2022	**217,350**	**217,350**	98,663	100,271
Working capital	US$	Libor + 1.75% to 3.50% p.a.	2023	**464,162**	**432,389**	509,950	683,455
				Total	**693,311**		**866,680**
				Current liabilities	**618,904**		**178,673**
				Noncurrent liabilities	**74,407**		**688,007**

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Flow of future debt payments disclosed in noncurrent liabilities:

	Consolidated		Parent	
Maturity year	**12-31-2021**	**12-31-2020**	**12-31-2021**	**12-31-2020**
2022	**-**	550,394	**-**	550,394
2023	**74,407**	76,599	**74,407**	-
	74,407	626,993	**74,407**	550,394

Borrowings and financing are guaranteed by promissory notes, short-term investments, collateral assignment of machinery and equipment, mortgages on property, shares, and subsidiaries' sureties. The sureties granted by the parent company and its subsidiaries are disclosed in note 25 - Related parties.

Certain borrowings and financing agreements entered into by the Company and its subsidiaries contain restrictive covenants that restrict certain changes in the shareholding structure, including: changes in the Company's direct or indirect control, capital reductions in the Company and/or its parent company, dividend distributions, payment of interest on capital or any other payments to shareholders by the Company and/or its parent company in the event of default on any obligations, and reduction of the Company's capital. If such restrictions are breached, creditors may accelerate the maturity of their claims.

The Company decreased capital to absorb accumulated losses and will distribute dividends to shareholders. These situations can only take place because the Company obtained consent from the Bank Syndicate due to the Company's financial health and compliance with covenants.

As mentioned in note 1 (General Information), in June 2020 the Company signed a waiver with the Bank Syndicate extending the debt payment until August 31, 2020 and on August 10, 2020 the parties executed the contractual amendments containing the new terms and conditions of payment of the commitments with the Bank Syndicate.

a) Debentures

The debentures issued by the Company in a single series are nonconvertible and distributed in the secondary market through the National Debenture System, with restricted placement efforts referring to the 3rd issue intended for banking institutions.

Covenants

As described in note 1, the new debt renegotiation process with the Bank Syndicate was completed on July 18, 2018. The executed agreement, which was included in debt reprofiling process, provides for accelerated maturity in cases of noncompliance of covenants that required, among other obligations: meeting certain financial ratios, such as: net debt-to-adjusted EBITDA of 13x or lower in 2018, 8x or lower in 2019, 7x or lower in 2020, and 6x or lower beginning 2021, as well as an adjusted EBITDA-to-finance costs ratio of 0.90 or higher as at December 31, 2018 and 1.20 or higher beginning 2019.

These ratios are monitored by the Company's management as the underlying agreements require that such ratios be measured annually. As at December 31, 2021, the Company was compliant with all said covenants.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

19. Other Payables

	Consolidated		Parent	
	12-31-2021	12-31-2020	12-31-2021	12-31-2020
Dividends payable	**68,002**	-	**68,002**	-
Sales commissions	**6,634**	806	**2,179**	709
Accrued interest	**571**	192	**-**	-
Insurance and freight	**9,690**	18,912	**7,331**	280
Leases	**8,833**	-	**-**	-
Marketing	**3,863**	4,639	**-**	-
Due to related parties	**1,651**	-	**53,996**	66,653
Unrealized gain on government grant	**29,631**	44,789	**-**	-
Other	**4,858**	4,698	**726**	1,071
	133,733	74,036	**132,234**	68,713
Current	**93,147**	27,145	**78,238**	2,060
Noncurrent	**40,586**	46,891	**53,996**	66,653

20. Payroll and Related Taxes

	Consolidated		Parent	
	12-31-2021	12-31-2020	12-31-2021	12-31-2020
Payroll	**3,794**	10,319	**349**	320
Accrued bonus	**33,893**	25,592	**19,721**	10,907
Contributions payable	**10,068**	7,628	**9,479**	7,482
Accruals (vacation pay and 13th salary)	**19,105**	13,949	**16,901**	13,441
	66,860	57,488	**46,450**	32,150

21. Taxes, Fees and Contributions

	Consolidated		Parent	
	12-31-2021	12-31-2020	12-31-2021	12-31-2020
State VAT (ICMS)	**5,694**	2,258	**4,678**	2,258
Federal VAT (IPI)	**378**	15,520	**3**	15,258
Tax on revenue (PIS)	**6**	1,247	**-**	1,130
Tax on revenue (COFINS)	**25**	5,751	**-**	5,211
Special tax – FAET (USA)	**47,618**	8,860	**-**	-
Withholding income tax (IRRF)	**4,928**	4,200	**4,734**	4,184
Income tax and social contribution	**21,105**	14,274	**15,301**	7,477
Other installment payments (*)	**31,789**	39,706	**31,111**	39,679
Other	**8,672**	7,638	**5,982**	5,910
	120,215	99,454	**61,809**	81,107
Current	96,632	68,259	39,102	49,915
Noncurrent	23,583	31,195	22,707	31,192

(*) The Company had overdue IPI for the period December 2019-March 2020. In September 2020, the Company elected to make installment payments pursuant to Regulatory Instruction (IN) 1891/2019 to regularize IPI debts. The installment plan covers the payment of principal amounting to R$34.7 million, a fine of R$6.9 million, and interest of R$793 thousand. The debt was paid in 60 installments, the installment cap allowed by said IN and is adjusted using the Selic (Central bank's policy rate). As at December 31, 2021, the adjusted balance of the IPI instalment payment plan is R$31.1 million and to date 16 installments have been paid, totaling R$11.3 million.

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

22. Provision for Civil, Labor and Tax Risks

Provisions are recognized for all contingencies arising on lawsuits for which it is probable that an outflow of funds will be required to settle the contingency or obligation, when they a reliable estimate can be made.

The Company, based on information from its legal counsel and the analysis of ongoing lawsuits, recognized a provision for losses on lawsuits in an amount considered sufficient to cover the estimated losses, as shown below:

				Consolidated
			12-31-2021	12-31-2020
	Provision	Escrow deposit (1)	Net	Net
Labor	46,339	(13,516)	32,823	38,457
Civil	20,253	(914)	19,339	18,471
Tax	30,330	(278)	30,052	29,026
	96,922	**(14,708)**	**82,214**	85,954
Classified in current liabilities	41,731			
Classified in noncurrent liabilities	55,191			

(1) Recognized in other noncurrent assets.

				Parent
			12-31-2021	12-31-2020
	Provision	Escrow deposit (1)	Net	Net
Labor	42,354	(11,969)	30,385	35,649
Civil	15,755	(914)	14,841	14,668
Tax	27,910	(278)	27,632	27,632
	86,019	**(13,161)**	**72,858**	77,949
Classified in current liabilities	35,012			
Classified in noncurrent liabilities	51,007			

(1) Recognized in other noncurrent assets.

Variations in the provision:

			Consolidated
	Civil and labor	Tax	Total
Balance as at December 31, 2020	71,191	29,304	100,495
Provisions recognized during the year	15,716	1,105	16,821
Provisions used during the year	(6,597)	(79)	(6,676)
Derecognition of provision	(14,212)	-	(14,212)
Held for sale returned to operations	494	-	494
Balance as at December 31, 2021	**66,592**	**30,330**	**96,922**

			Parent
	Civil and labor	Tax	Total
Balance as at December 31, 2020	63,171	27,910	91,081
Provisions recognized during the year	8,461	-	8,461
Provisions used during the year	(1,850)	-	(1,850)
Derecognition of provision	(11,673)	-	(11,673)
Balance as at December 31, 2021	**58,109**	**27,910**	**86,019**

The Company and its subsidiaries are parties to other lawsuits assessed by the Company’s legal counsel as having a possible or remote likelihood of loss for which no provision has been recognized since accounting practices adopted in Brazil do not require the calculation of such provision, as shown below:

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	Consolidated				Parent			
	12-31-2021		12-31-2020		**12-31-2021**		12-31-2020	
	Possible	**Remote**	Possible	Remote	**Possible**	**Remote**	Possible	Remote
Civil	**231,202**	**21,543**	127,176	6,817	**212,624**	**21,499**	113,869	6,782
Labor	**43,029**	**45,858**	46,114	37,972	**22,948**	**32,778**	18,958	35,001
Tax	**62,798**	**-**	59,047	-	**55,920**	**-**	50,900	-
	337,029	**67,401**	232,337	44,789	**291,492**	**54,277**	183,727	41,783

a) Labor lawsuits

The Company is party to labor lawsuits. None of these lawsuits refers to individually significant amounts and the discussions mainly involve lawsuits claiming the payment of overtime, hazardous duty and health-hazard premiums, salary differences due to salary equalization, compensation for occupational accidents and diseases, among others.

b) Civil lawsuits

Except for the civil lawsuits listed below, no other civil lawsuit refers to individually significant amounts and the discussions mainly involve individual lawsuits related to the Company's civil liability for the products it manufactures and sells, and these other lawsuits classified as possible risk of loss total R$44.7 million for consolidated purposes.

Public Civil Action – Federal District

The Federal District filed a public civil action with a request for a preliminary injunction against Taurus, pending before the 1st Fiscal Court of the Federal District, based on the Sanctioning Administrative Proceeding No. 054.002.970/2016 filed by the Military Police of the Federal District and that culminated in the application of the penalty of temporary suspension of the right to bid and to contract with the Public Administration of the Federal District for a period of twelve (12) months. In the Public Civil Action, the Federal District alleges, in summary, collective and financial losses due to alleged faulty pistols sold by Taurus during the period 2006-2011. As a result, the Federal District requested a preliminary injunction blocking the Company’s assets in the total amount of R$54.8 million, and, in the merits, requested the payment of R$49.8 million for alleged damages to the public treasury, and the payment of collective pain and suffering in the amount of R$5 million. On February 19, 2021, a court decision was awarded the injunction requested and ordered Taurus to be subpoened. On March 23, 2021, the Company received a subpoena. In an Interlocutory Appeal filed by the Federal District against the decision that denied the preliminary injunction, the appellate injunction was denied. On June 18, 2021, the Company submitted its counterarguments.
The Company then filed its arguments and subsequently the Federal District filed its own counterarguments, then determining that the Public Prosecutor’s Office should have access to the case and pending conclusion, awaiting an amending decision on the case.
On July 20, 2021, an amending decision was handed down and the parties were notified to indicate other evidence they intend to produce. Based on the amending decision, the Company filed a petition requesting adjustments to the decision, which was denied; the Federal District filed an interlocutory appeal claiming for the reversal.
In November 2021, the interlocutory appeals addressing the reversal of the burden of proof and urgent relief, filed by the Federal District, were denied.
Currently, the interlocutory appeal addressing the statute of limitation filed by the Company is pending judgment. In the opinion of its legal counsel, this action was classified with a possible likelihood of loss and its adjusted amount is R$58.6 million.

Public Civil Action - Attorney General of Sergipe for the Federal Public Prosecutor’s Office

The Company became aware of the filing by the Attorney General of Sergipe for the Federal Public Prosecutor’s Office of a Civil Class Action against Taurus and also against the Federal Government (Brazilian Army), before the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe. The requests are related to alleged defects in a few models of firearms produced by Taurus. In the Civil Class Action, the Federal Public Prosecutor’s Office pleads that i) Taurus be prevented from selling some models of firearms in Brazil; ii) Taurus makes a national recall for replacement and/or indemnity according to the market value of these models of firearms and iii) the Federal Government be prohibited from applying the restriction of import of models that have local similar products, under penalty of daily fine of R$10. Finally, the Federal Public Prosecutor’s Office pleads i) the conviction of the Federal Government to the obligation to modify R-105 or to issue a new substitutive regulation that does not create regime of monopoly of sales of firearms in Brazil, which adversely affects the free competition; ii) the conviction of Taurus to the obligation to make a national

recall within 20 days, for the repair, replacement and/or indemnity according to the market value of these models of firearm; (iii) the conviction of the Federal Government and Taurus to the payment of collective pain and suffering in amount to be defined by the judge, not below R$40 million. In preliminary injunction, in a decision handed down in July 2017, the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe determined the obligation by Taurus to submit a detailed plan of recall of the supposedly defective models of firearms within 90 days. The preliminary injunctions for suspension of the sale of the models allegedly defective and prohibition of restriction of import of firearms by the Federal Government were rejected by the Judge. In the judgment of the bill of review filed by Taurus, in November 2017, the Federal Court of the 5th Region suspended the effectiveness of the decision granted by the Judge of the 2nd Federal Court of the Judiciary Section of Sergipe, with respect to the part that establishes the submission, by Taurus, of a plan of recall within ninety (90) days. Also at the fact finding phase, the proceeding was stayed for 60 days as requested by the parties and, currently, due to the lapse of the statute of limitation, it is currently awaiting decision on the potential settlement among the parties.
In the opinion of Taurus' legal counsel, this class action is classified with a possible likelihood of loss and its adjusted amount is R$75.8 million.
On February 25, 2022, Taurus Armas has entered into an agreement with the Federal Public Prosecutor's Office ("MPF") to terminate the civil class action, which is already homologated by the judge of the 2nd Federal Court of Sergipe. The agreement, which does not entail recognition of any responsibility, fault or defect of good by Taurus, provides for the Company's investments in the overall amount of R$10 million over a five-year period, on behalf of the society and the public security area.

Administrative Proceeding and Lawsuit – PMESP
I – PMESP – Administrative Proceeding 24/7 Pistol
The Company was summoned to present defense in an administrative proceeding filed by the São Paulo State Military Police ("PMESP") (Sanctioning Proceeding CSMAM-002/30/16) which challenges the possibility or not of partial or full noncompliance with the agreement for acquisition and supply of ninety-eight thousand, four hundred and sixty-five (98,465) firearms, pistol type, models 24/7 and 640, between 2007 and 2011. On May 18, 2020, a decision was issued imposing a R$12.7 million fine on Taurus, as well as a penalty suspending the Company from bidding and signing any contract with the São Paulo State Public Administration during two (2) years.
The sanctioning decision of the administrative proceeding, however, was annulled by the Court of Justice of the State of São Paulo in a final decision handed down in the injunction request filed by the Company, which determined the return of the administrative proceeding to the instructional phase. Thereafter, an administrative decision was handed down on November 13, 2021, fully accepting the sanctioning proposal issued by the Major of the Military Police of the State of São Paulo, in an addendum dated November 12, 2021, to apply a contractual fine in the amount of R$25.1 million, as well as penalty suspending the Company from bidding and signing any contract with the Public Administration during two (2) years. Based on this decision, Taurus has filed an administrative appeal, obtaining the stay effect. On December 1, 2021, a partial favorable decision on the Company's administrative appeal was handed down, annulling the fine and the Company's suspension from bidding and signing any contract, as well as determining the measures for performance of an independent technical expert analysis at the pistols. Currently, measures are expected to be adopted for the performance of the independent technical expert analysis.
In the opinion of the Company's legal counsel, this administrative proceeding is classified with a possible likelihood of loss and its adjusted amount is R$25.1 million.

II - PMESP – Lawsuit SMT 40
On December 19, 2017, the Company received court subpoena in a lawsuit where the State of São Paulo requires the termination of the supply contract of 5,931 submachine guns, model SMT-40, entered into in 2011 with the São Paulo State Military Police and the return of the amount paid at the time, totaling R$21.7 million, plus inflation adjustment and other legal fees. The Company filed its defense arguments in the lawsuit and, subsequently, the Treasury and the Public Prosecution Office filed their own arguments. The case is currently awaiting sentencing.
In the opinion of its legal counsel, this action was classified with a possible likelihood of loss, estimated at R$27.0 million.

c) Tax lawsuits:
Except for the tax lawsuit listed below, no other lawsuit refers to individually significant amounts and/or is still in its administrative stage. These other lawsuits classified with possible likelihood of loss total R$44.9 million.

Tax collection lawsuit - Municipality of São Leopoldo
The Municipality of São Leopoldo has filed for tax collection lawsuit seeking to collect the credit registered as an tax executable debt under No. 2016/1997, relating to the collection of Service Tax (ISS) for the assessment period January 2012-December 2014. The tax collection lawsuit is being processed at the 4th Civil Court of the São Leopoldo (RS) Court District, under Case No. 033/1.16.0014529-9, and the disputed amount is R$17.9 million. The lawsuit is pending judgment of the objection to the tax collection filed by the Company. The likelihood of loss in this lawsuit is possible.

d) Other lawsuits

Djibouti
There is a criminal lawsuit on judicial secrecy at the 11th Federal Court of Porto Alegre, filed against two former Company employees and a Yemeni national, due to alleged irregular sale of firearms in 2013 to the Government of Djibouti, whose final destination would be Yemen. Although the Company and its officers are not parties to the lawsuit, as soon as the Company became aware of the prosecution, potentially harmful to its reputation, it has requested and has been granted its inclusion as a an interest party to the lawsuit, for the purpose of clarifying to the Judge the facts known by the Company and providing the necessary support to the investigations. There are no estimated effects or provisions concerning this issue that are or should be duly reflected in the Company's financial statements at this date.

e) Ongoing lawsuits

The Company also holds an amount equivalent to R$138.5 million in ongoing lawsuits, which are classified as contingent assets and are not recognized in accounting.

For this total, R$20 million is classified as Virtually Certain, which is equivalent to provable (contingent inabilities), and in this case, considering that it refers to a contingent asset (calculation of possible Taurus claims), the estimated probable amount refers to a favorable outcome. The main lawsuits are detailed below.

Ordinary Suit - Eletrobrás and Federal Government (National Treasury)
Taurus filed an ordinary suit against Eletrobrás and the Federal Government claiming the adjustment for inflation of the compulsory loan to Eletrobrás. In light of the favorable court decision on this the claim, on October 20, 2014, Taurus issued a judgment enforcement order where it submitted the calculations of its claim. The case is being processed in the Federal Court of Rio Grande do Sul and totals R$9 million. After the final decision of the objection filed by Eletrobrás, the court records were corrected to allow the settlement of awarded sentence by arbitration. Because of the decision that set new settlement criteria, Taurus filed an Interlocutory Appeal, which was accepted. Thereafter, the case records were distributed to the Judicial Auditor for adjustment of the calculation to the terms of the decision on the appeal. Currently, the Company is waiting for the return of the case records to the judicial auditor and subsequent notification of Eletrobrás to deposit the respective amounts. The likelihood of a favorable outcome in this lawsuit is classified as probable.

Monitory Action - State Department of Finance of Rio Grande do Norte
Taurus Helmets filed a monitory action for the collection of Invoice No. 18565, relating to the supply of bulletproof vests, against the State Department of Finance of Rio Grande do Norte. The aforementioned principal action was filed in the 1st Fiscal Court of Natal, RN, which granted the petition by judging it an enforceable title in a definite sum in favor of Taurus, which became final and unappealable on September 9, 2016. The principal action continued separately from the enforcement of sentence, under which the overall amount of R$3.7 million is being collected by Taurus Helmets. The enforcement of the sentence was partially challenged by the Department of Finance and, currently, the records are awaiting to be returned by the court accountant's office only to ascertain the challenged amount. The likelihood of a favorable outcome in this lawsuit is classified as probable.

Writ of Mandamus - Federal Revenue Service Porto Alegre Commissioner
Taurus filed a writ of mandamus against the Federal Revenue Service Porto Alegre Commissioner seeking the deduction of paid prior notice, sick pay, one-third vacation bonus, maternity leave pay, and overtime amounts from the

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

tax base of the employer's social security contribution, as provided for by Article 22, I and II, of Law 8212/91, and the social security contribution paid on behalf of outsourced contractors. Writ of Mandamus is being handled by the 14th Federal Tax Court of Porto Alegre and the amount involved is R$2.5 million. The claim was partially granted, allowing for the possibility of offsetting the social security contributions amounts already paid and the social security contributions paid for contractors levied on paid prior notice amounts. Based on the decision on the approval, the defendant filed an interlocutory appeal, where a decision was handed down to prevent the provisional enforcement. Currently, the proceeding is at the appeal phase waiting for the decision on the Extraordinary Appeal filed by the Company, which proceeding is halted, waiting for the final decision on the matter by the STF. The likelihood of a favorable outcome in this lawsuit is classified as probable.

23. Financial Instruments

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

a) Fair value versus carrying amount

The fair values of financial liabilities, together with the carrying amounts reported in the balance sheet, are as follows:

				Consolidated
		12-31-2021		**12-31-2020**
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Liabilities measured at amortized cost				
Borrowings and financing	**442,429**	**442,429**	698,528	707,936
Debentures	**33,532**	**33,532**	67,881	69,378
Foreign currency advances	**217,350**	**215,168**	100,271	100,271
	693,311	**691,129**	866,680	877,585

				Parent
		12-31-2021		**12-31-2020**
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Liabilities measured at amortized cost				
Borrowings and financing	**442,429**	**442,429**	621,929	631,446
Debentures	**33,532**	**33,532**	67,881	69,378
Foreign currency advances	**217,350**	**215,168**	100,271	100,271
	693,311	**691,129**	790,081	801,095

In light of the short-term cycle, it is assumed that the fair value of cash trade receivables, trade payables, other payables, and advances of receivables approximates their carrying amounts.

The fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted using a market interest rate determined at the end of the reporting period.

According to the hierarchical classification criteria used to determine fair value: Level 1: prices quoted (unadjusted) in active markets, net and visible for identical assets and liabilities, which are accessible at the measurement date; Level 2: prices quoted (that can be adjusted or not) for similar assets or liabilities in active markets; and Level 3: assets and liabilities that are not based on observable market inputs (unobservable inputs). The Company classified the fair values of financial instruments as Level 2.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

24. Related Parties

The Parent, its subsidiaries, and related parties carry out transactions among themselves, involving financial, sales and operating aspects of the Company. We describe below the most relevant transactions.

	Outstanding balances of subsidiaries with the parent						Effect on the result of transactions of subsidiaries with the parent	
	Current assets (ii)	Noncurrent assets (iii)	Total assets	Current liabilities (i)	Noncurrent liabilities	Total liabilities	Revenue	Expense
December 31, 2020								
Taurus Helmets Indústria de Capacetes Ltda.	-	-	-	92	14,817	14,909	-	397
Taurus Blindagens Nordeste Ltda.	-	-	-	789	45,704	46,493	-	1,229
Taurus Holdings, Inc.	692	-	692	19,395	18,435	37,830	692,657	6,561
Taurus Investimentos Imobiliários Ltda.	-	-	-	11,306	4,536	15,842	-	3,972
Taurus Máquinas-Ferramenta Ltda.	-	24,082	24,082	-	-	-	610	-
Taurus Plásticos Ltda.	-	-	-	-	1,597	1,597	1,568	53
Polimetal Metalurgia e Plásticos Ltda.	-	5,579	5,579	80	-	80	2,588	-
	692	29,661	30,353	31,662	85,089	116,751	697,423	12,212
December 31, 2021								
Taurus Helmets Indústria de Capacetes Ltda.	**572**	**-**	**572**	**14**	**5,101** (iv)	**5,115**	**-**	**330**
Taurus Blindagens Nordeste Ltda.	**-**	**-**	**-**	**623**	**47,244** (iv)	**47,867**	**-**	**2,012**
Taurus Holdings, Inc.	**16,882**	**-**	**16,882**	**16,279**	**-**	**16,279**	**945,679**	**4,357**
Taurus Investimentos Imobiliários Ltda.	**641**	**10,523**	**11,164**	**384**	**-**	**384**	**94**	**4,610**
Taurus Máquinas-Ferramenta Ltda.	**-**	**25,999**	**25,999**	**-**	**-**	**-**	**1,095**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**6,585**	**4,159**	**10,744**	**1,903**	**-**	**1,903**	**2,404**	**-**
	24,680	**40,681**	**65,361**	**19,203**	**52,345**	**71,548**	**949,272**	**11,309**

(i) Refers to amounts recorded in line items trade payables - R$15,818, other payables - R$3,385
(ii) Refers to amounts recorded in line items trade receivables - R$20,354 and other receivables - R$4,326
(iii) Refers to amounts recognized in line items intragroup loans - R$40,681 from parent company Taurus Armas S.A. which are adjusted at 100% of CDI (Interbank Deposit Certificate) rate.
(iv) Represent loan agreements - R$52,345 with subsidiaries Taurus Holdings, Inc., Taurus Helmets Indústria de Capacetes Ltda., Taurus Blindagens Nordeste Ltda. and Taurus Investimentos Imobiliários Ltda which are adjusted at 100% of CDI (Interbank Deposit Certificate) rate

(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

Transactions involving the Company and subsidiary Taurus Holdings, Inc. refer to sales of firearms to be marketed by the subsidiary in the U.S. market and also intragroup loans between these parties.

As for transactions involving the Company and subsidiary Polimetal Metalurgia e Plásticos Ltda., these refer to the purchase of work in process, since the subsidiary carries out a part of the production process in the firearms segment.

Taurus Investimentos Imobiliários is the owner of tracts of land and buildings where the head offices of Taurus Armas and Polimetal (RS) and Taurus Helmets (PR) are located, in addition to the land held for sale in Porto Alegre. Transactions with this company are carried out through payment of rents and intragroup loans.

Founded in 1969 and headquartered in Brasília, the National Association of Firearms and Ammunition Industry (ANIAM) is a non-profit civil entity, which represents the firearms and ammunition industry and commerce in Brazil and which President is Mr. Salesio Nuhs, who is also the Global CEO of Taurus Armas. Taurus Armas S/A is an associate of this entity and makes monthly contributions based on the amount recorded in 2021, as shown in the table below. The transactions conducted with related parties follow the price conditions and terms agreed between the parties and cannot be compared to those under transactions with unrelated parties.

As at December 31, 2021, non-consolidated transactions involving Taurus Armas S.A. and its related parties refer mainly to sales of firearms for trading and purchase of ammunition, parts and accessories. The amount of these transactions is shown below:

	Current assets	Current liabilities	Noncurrent liabilities	Revenue	Expense
December 31, 2020					
Companhia Brasileira de Cartuchos	1,090	20,777	-	13,344	36,095
CBC Brasil Comércio e Distribuição	164,298	-	-	414,885	-
	165,388	20,777	-	428,229	36,095
December 31, 2021					
Companhia Brasileira de Cartuchos	9,697	10,821	-	21,404	49,756
CBC Brasil Comércio e Distribuição	264,772	2	-	690,370	-
GN Importações	-	-	-	375	9
Taurus JM Indústria de Peças	2,640	-	1,651	16	1,107
Joalmi Indústria e Comércio	247	-	-	-	124
ANIAM - Assoc. Nac. da Ind. de Armas e Munições	-	-	-	-	1,005
	277,356	10,823	1,651	712,165	52,001

Marketplace Platform

The Company has a partnership with its related party Companhia Brasileira de Cartuchos (CBC) a Marketplace platform.

Marketplace is the most collective concept of online sales. On this platform, different stores can advertise their products, giving the customer a range of options, the stores, called sellers in this operation, join the Marketplace platform and pay a fee for the use of the platform and also royalties on sales made through the platform to the Marketplace operator.

On the Company's Marketplace platform, one of the seller operators is the company GN Importações Ltda., which has Mr. Guilherme Nuhs, who is related to the Company's CEO Mr. Salesio Nuhs, as a related party.

The Company has formalized contracts for the use and operation of the platform under equal market conditions for all sellers that join the platform according to the terms and conditions set by Taurus and CBC, and therefore GN has accepted the same terms and conditions offered to the other operators.

In the transactions carried out by GN on the Marketplace platform, GN pays a monthly fee of R$500.00 for the use of the platform, of which R$250.00 to Taurus Armas and R$250.00 to CBC, and royalties of 20% on sales and use of the brand, and in exceptions due to the need for some sales promotion, preapproved between the parties, the percentage of royalties can be lower.

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Officers' and Directors' transactions
Officers and directors hold an immaterial percentage of Company's voting shares.

Officers' and Directors' compensation
The compensation of officers and directors includes salaries, management fees, and benefits:

	Consolidated		Parent	
	12-31-2021	12-31-2020	**12-31-2021**	12-31-2020
Statutory officer's compensation and benefits	**23,837**	18,307	**23,837**	18,307
Stock option plan	**5,423**	-	**5,423**	-
Directors' compensation and benefits	**924**	591	**924**	591
Supervisory Board members' compensation and benefits	**318**	244	**318**	244
	30,502	19,142	**30,502**	19,142

The compensation of the Statutory Officers consists of a fixed and a variable portion.
Fixed compensation: an annual amount is set for each officer, which is paid on a monthly basis.
Variable compensation: consists of short-term compensation (phantom share) and long-term compensation (stock options). Generally, the goals set by the Company to evaluate Officers consist of economic goals and their permanence at the Company.

The gain in the Stock Option Plan is linked to the appreciation of the market price of Company shares, i.e., the value the individual performance of an officer and the performance of Management as a whole add to the Company reflects on the officers' earnings in this type of compensation, while keeping their interests aligned with the Company's interest in the long run.

Sureties between related parties
Borrowings and financing in the form of debentures, PPEs (export prepayments) owed to KG Banco Itaú and ACCs (advances on exchange contracts) owed to Banco Pine are covered by a set of joint collaterals, consisting of sureties granted by Taurus Helmets, Taurus Blindagens, the collateral assignment of shares, the collateral assignment of receivables, mortgages on properties, and shares of Taurus International held by Taurus Armas S.A. The guaranteed debt totals R$580.8 million (R$790.1 million as at December 31, 2020) to Taurus Armas S.A.
Subsidiary Taurus International has an overdraft account with a US banking institution, Wells Fargo, on which there is an additional guaranteed consisting of a surety granted by its parent Taurus Armas S.A.

25. Discontinued Operations

A discontinued operation is a component of the Group's business that comprises transactions and cash flows that can be clearly separated from the rest of the Group and that:

- Represents a separate major business line or geography of operations;
- Is part of a single coordinated plan to sell a separate major business line or geography of operations; or
- Is a subsidiary acquired exclusively for the purpose of resale.

The classification as a discontinued operation is made at the earlier of its disposal or when the operation meets the criteria to be classified as held for sale prescribed by CPC 31/ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

When an operation is classified as a discontinued operation, the comparative statements of profit and loss and of value added are restated as if the operation had been discontinued since the beginning of the comparative period. (Note 4.c – Restated accounting balances).

While intragroup transactions were fully eliminated from consolidated profit or loss, the Company's Management elected to attribute the elimination of transactions between continuing and discontinued operations prior to disposal in order to reflect the continuity of these operations after disposal, since Management believes that the information is useful to the users of the financial information. To achieve this presentation, the Company's Management, based on the profit (loss) from discontinued operations, eliminated intersegment sales (and costs resulting from these sales, less unrealized profit) made prior to their disposal.

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(a) Profit (loss) from discontinued operations, net

	12-31-2021	12-31-2020 Restated
Net sales revenue	-	-
Elimination of intersegment revenue	-	-
Foreign revenue	-	-
Finance costs, net	(1,603)	(813)
Elimination of intersegment expenses	-	-
Foreign expenses	(1,603)	(813)
Profit (loss) from operating activities	(1,603)	(813)
Taxes on income	(717)	(44)
Profit (loss) before income tax and social contribution, net	**(2,320)**	(857)
Basic earnings (loss) per common share (in R$)	**(0.019640)**	(0.008910)
Basic earnings (loss) per preferred share (in R$)	**(0.023690)**	(0.010500)

Profit (loss) from discontinued operations as at December 31, 2021 is R$-2,320 thousand (R$-857 thousand as at December 310, 2020) and is fully attributed to owners of the Company.

(b) Cash flows generated by discontinued operations

	12-31-2021	12-31-2020 Restated
Net cash generated by operating activities	**1,547**	576
Net cash generated by investing activities	**(1,621)**	(705)
Net cash used in financing activities	**81**	(26)
Net cash generated by discontinued operations	**7**	(155)

26. Equity

a) Capital

As at December 31, 2021, the Company's issued capital is R$308.2 million (R$560.3 million at December 31, 2020), represented by 118,099,545 book-entry, registered shares, divided into 46,445,314 common shares and 71,654,231 preferred shares without par value.

On October 5, 2018, the Company issued four series of subscription warrants, with each warrant converting into one share, the following is the updated position as at December 31, 2021:

	QUANTITIES			
Types of share	**TASA11**	**TASA13**	**TASA15**	**TASA17**
Strike price	R$4.00	R$5.00	R$6.00	R$7.00
Series maturity	04/05/2019	07/05/2021	10/07/2021	10/05/2022
Number of shares	24,899,874	20,000,000	20,000,000	9,000,000
Exercised	13,148,993	19,925,599	19,913,827	422,914
Forfeited	11,750,881	74,401	86,173	-
Exercisable	-	-	-	8,577,086

In the year ended December 31, 2020, the warrants exercised were automatically converted into capital, in an amount equivalent to R$40 million, which was ratified by the Company's Board of Directors' Meeting.

In 2021, up to December 31, the warrants exercised were automatically converted into capital, in an amount equivalent to R$118.9 million, which was ratified by the Company's Board of Directors.

On November 04, 2021, the Company's Board of Directors approved the capital decrease to partially absorb the balance of accumulated losses recorded in the financial statements as at December 31, 2020. The amount of capital was reduced by R$371 million.

Preferred shares

Preferred shares are not entitled to different dividends and have preemptive rights in the liquidation of its interest in the capital.

Pursuant to Article 5, paragraph 4, of the Company's Bylaws, preferred shares are entitled to vote in any resolutions made at a Shareholders' Meeting on the matters listed below, in which case each preferred share correspond to one vote:

(i) Company's transformation, merger, consolidation or spin-off;
(ii) Approval of agreements between the Company and its Controlling Shareholder, as defined in the Level 2 Regulation, directly or through third parties, as well as other companies in which the Controlling Shareholder has an interest, whenever, as set forth in an legal or bylaws provision, these matters are required to be approved at a shareholders' meeting;
(iii) Appraisal of assets for the Company's capital increase;
(iv) Selection of a specialized company to determine of the Company's economic value, under Chapter VII of the Company's Bylaws; and
(v) Change or revocation of bylaws provisions which change or modify any requirement prescribed in item 4.1 of the Level 2 Regulations, except that this voting right shall prevail only while the Level 2 of Corporate Governance Participation Agreement remains in force.

Authorized shares (in thousands of shares):

	12-31-2021	12-31-2020
Common shares	51,851	51,851
Preferred shares	103,702	103,702
	155,553	155,553

Issued, fully paid-in shares:

	Common shares		Preferred shares	
	Number in thousands	**Amount in R$ thousands**	**Number in thousands**	**Amount in R$ thousands**
As at December 31, 2020 Common: R$15.87; Preferred: R$15.50*	46,445	737,082	49,684	770,102
As at December 31, 2021 Common: R$24.51; Preferred: R$24.66*	**46,445**	1,138,367	**71,654**	1,766,988

*Closing share quotation on the indicated date, multiplied by the total shares outstanding on the same date.

b) Reserves and earnings retention

Legal reserve
Calculated as 5% of profit for the year, pursuant to Article 193 of Law 6404/76 up to the limit of 20% of capital, after deduction of accumulated losses, in conformity with art. 189 of the same Law. As at December 31, 2021, legal reserve in the amount of R$15.1 million was recognized.

Tax incentive reserve
The Company is eligible to ICMS and Fundopem tax incentives. Management, in view of the publication of Supplementary Law 160/17 and in conformity with Law 6404/76, allocated them as tax incentive reserve in equity. As at December 31, 2021, the balance is R$92.6 million (R$48.7 million as at December 31, 2020). In 2020 the amount was allocated as a reduction of accumulated losses. Due to the reversal of accumulated losses in retained earnings, the balance was reclassified to earnings reserves.

c) Dividends

Pursuant to the Company's bylaws, common and preferred shares are entitled to mandatory minimum dividend of 35% of adjusted profit, and preferred shares are entitled to all other rights attributable to common shares under equal conditions.

Proposed dividends
The dividend proposal recorded in the Company's financial statements, subject to approval at the Annual General Meeting, is as follows:

	2021
Accumulated losses	(704,720)
Capital decrease	370,965
Loss after decrease	**(333,755)**
Profit for the year	635,060
Profit after absorption of accumulated losses	**301,305**
Allocations:	
Recognition of legal reserve	(15,065)
Recognition of tax incentive reserve	(92,587)
Valuation adjustments to equity	631
Dividend distribution base	**194,284**
Mandatory dividends (35%)	68,000
Proposed additional dividends	126,284
Mandatory dividends per share	R$0.575780
Proposed additional dividends per share	R$1.069305
Total dividends per share	**R$1.645085**

The proposed compensation to shareholders to be sent by Management to the approval of the Annual General Meeting of 2022, in the amount of R$68 million (R$0.575780 per share), contemplates the mandatory dividend arising from the remaining portion of profit for the year and the legal reserve, considering that the payment is compatible with the cash generation in the year and the Company's financial sustainability is preserved.

The additional proposed dividends in the amount of R$126.3 million (R$1.069305 per share) are disclosed in a line item in equity as at December 31, 2021 until the proposal is approved at the Annual General Meeting of 2022, when they will be recognized as liabilities.

Dividends payable

As at December 31, 2021, the compensation payable to the Parent's shareholders in current liabilities is R$68 million (R$0.575780 per share), representing the mandatory minimum dividend.

The compensation to shareholders will be made available on the date established at the Annual General Meeting .

d) Valuation adjustments to equity

Deemed cost

The line item valuation adjustments to equity in equity includes adjustments due to the adoption of the deemed cost of property, plant and equipment at the date of transition to IFRSs. The amounts recognized in valuation adjustments to equity are fully or partially reclassified to full or partial profit or loss for the year upon the depreciation of the related line items or the disposal of the assets.

Cumulative translation adjustments

Cumulative translation adjustments include all foreign exchange differences arising on translating the financial statements of foreign operations.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

e) Earnings per share

	Parent and Consolidated	
Basic numerator	**12-31-2021**	12-31-2020 Restated
Profit (loss) from continuing operations		
Common shares	250,664	127,775
Preferred shares	386,716	136,685
	637,380	264,460
Profit (loss) from discontinued operations		
Common shares	(912)	(414)
Preferred shares	(1,408)	(443)
	(2,320)	(857)
Profit (loss) for the year		
Common shares	249,752	127,361
Preferred shares	385,308	136,242
	635,060	263,603
Basic denominator – Weighted average number of outstanding shares (no. of shares)		
Common shares	46,445,314	46,445,314
Preferred shares	59,446,591	42,200,378
	105,891,905	88,645,692
Basic earnings per share from continuing operations (R$ per share)		
Common shares	5.39697	2.75108
Preferred shares	6.50527	3.23895
Basic earnings (loss) per share from discontinued operations (R$ per share)		
Common shares	(0.01964)	(0.00891)
Preferred shares	(0.02369)	(0.01050)
Basic earnings per share (R$ per share)		
Common shares	5.37733	2.74217
Preferred shares	6.48158	3.22845

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

	Parent and Consolidated	
Diluted numerator	**12-31-2021**	12-31-2020
Profit (loss) from continuing operations		
Common shares	250,664	127,775
Preferred shares	386,716	136,685
	637,380	264,460
Profit (loss) from discontinued operations		
Common shares	(912)	(414)
Preferred shares	(1,408)	(443)
	(2,320)	(857)
Profit (loss) for the year		
Common shares	249,752	127,361
Preferred shares	385,308	136,242
	635,060	263,603
Diluted denominator – Weighted average number of outstanding shares (no. of shares)		
Common shares	46,445,314	46,445,314
Preferred shares	59,446,591	42,200,378
	105,891,905	88,645,692
Potential increase in the number of shares from the exercise of warrants		
Common shares	-	-
Preferred shares	5,939,288	4,932,787
	5,939,288	4,932,787
Diluted earnings (loss) per share from continuing operations (R$ per share)		
Common shares	5.39697	2.75108
Preferred shares	5.91437	2.89997
Diluted earnings (loss) per share from discontinued operations (R$ per share)		
Common shares	(0.01964)	(0.00891)
Preferred shares	(0.02153)	(0.00940)
Diluted earnings (loss) per share (R$ per share)		
Common shares	5.37733	2.74217
Preferred shares	5.89284	2.89057

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

27. Share-based Payment

a) Stock option plan

Description of the share-based compensation arrangements
As at December 31, 2021, the Company has the following share-based payment arrangement:

Stock option plan (settable in shares)

On April 26, 2021, the Company approved the Company's First Stock Option Plan that entitles the statutory officers to acquire Company shares. Under this program, the stock options may be exercised at the market price of the shares on grant date. The Board of Directors is responsible for the Plan's management.

On October 18, 2021, the Company approved in a meeting of the Board of Directors the Company's Second Stock Option Program ("2nd Program") including the eligibility rules of this 2nd Program's beneficiaries and the definition of the grant terms and conditions. All terms and conditions of the Plan, approved by the Company's Annual and Extraordinary Shareholders' Meeting held on April 26, 2021, were observed.

The Plan's purpose is to allow granting stock options to the Company's statutory officers previously discussed and selected by the Board of Directors, for the purpose of: (i) attracting, motivating, and retaining in the Company highly performant, strategic executives, capable of advancing its core business; (ii) aligning the interests of statutory officers with the interests of Company shareholders, encouraging commitment, engagement, and ownership of the Company's business; (iii) fostering the expansion, success, and achievement of the goals set by the Company; and (vi) offering statutory officers yet another way to be able to share the Company's performance and success.

The Company's current or future statutory officers are eligible to participate in the Plan. The approval of the actual participants and the number of stock options to be granted to each officer shall be determined by the Board of Directors. The exercise of Stock Options by a participant is not subject to the participant's achieving individual targets or the Company's overall targets but rather to the officer's continuing relationship with the Company.

In the event of the resignation or dismissal for cause of a participant, the stock options that have not been exercised by the termination date, observing the stock option vesting periods, shall be automatically extinguished, by operation of law, regardless of prior notice or notification, and without any right to an indemnity.

Expenses are recognized on a daily pro rata basis, from the stock options' grant date to its vesting date. The Company recognized in profit or loss for the period ended December 31, 2021 a total of R$5.4 million.

The pricing model used to measure the price of the stock options granted is Black, Scholes & Merton. The fair values of the stock options already granted was calculated based on the Black, Scholes & Merton option valuation model, using the following assumptions:

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

(i) Number of shares subject to stock options:

			Shares subject of the stock options
	Type	Percentage	Number of
1st Stock option program - 2021	Common	33.33%	728,332
	Preferred	66.67%	1,456,668
		100.00%	**2,185,000**
2nd Stock option program - 2021	Common	33.33%	100,000
	Preferred	66.67%	200,000
		100.00%	**300,000**
Total stock options		**100.00%**	**2,485,000**

(ii) Stock options' life

Percentage of total stock options	26,11%	24,63%	24,63%	24,63%
Exercise date	04/30/2023	04/30/2025	04/30/2027	04/30/2029

The information used in the analysis of the fair values on the grant date of the share-based plans is as follows:

	1st Stock option program - 2021	2nd Stock option program - 2021
Fair value on grant date	R$24.14	R$24.49
Share price on grant date	R$20.82	R$20.27
Strike price	R$26.68	R$25.43
Expected volatility (weighted average)	89.81%	79.75%
Stock option life (weighted average life expectancy)	4.97	4.53
Expected dividends	2.85%	4.05%
Risk-free interest rate (based on government bonds)	7.78%	10.20%

b) Share-based payment settled in cash – Phantom Shares

In April 2021, the Company granted 780,000 phantom shares (710,000 as at December 31, 2020, all settled on the date), equivalent to the same number of preferred shares issued by the Company, to the program beneficiaries. Upon fulfillment of all vesting conditions, namely: upon keeping the relationship as the Company's officer until the end of the vesting period, expected for December 2021, the beneficiary will be entitled to receive the premium on December 30, 2021. The compensation amount in local currency will be defined after the end of the auction at B3 – Brasil, Bolsa, Balcão on December 17, 2021.

The calculation method corresponds to the straight-line average of the average price of the preferred share from December 13 to 15, 2021 multiplied by the number of phantom shares, with ceiling of R$25.00 per share.

The plan was completed and paid on December 31, 2021. In total, amounts representing 710,000 phantom shares at the average amount of R$24.19 per share were paid, totaling R$17.2 million. As at December 31, 2021, total amount recognized in expenses, including payroll taxes corresponds to R$20.3 million (R$14 million as at December 31, 2020).

In case the Officer eligible to receiving compensation is terminated at the Company's discretion, being removed from his/her position without breach of the officer's duties and responsibilities, before the payment date, the eligible officer will be entitled to fully receiving a bonus on the maturity date of the phantom shares. The eligible officer will not be entitled to fully receiving the phantom shares attributable to him/her if, up to the bonus payment date: (i) he/she resigns on own account, relinquishing the officer position; (ii) is terminated at the Company's discretion, being removed from the position with breach of the officer's duties and obligations.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

28. Net Operating Revenue

Pursuant to IFRS 15/CPC 47 *Revenue from Contracts with Customers*, revenue is recognized when control of the goods is transferred to the customer.

Revenue for contracts with customers is recognized to the extent that it is probable that there will be no significant reversal in the accumulated revenue amount. As a result, for contracts where the Company is unable to make a reasonable estimate of the returns, revenue is expected to be recognized after the elapse of the return period. A liability for reimbursement and an asset for recovery will be recognized for these contracts and stated separately on the balance sheet.

Sales taxes

Sales revenues are subject to the following taxes and contributions at the following statutory rates:

	Tax rates
State VAT (ICMS)	0%-25%
Federal VAT (IPI)	0%-45%
Tax on revenue (COFINS)	3% and 7.6%
Tax on revenue (PIS)	0.65% and 1.65%

	Consolidated		**Parent**	
	12-31-2021	12-31-2020 Restated	**12-31-2021**	12-31-2020
Sale of goods	**3,448,315**	2,310,138	**2,224,113**	1,416,537
Provision of services	**329**	31	**308**	31
Total gross revenue	**3,448,644**	2,310,169	**2,224,421**	1,416,568
Sales taxes	**(701,906)**	(446,909)	**(493,162)**	(295,391)
Returns and discounts	**(6,274)**	(3,880)	**(2,415)**	(2,471)
Total net operating revenue	**2,740,464**	1,859,380	**1,728,844**	1,118,706

Because its sales have short-term maturities and the effects of calculating present value adjustments being immaterial, the Company does not adjust the present value of the respective balances.

29. Other Operating Income

	Consolidated		**Parent**	
	12-31-2021	12-31-2020	**12-31-2021**	12-31-2020
Other operating income				
Tax recovery	**73,996**	981	**71,034**	249
Government grant - COVID	**16,598**	-	**-**	-
Royalties	**7,815**	-	**7,815**	-
Sale of property, plant and equipment	**4,615**	2,191	**3,601**	954
Recovery of expenses on trade payables	**4,456**	3,177	**4,421**	2,992
Recovery of past-due receivables – allowance for doubtful debts	**4,082**	319	**4,082**	315
Other income	**6,369**	6,688	**6,558**	7,133
	117,931	13,356	**97,511**	11,643

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

30. Expenses by nature

	Consolidated		Parent	
	12-31-2021	12-31-2020 Restated	**12-31-2021**	12-31-2020
Expenses by function				
Cost of sales	(1,422,708)	(1,071,619)	(867,550)	(581,582)
Selling expenses	(241,989)	(164,641)	(90,569)	(65,353)
Allowance for impairment of financial instruments	(1,509)	2,859	(1,696)	4,156
General and administrative expenses	(205,125)	(188,495)	(129,999)	(107,403)
Other operating expenses	(12,981)	(5,669)	(13,205)	(7,515)
	(1,884,312)	(1,427,565)	**(1,103,019)**	(757,697)
Expenses by nature	**12-31-2021**	12-31-2020	**12-31-2021**	12-31-2020
Depreciation and amortization	(28,807)	(29,249)	(12,809)	(13,719)
Personnel expenses	(379,876)	(339,155)	(274,287)	(206,988)
Tax expenses	(13,594)	(9,238)	(9,924)	(2,442)
Raw materials and supplies and consumables	(957,067)	(684,013)	(539,792)	(332,766)
Auxiliary materials and upkeep and maintenance supplies	(92,188)	(62,876)	(89,492)	(69,784)
Freight and insurance	(135,194)	(101,098)	(68,924)	(45,857)
Outside services	(58,031)	(48,661)	(44,392)	(37,976)
Advertising and publicity	(35,242)	(28,380)	(7,185)	(4,439)
Expenses on product warranty	(2,412)	(5,221)	(822)	(6,281)
Water and power	(46,157)	(29,669)	(14,396)	(10,085)
Travel and lodging	(4,696)	(5,216)	(2,892)	(2,263)
Expenses on commissions	(48,071)	(33,909)	(6,769)	(4,106)
Cost of property, plant and equipment written off	(6,540)	(6,000)	(3,597)	(226)
Provision for civil, labor and tax risk	(7,744)	(9,147)	(4,840)	(9,355)
Rentals	(5,918)	(3,824)	(8,748)	(5,506)
Other expenses	(62,775)	(31,909)	(14,150)	(5,904)
	(1,884,312)	(1,427,565)	**(1,103,019)**	(757,697)

31. Finance Income (Costs), Net

Finance income (costs) consists primarily of foreign exchange gains and losses arising on translating borrowings, trade receivables and trade payables, and income payable on liabilities (borrowings)

	Consolidated		Parent	
	12-31-2021	12-31-2020 Restated	**12-31-2021**	12-31-2020
Finance income				
Interest	**26,528**	1,469	**27,594**	2,084
Foreign exchange gains	**196,542**	250,695	**194,254**	246,008
Other income	**1,905**	235	**1,673**	143
	224,975	252,399	**223,521**	248,235
Finance costs				
Interest and fines	**(38,524)**	(43,438)	**(36,003)**	(41,600)
Foreign exchange losses	**(245,439)**	(438,202)	**(243,341)**	(433,608)
Tax on Financial Transactions (IOF)	**-**	(293)	**-**	(184)
Other expenses	**(13,293)**	(21,422)	**(11,870)**	(19,756)
	(297,256)	(503,355)	**(291,214)**	(495,148)
Finance income (costs), net	**(72,281)**	(250,956)	**(67,693)**	(246,913)

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

32. Provision for Product Warranty

The Company quantifies and recognizes an estimate for the warranty-related costs, according to history of and current repair costs. The provision for product warranty ensures that the repair costs in case of replacement or repair do not affect the results of operations for the periods in which these additional costs were incurred. Therefore, amounts are recognized on an accrual basis. As at December 31, 2021 and 2020, the balances are as follows.

	Consolidated		Parent	
	12-31-2021	**12-31-2020**	**12-31-2021**	**12-31-2020**
Domestic market	**8,003**	10,624	**6,535**	9,158
Foreign market	**10,443**	10,496	**-**	-
Total	**18,446**	**21,120**	**6,535**	**9,158**
Current liabilities	**11,910**	14,551	**6,535**	9,158
Noncurrent liabilities	**6,536**	6,569	**-**	-

33. Events After the Reporting Period

On February 25, 2022, Taurus Armas has entered into an agreement with the Federal Public Prosecutor's Office ("MPF") to terminate the civil class action, which is already homologated by the judge of the 2nd Federal Court of Sergipe. The MPF alleged quality problems in ten firearm models manufactured by former Forjas Taurus S.A. and requested the suspension of manufacturing and sale of these models, the replacement, repair or indemnity of the firearms and indemnity for collective pain and suffering, attributing to the case the amount of approximately R$45 million. As disclosed in note 22, in the opinion of Taurus' legal counsel, this class action is classified with a possible likelihood of loss and its adjusted amount is R$75.8 million.

The agreement, which does not entail recognition of any responsibility, fault or defect of good by Taurus, provides for the Company's investments in the overall amount of R$10 million over a five-year period, on behalf of the society and the public security area.

Taurus will submit a plan with scope, schedule, estimated costs and expected results (indicators, goals and delivery milestones) within 40 days before the filing of the lawsuits to enable MPF's opinion and previous approval and homologation by the federal court of Sergipe.

In this context, the execution of this agreement was an effective measure to settle a significant litigation with lower impact on the Company, thus avoiding the risks and costs to which it would possibly be exposed in case of continuance of the litigation.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT ON THE
INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Management of
Taurus Armas S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Taurus Armas S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2021, and the related statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Taurus Armas S.A. as at December 31, 2021, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set out in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters (KAM) are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements for the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Group audit

Why it is a KAM	How the matter was addressed in our audit
As described in note 2.2 to the individual and consolidated financial statements, the Company's individual and consolidated financial statements consolidate the financial statements of subsidiaries located in Brazil and abroad. This situation requires a structured internal control system to ensure that the information related to these subsidiaries are properly collected and processed and that the unrealized balances, income and expenses, gains and losses, arising from transactions between the Group companies, are duly eliminated, as well as properly disclosed in the Company's individual and consolidated financial statements. This matter was considered a key audit matter as: (i) the volume of transactions between the Company and its subsidiaries is very high, mainly with its subsidiaries in the United States, and the collection and processing of this information relies on the proper operation of internal control activities; (ii) the Company's transactions abroad are denominated in functional currencies different from the Parent's presentation currency in Brazil; (iii) the participation of the component auditors requires coordination by Management, our oversight, sending of instructions to these teams and continuing involvement during the audit; (iv) there is the inherent risk that the information related to subsidiaries is not properly collected and processed and that the unrealized balances, income, expenses, gains and losses, arising from transactions between the Group companies, are not properly eliminated and/or disclosed in the Company's individual and consolidated financial statements.	Our audit procedures to address such key audit matter included, without limitation: (a) Obtaining an understanding of the processes performed and the consolidation system used by the Company. (b) Identifying the significant internal control activities determined by Management and related to the collection and processing of the subsidiaries' financial information. (c) Conducting tests on the translation of the currency of the foreign subsidiaries' financial information into the Parent's functional and presentation currency. (d) Conducting tests on the elimination of unrealized balances, income, expenses, gains and losses arising from transactions between the Group companies. (e) Defining the significant components and the audit scope applicable to each component, taking into consideration materiality and risk aspects. (f) Sending instructions and supervise the component auditor's work in the performance of audit procedures in certain Group subsidiaries. We consider that the procedures adopted by Management for the consolidation of its financial statements are appropriate in the context of the individual and consolidated financial statements taken as a whole. The oversight and coordination processes of the component auditors was considered appropriate and sufficient. We also assessed the appropriateness of the disclosures about the basis of consolidation of the Group companies included in the consolidated financial statements, about the translation of balance sheets of foreign subsidiaries and about the transactions and balance with these subsidiaries, which are presented in notes 2.2, 2.4 and 23 to the individual and consolidated financial statements, and we consider that these disclosures are appropriate in the context of the individual and consolidated financial statements taken as a whole.

Realization of deferred tax assets

Why it is a KAM	How the matter was addressed in our audit
As described in note 12 to the individual and consolidated financial statements, the Company records net assets related to deferred income tax and social contribution in the amounts of R$101,951 thousand and R$104,911 thousand (Parent and consolidated, respectively), which were recognized based on a study prepared by the Company's and its subsidiaries' Management and approved by the Board of Directors, on the probable amount of taxable income that will be available in the future for the realization of these assets. The future taxable income estimate has been prepared based on the business plan and budgets prepared and approved by the Company's Management and relied on the support of external specialists hired by the Company and its subsidiaries. This matter was considered a key audit matter as, when defining the probable amount of taxable income that will be available in the future for the realization of these deferred tax assets, the Company's Management uses assumptions based on its market strategies, the macroeconomic scenario, current and past performance and the expected growth of operations in the preparation of future taxable income projections, which require the application of a high level of judgment and are subject to inherent uncertainties that may significant impact projections. Additionally, deferred income tax and social contribution asset balances are material for our audit.	Our audit procedures to address such key audit matter included, without limitation: (a) Understanding the significant internal controls related to the approval of the study prepared by the Company's Management. (b) Assessing the criteria and assumptions and their consistency with the historical data and available market information. (c) Assessing the mathematical accuracy of the projections and the reasonableness of the main components in accordance with the prevailing tax laws, with the involvement of our income tax and social contribution specialists. (d) Assessing whether the Company's projections indicated, for the portion of deferred tax assets recognized, the existence of sufficient projected future taxable income to allow their realization, and also assessing the appropriateness of the disclosures included in the notes to the financial statements. Based on the result of the audit procedures performed, we believe that the criteria adopted by the Company's Management for the recognition of deferred tax assets, as well as the related disclosures in the notes to the financial statements, are acceptable within the context of the individual and consolidated financial statements taken as a whole.

Stock option plans

Why it is a KAM	How the matter was addressed in our audit
As described in notes 4.d and 26 to the individual and consolidated financial statements, in April 2021 the Company approved the Stock Option Plan which granted to statutory officers the right to acquire the Company's shares. Under this program, the stock options may be exercised at the market price of the shares on grant date. The expenses related to the Stock Option Plan are recorded by the Company in profit or loss for the year, on a pro rata basis, from the grant date up to the date in which the beneficiary acquires the right to exercise the option. The pricing model used to measure the price of the stock options granted is the Black, Scholes & Merton. This matter was considered a key audit matter as: (i) the amounts related to the stock option plan are considered material for the audit; (ii) the determination of the fair value of the options involves a high level of Management's judgment with respect to the determination of the calculation methodology, as well as the assumptions to be adopted in the calculation, which also required the involvement of external specialists hired by the Company's Management; (iii) there was significant interaction with Management in the assessment of the matter during the year.	Our audit procedures to address such key audit matter included, without limitation: (a) Understanding the significant internal controls related to the stock option plan measurement. (b) Assessing the methodology and assumptions adopted in the fair value measurement model against usual market practices, as well as the specific characteristics of the Company's stock option plan, including the mathematical accuracy of the assumptions in the model. For such assessment, we relied on the involvement of our corporate finance specialists; (c) Assessing the accounting records and disclosures related to the stock option plan in the individual and consolidated financial statements. Based on the result of the audit procedures performed, we consider that the fair value measurement of the Company's Stock option Plan, as well as the related records and disclosures made by the Company in the individual and consolidated financial statements, are appropriate in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2021, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company's individual and consolidated financial statements. In forming our opinion, we assess whether these statements are reconciled with the other financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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Other information accompanying the individual and consolidated financial statements and the independent auditor's report

The Executive Board is responsible for such other information. The other information comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

Porto Alegre, March 11, 2022

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Otávio Ramos Pereira
Engagement Partner

2022PA012175

Supervisory Board's Opinion

The Supervisory Board of Taurus Armas S.A., in compliance with legal and statutory provisions, reviewed the Management Report and the Financial Statements for the year ended December 31, 2021, approved by the Board of Directors on March 11, 2021.

Based on the conducted reviews and also taking into consideration the unqualified Independent Auditor's Report issued by Deloitte Touche Tohmatsu Auditores Independentes on March 10, 2022, in addition to information and clarifications received from the Company's Management in the course of the year, it represents that the mentioned documents are appropriate to be reviewed by the Annual Shareholders' Meeting.

São Leopoldo, March 11, 2022

Haroldo Zago
Chairman

Mauro César Medeiros de Mello
Board Member

Edson Pereira Ribeiro
Board Member

TAURUS ARMAS S.A. AUDIT AND RISK BOARD’S OPINION

The members of the Audit and Risk Committee of Taurus Armas S.A., in the discharge of their statutory duties and responsibilities, as provided for in the Charter of the Advisory Committees to the Board of Directors, proceeded to review and analyze the financial statements, accompanied by the independent auditor’s report and the Management Report for 2021 (“2021 Annual Financial Statements”) and, considering the information provided by the Company’s Management and Deloitte Touche Tohmatsu Auditores Independentes, are of the unanimously opinion that these financial statement present fairly, in all material respects, the financial positions of the Company and its subsidiaries, and recommend the approval of the financial statements and the Management Report by the Board of Directors and their submission to the Annual Shareholders’ Meeting, pursuant to the Brazilian Corporate Law.

São Leopoldo, March 10, 2022.

Sérgio Laurimar Fioravanti

Magno Neves Fonseca

Luciano Luiz Barsi

STATEMENT OF THE EXECUTIVE COMMITTEE OF TAURUS ARMAS S.A. ON THE FINANCIAL STATEMENTS FOR THE DECEMBER 31, DE 2021

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, and Leonardo Brum Sesti, Officers of Taurus Armas S.A., a company with registered head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-411, São Leopoldo, RS, enrolled with Corporate Taxpayer Identification (CNPJ/MF) under No. 92.781.335/0001-02, in compliance with provisions of Article 25, V and VI, of CVM Instruction 480, of December 7, 2009, hereby declare that they have reviewed, discussed and agreed with the Financial Statements of Taurus Armas S.A. and consolidated companies for the period from January 1, 2021 to December 31, 2021.

São Leopoldo, March 11, 2022.

Salesio Nuhs
Chief Executive Officer

Sergio Castilho Sgrillo Filho
Chief Finance and Administrative Officer
Investor Relations Officer

Leonardo Brum Sesti
Executive Officer without specific designation

STATEMENT OF THE EXECUTIVE COMMITTEE OF TAURUS ARMAS S.A. ON THE INDEPENDENT AUDITOR'S REPORT

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, and Leonardo Brum Sesti, Officers of Taurus Armas S.A., a company with registered head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled with Corporate Taxpayer Identification (CNPJ/MF) under No. 92.781.335/0001-02, in compliance with provisions of Article 25, V and VI, of CVM Instruction 480, of December 7, 2009, hereby declare that they have reviewed, discussed and agreed with the opinions expressed by Deloitte Touche Tohmatsu Auditores Independentes, in its Independent Auditor's Review Report on the Financial Statements for the period from January 1, 2021 to December 31, 2021, issued on March 11, 2022.

São Leopoldo, March 11, 2022.

Salesio Nuhs
Chief Executive Officer

Sergio Castilho Sgrillo Filho
Chief Finance and Administrative Officer
Investor Relations Officer

Leonardo Brum Sesti
Executive Officer without specific designation