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Company information / Breakdown of capital

Quanty of shares (Units)	Current year 12/31/2019
Paid-in capital	
Common	46,445,314
Preferred	42,019,019
Total	88,464,333
Treasury	
Common	0
Preferred	0
Total	0

Individual financial statements / Balance sheet – Assets

(In thousands of reais)

Code of account	Account description	Last year 12/31/2019	Penultimate year 12/31/2018	Antepenultimate year 12/31/2017
1	Total assets	893,540	826,985	702,900
1.01	Current assets	323,978	274,335	219,153
1.01.01	Cash and cash equivalents	7,376	5,157	2,543
1.01.01.01	Cash and banks	227	2,056	2,199
1.01.01.02	Interbank funds applied	7,149	3,101	344
1.01.02	Interest earning bank deposits	16	1,801	1,777
1.01.03	Accounts receivable	113,054	114,744	69,008
1.01.03.01	Trade accounts receivable	113,054	114,744	69,008
1.01.04	Inventories	157,937	103,818	95,155
1.01.06	Recoverable taxes	25,448	14,991	25,693
1.01.06.01	Current taxes recoverable	25,448	14,991	25,693
1.01.07	Prepaid expenses	4,091	2,366	2,224
1.01.08	Other current assets	16,056	31,458	22,753
1.01.08.03	Other	16,056	31,458	22,753
1.01.08.03.03	Related parties - Financial loan	660	24,978	19,367
1.01.08.03.04	Other accounts receivable	15,396	6,480	3,386
1.02	Non-current assets	569,562	552,650	483,747
1.02.01	Long term assets	100,157	69,017	24,411
1.02.01.01	Interest earning bank deposits measured at fair value through profit or loss	1	746	753
1.02.01.07	Deferred taxes	65,328	44,653	0
1.02.01.07.01	Deferred income tax and social contribution	65,328	44,653	0
1.02.01.09	Related party credits	21,728	18,164	14,044
1.02.01.09.04	Other related party credits	21,728	18,164	14,044
1.02.01.10	Other non-current assets	13,100	5,454	9,614
1.02.01.10.03	Recoverable tax	0	121	195
1.02.01.10.04	Other	13,100	5,333	9,419
1.02.02	Investments	364,441	444,978	417,623

Individual financial statements / Balance sheet – Assets

(In thousands of reais)

Code of account	Account description	Last year 12/31/2019	Penultimate year 12/31/2018	Antepenultimate year 12/31/2017
1.02.02.01	Equity interest	364,441	444,978	417,623
1.02.02.01.02	Interest in subsidiaries	364,251	444,788	417,433
1.02.02.01.04	Other investments	190	190	190
1.02.03	Property, plant and equipment	92,985	32,599	36,172
1.02.03.01	Fixed assets in operation	78,288	30,201	33,103
1.02.03.03	Constructions in progress	14,697	2,398	3,069
1.02.04	Intangible assets	11,979	6,056	5,541
1.02.04.01	Intangible assets	11,979	6,056	5,541

Individual financial statements/ Balance sheet – Liabilities

(In thousands of reais)

Code of account	Account description	Last year 12/31/2019	Penultimate year 12/31/2018	Antepenultimate year 12/31/2017
2	Total liabilities	893,540	826,985	702,9
2.01	Current liabilities	550,830	546,826	968,986
2.01.01	Social and labor obligations	21,747	14,116	17,418
2.01.01.01	Social charges	1,857	4,905	8,443
2.01.01.02	Labor obligations	19,890	9,211	8,975
2.01.02	Suppliers	70,359	155,932	134,832
2.01.02.01	Domestic suppliers	65,346	129,968	123,097
2.01.02.02	Foreign suppliers	5,013	25,964	11,735
2.01.03	Tax liabilities	25,700	14,903	17,944
2.01.03.01	Federal tax liabilities	23,612	11,157	8,669
2.01.03.01.01	Income tax and social contribution payable	5,620	0	0
2.01.03.01.02	Other Taxes	17,992	11,157	8,669
2.01.03.02	State tax liabilities	2,067	3,744	9,255
2.01.03.03	Municipal tax liabilities	21	2	20
2.01.04	Loans and financing	110,907	113,126	529,187
2.01.04.01	Loans and financing	97,617	103,676	453,416
2.01.04.01.01	In domestic currency	8,911	8,26	3,264
2.01.04.01.02	In foreign currency	88,706	95,416	450,152
2.01.04.02	Debentures	13,290	9,450	75,771
2.01.05	Other liabilities	260,880	183,594	223,652
2.01.05.02	Other	260,880	183,594	223,652
2.01.05.02.01	Dividends and interest on own capital	3	3	3
2.01.05.02.04	Financial loan	53,359	59,057	38,097
2.01.05.02.05	Foreign exchange withdrawals	78,196	43,795	24,193
2.01.05.02.07	Advance from receivables	73,516	48,455	1,535
2.01.05.02.08	Advances from clients	49,466	27,848	79,467
2.01.05.02.09	Other liabilities	6,340	4,436	80,357
2.01.06	Provisions	61,237	65,155	45,953
2.01.06.01	Tax, social security, labor and civil provisions	48,145	52,501	39,189

Individual financial statements/ Balance sheet – Liabilities

(In thousands of reais)

Code of account	Account description	Last year 12/31/2019	Penultimate year 12/31/2018	Antepenultimate year 12/31/2017
2.01.06.01.01	Tax provisions	27,689	27,689	27,689
2.01.06.01.02	Social security and labor provisions	6,463	3,162	11,500
2.01.06.01.04	Civil provisions	13,993	21,650	0
2.01.06.02	Other provisions	13,092	12,654	6,764
2.01.06.02.01	Provision for guarantees	13,092	12,654	6,764
2.02	Non-current liabilities	647,331	687,122	179,147
2.02.01	Loans and financing	491,757	576,766	47,103
2.02.01.01	Loans and financing	430,128	501,128	47,103
2.02.01.01.01	In domestic currency	13,362	18,131	4,147
2.02.01.01.02	In foreign currency	416,766	482,997	42,956
2.02.01.02	Debentures	61,629	75,638	0
2.02.02	Other liabilities	97,100	66,257	92,992
2.02.02.01	Liabilities from Related parties	79,460	49,310	55,284
2.02.02.01.02	Debits with subsidiaries	6,492	6,241	5,329
2.02.02.01.04	Debts with other related parties	72,968	43,069	49,955
2.02.02.02	Other	17,640	16,947	37,708
2.02.02.02.03	Taxes payable	164	549	2,986
2.02.02.02.04	Provision for unsecured liability	17,476	16,165	34,722
2.02.02.02.06	Suppliers	0	233	0
2.02.03	Deferred taxes	0	0	6,079
2.02.03.01	Deferred income tax and social contribution	0	0	6,079
2.02.04	Provisions	58,474	44,099	32,973
2.02.04.01	Tax, social security, labor and civil provisions	58,474	44,099	32,973
2.02.04.01.02	Social security and labor provisions	43,486	32,583	31,810
2.02.04.01.04	Civil provisions	14,988	11,516	1,163
2.03	Shareholders' equity	-304,621	-406,963	-445,233
2.03.01	Realized capital	520,277	465,218	404,489
2.03.02	Capital reserves	-31,116	-31,170	-40,996
2.03.02.06	Advance for future capital increase	9,880	0	0

Individual financial statements/ Balance sheet – Liabilities

(In thousands of reais)

Code of account	Account description	Last year 12/31/2019	Penultimate year 12/31/2018	Antepenultimate year 12/31/2017
2.03.02.09	Capital transactions	-40,996	-31,17	-40,996
2.03.05	Retained Earnings/Losses	-970,315	-1.012.915	-952,635
2.03.06	Equity valuation adjustments	45,958	47,023	48,24
2.03.07	Accumulated translation adjustments	130,575	124,881	95,669

Individual financial statements / Statement of income

(In thousands of reais)

Code of account	Account description	Last year 01/01/2019–12/31/2019	Penultimate year 01/01/2018–12/31/2018	Antepenultimate year 01/01/2016–12/31/2018
3.01	Revenue from sales of goods and/or services	708,442	626,631	556,383
3.02	Cost of goods and/or services sold	-475,827	-427,021	-496,590
3.03	Gross income	232,615	199,610	59,793
3.04	Operating expenses/revenue	-110,373	-131,217	-256,390
3.04.01	Sales expenses	-58,830	-42,719	-40,500
3.04.02	General and administrative expenses	-69,228	-84,820	-84,283
3.04.03	Loss due to the non-recoverability of assets	-2,191	420	-1,380
3.04.04	Other operating revenue	43,768	8,722	6,900
3.04.05	Other operating expenses	-18,392	-29,520	-32,637
3.04.06	Equity in net income of subsidiaries	-5,500	16,700	-104,490
3.05	Income (loss) before financial income and taxes	122,242	68,393	-196,597
3.06	Financial income (loss)	-88,984	-175,842	-107,830
3.06.01	Financial revenues	34,496	25,278	3,346
3.06.02	Financial expenses	-123,480	-201,120	-111,176
3.07	Income (loss) before income tax	33,258	-107,449	-304,427
3.08	Income tax and social contribution	10,168	47,587	18,399
3.09.01	Current	-5,620	0	0
3.08.02	Deferred	15,788	47,587	18,399
3.09	Net income (loss) from continued operations	43,426	-59,862	-286,028
3.11	Income/loss for the period	43,426	-59,862	-286,028
3.99	Earnings per share - (Reais / Share)			
3.99.01	Basic earnings per share			
3.99.01.01	Common shares	0.5142	-0.925	-4.43179
3.99.01.02	Preferred shares	0.5141	-0.925	-4.43179
3.99.02	Diluted earnings per share			
3.99.02.01	Common shares	0.4909	-0.7996	-4.43179
3.99.02.02	Preferred shares	0.491	-0.7996	-4.43179

Individual financial statements / Statement of comprehensive income

(In thousands of reais)

Code of account	Account description	Last year 01/01/2019–12/31/2019	Penultimate year 01/01/2018–12/31/2018	Antepenultimate year 01/01/2017–12/31/2017
4.01	Net income for the period	43,426	-59,862	-286,028
4.02	Other comprehensive income	5,693	29,212	2,349
4.02.01	Translation adjustments in the period	5,693	29,212	2,349
4.03	Comprehensive income for the period	49,119	-30,65	-283,679

Individual financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Last year 01/01/2019–12/31/2019	Penultimate year 01/01/2018–12/31/2018	Antepenultimate year 01/01/2017–12/31/2017
6.01	Net cash from operating activities	67,942	-9,294	49,710
6.01.01	Cash generated in operations	125,920	50,130	-14,995
6.01.01.01	Net income before income tax and social contribution	33,258	-107,449	-304,427
6.01.01.02	Depreciation and amortization	5,425	8,049	8,019
6.01.01.03	Cost of permanent assets written-off	1,844	-483	215
6.01.01.04	Allowance for Doubtful Accounts	2,191	1,214	1,380
6.01.01.05	Equity in net income of subsidiaries	5,500	-16,700	104,490
6.01.01.08	Provision for interest on loans	40,844	53,930	70,075
6.01.01.10	Provision for inventory loss	-3,978	-25,056	45,481
6.01.01.11	Provision for contingencies	7,638	24,438	58,059
6.01.01.12	Provision for guarantees	438	5,890	1,642
6.01.01.13	Exchange rate change on loans and financing and other	32,760	106,297	71
6.01.02	Changes in assets and liabilities	-57,978	-59,424	64,705
6.01.02.01	(Increase) decrease in trade accounts receivable	63,105	-36,271	-26,084
6.01.02.02	(Increase) decrease in inventories	-43,034	16,393	-14,711
6.01.02.03	(Increase) decrease in other accounts receivable	-13,277	14,268	-18,073
6.01.02.04	Increase (decrease) in suppliers	-92,042	21,333	10,136
6.01.02.05	Increase (Decrease) in accounts payable and provisions	27,270	-75,147	113,437
6.02	Net cash used in investment activities	4,099	-14,256	-2,278
6.02.01	Receivables with related companies	20,754	-9,731	2,897
6.02.04	In property, plant and equipment	-12,961	-3,333	-5,432
6.02.05	In intangible assets	-6,224	-1,175	-195
6.02.06	Interest earning bank deposits	2,530	-17	452
6.03	Net cash from financing activities	-69,822	26,164	-46,202
6.03.02	Borrowings	77,846	170,682	9,744
6.03.03	Payment of loans	-133,520	-57,903	-31,919
6.03.04	Capital increase	55,059	729	10,348
6.03.07	Payment of interest on loans	-45,695	-105,196	-47,555
6.03.10	Debts with related companies	-23,512	17,852	13,180

Individual financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Last year 01/01/2019–12/31/2019	Penultimate year 01/01/2018–12/31/2018	Antepenultimate year 01/01/2017–12/31/2017
6.05	Increase (decrease) in cash and cash equivalents	2,219	2,614	1,23
6.05.01	Opening balance of cash and cash equivalents	5,157	2,543	1,313
6.05.02	Closing balance of cash and cash equivalents	7,376	5,157	2,543

Individual financial statements / Statement of changes in shareholders’ equity / DMPL – 01/01/2019–12/31/2019
(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	465,218	-31,170	0	-1,012,915	171,904	-406,963
5.03	Adjusted opening balances	465,218	-31,170	0	-1,012,915	171,904	-406,963
5.04	Capital transactions with partners	55,059	54	0	-1,890	0	53,223
5.04.01	Capital increases	55,059	0	0	0	0	55,059
5.04.02	Expenses with issuance of shares	0	54	0	0	0	54
5.04.03	Other transactions	0	0	0	-1,890	0	-1,890
5.05	Total comprehensive income	0	0	0	44,490	4,629	49,119
5.05.01	Net income for the period	0	0	0	43,426	0	43,426
5.05.02	Other comprehensive income	0	0	0	1,064	4,629	5,693
5.05.02.04	Translation adjustments in the period	0	0	0	0	5,693	5,693
5.05.02.06	Realization of equity valuation adjustments	0	0	0	1,064	-1,064	0
5.07	Closing balances	520,277	-31,116	0	-970,315	176,533	-304,621

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018–12/31/2018

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	404,489	-40,996	0	-952,635	143,909	-445,233	0	-445,233
5.02	Prior-year adjustments	0	0	0	-1,635	0	-1,635	0	-1,635
5.02.01	First-time adoption IFRS 9	0	0	0	-1,635	0	-1,635	0	-1,635
5.03	Adjusted opening balances	404,489	-40,996	0	-954,270	143,909	-446,868	0	-446,868
5.04	Capital transactions with partners	60,729	9,826	0	0	0	70,555	0	70,555
5.04.01	Capital increases	60,729	0	0	0	0	60,729	0	60,729
5.04.02	Expenses with issuance of shares	0	9,826	0	0	0	9,826	0	9,826
5.05	Total comprehensive income	0	0	0	-58,645	27,995	-30,650	0	-30,650
5.05.01	Net income for the period	0	0	0	-59,862	0	-59,862	0	-59,862
5.05.02	Other comprehensive income	0	0	0	1,217	27,995	29,212	0	29,212
5.05.02.04	Translation adjustments in the period	0	0	0	0	29,212	29,212	0	29,212
5.05.02.06	Realization of equity valuation adjustments	0	0	0	1,217	-1,217	0	0	0
5.07	Closing balances	465,218	-31,170	0	-1,012,915	171,904	-406,963	0	-406,963

Individual financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2017–12/31/2017

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	394,141	-40,996	0	-668,102	143,056	-171,901	0	-171,901
5.03	Adjusted opening balances	394,141	-40,996	0	-668,102	143,056	-171,901	0	-171,901
5.04	Capital transactions with partners	10,348	0	0	0	0	10,348	0	10,348
5.04.01	Capital increases	10,348	0	0	0	0	10,348	0	10,348
5.05	Total comprehensive income	0	0	0	-49,246	-7,893	-57,139	0	-57,139
5.05.01	Net income for the period	0	0	0	-50,391	0	-50,391	0	-50,391
5.05.02	Other comprehensive income	0	0	0	1,145	-7,893	-6,748	0	-6,748
5.05.02.04	Translation adjustments in the period	0	0	0	0	-6,748	-6,748	0	-6,748
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	1,145	-1,145	0	0	0
5.07	Closing balances	404,489	-40,996	0	-717,348	135,163	-218,692	0	-218,692

Individual financial statements/ Statement of added value

(In thousands of reais)

Code of account	Account description	Last year 01/01/2019–12/31/2019	Penultimate year 01/01/2018–12/31/2018	Antepenultimate year 01/01/2017–12/31/2017
7.01	Revenues	917,236	632,344	661,68
7.01.01	Sale of goods, products and services	875,659	623,202	656,16
7.01.02	Other revenues	43,768	8,722	6,9
7.01.04	Formation/reversal of allowance for doubtful accounts	-2,191	420	-1,38
7.02	Inputs acquired from third parties	-539,65	-492,165	-573,257
7.02.01	Cost of products, merchandise and services sold	-476,434	-438,725	-471,855
7.02.02	Materials, Energy, Third-party services and other	-63,216	-53,44	-101,402
7.03	Gross added value	377,586	140,179	88,423
7.04	Retentions	-5,425	-7,487	-8,019
7.04.01	Depreciation, amortization and depletion	-5,425	-7,487	-8,019
7.05	Net added value produced	372,161	132,692	80,404
7.06	Added value received as transfer	28,996	41,978	-101,144
7.06.01	Equity in net income of subsidiaries	-5,5	16,7	-104,49
7.06.02	Financial revenues	34,496	25,278	3,346
7.07	Total added value payable	401,157	174,67	-20,74
7.08	Distribution of added value	401,157	174,67	-20,74
7.08.01	Personnel	60,33	65,774	69,365
7.08.01.01	Direct remuneration	44,988	53,429	57,552
7.08.01.02	Benefits	11,971	10,814	6,53
7.08.01.03	Severance Pay Fund (FGTS)	3,371	1,531	5,283
7.08.02	Taxes, duties and contributions	173,516	-32,681	94,537
7.08.02.01	Federal	123,786	-32,733	64,975
7.08.02.02	State	49,681	0	29,484
7.08.02.03	Municipal	49	52	78
7.08.03	Third-party capital remuneration	123,885	201,439	101,386
7.08.03.01	Interest	123,477	201,27	101,062
7.08.03.02	Rentals	408	169	324
7.08.04	Remuneration of own capital	43,426	-59,862	-286,028
7.08.04.03	Retained earnings / Loss for the period	43,426	-59,862	-286,028

Consolidated financial statements or Balance sheet – Assets

(In thousands of reais)

Code of account	Account description	Last year 12/31/2019	Penultimate year 12/31/2018	Antepenultimate year 12/31/2017
1	Total assets	1.066.440	921,156	768,958
1.01	Current assets	694,536	616,217	451,459
1.01.01	Cash and cash equivalents	35,966	26,766	6,679
1.01.01.01	Cash and banks	28,416	23,562	6,294
1.01.01.02	Marketable securities	7,55	3,204	385
1.01.02	Interest earning bank deposits	16	1,801	1,777
1.01.03	Accounts receivable	164,997	140,42	122,611
1.01.03.01	Trade accounts receivable	164,997	140,42	122,611
1.01.04	Inventories	315,771	277,037	211,885
1.01.06	Recoverable taxes	31,078	29,461	44,458
1.01.06.01	Current taxes recoverable	31,078	29,461	44,458
1.01.07	Prepaid expenses	6,279	6,309	6,674
1.01.08	Other current assets	140,429	134,423	57,375
1.01.08.01	Non-current assets held for sale	120,212	122,551	51,39
1.01.08.03	Other	20,217	11,872	5,985
1.01.08.03.02	Other accounts receivable	20,217	11,872	5,985
1.02	Non-current assets	371,904	304,939	317,499
1.02.01	Long term assets	110,521	84,539	21,455
1.02.01.03	Interest earning bank deposits measured at amortized cost	1	1,053	1,008
1.02.01.07	Deferred taxes	96,226	73,419	3,465
1.02.01.07.01	Deferred income tax and social contribution	96,226	73,419	3,465
1.02.01.10	Other non-current assets	14,294	10,067	16,982
1.02.01.10.03	Recoverable taxes	0	246	493
1.02.01.10.04	Other	14,294	9,821	16,489
1.02.02	Investments	192	192	349
1.02.02.01	Equity interest	192	192	349
1.02.02.01.05	Joint ownership	192	192	349
1.02.03	Property, plant and equipment	181,247	144,429	222,686
1.02.03.01	Fixed assets in operation	166,445	140,137	218,44

Consolidated financial statements or Balance sheet – Assets

(In thousands of reais)

Code of account	Account description	Last year 12/31/2019	Penultimate year 12/31/2018	Antepenultimate year 12/31/2017
1.02.03.03	Constructions in progress	14,802	4,292	4,246
1.02.04	Intangible assets	79,944	75,779	73,009
1.02.04.01	Intangible assets	79,944	75,779	73,009

Consolidated financial statements / Balance sheet - Liabilities

(In thousands of reais)

Code of account	Account description	Last year 12/31/2019	Penultimate year 12/31/2018	Antepenultimate year 12/31/2019
72	Total liabilities	1.066.440	921,156	768,958
2.01	Current liabilities	630,019	535,626	965,691
2.01.01	Social and labor obligations	30,374	31,946	41,926
2.01.01.01	Social charges	9,696	14,695	20,458
2.01.01.02	Labor obligations	20,678	17,251	21,468
2.01.02	Suppliers	114,157	94,707	99,954
2.01.02.01	Domestic suppliers	65,91	55,921	60,366
2.01.02.02	Foreign suppliers	48,247	38,786	39,588
2.01.03	Tax liabilities	52,921	41,902	40,031
2.01.03.01	Federal tax liabilities	50,793	37,729	26,211
2.01.03.01.01	Income tax and social contribution payable	12,513	8,135	3,836
2.01.03.01.02	Other Taxes	38,28	29,594	22,375
2.01.03.02	State tax liabilities	2,098	4,165	13,798
2.01.03.03	Municipal tax liabilities	30	8	22
2.01.04	Loans and financing	110,907	113,126	534,713
2.01.04.01	Loans and financing	97,617	103,676	458,942
2.01.04.01.01	In domestic currency	8,911	8,26	7,644
2.01.04.01.02	In foreign currency	88,706	95,416	451,298
2.01.04.02	Debentures	13,29	9,45	75,771
2.01.05	Other liabilities	249,124	175,769	181,795
2.01.05.02	Other	249,124	175,769	181,795
2.01.05.02.01	Dividends and interest on own capital	3	3	3
2.01.05.02.04	Derivative financial instruments	0	0	242
2.01.05.02.05	Foreign exchange withdrawals	78,196	43,795	24,193
2.01.05.02.08	Advance from receivables	73,516	48,455	15,422
2.01.05.02.09	Advances from clients	49,428	28,793	49,983
2.01.05.02.10	Other liabilities	27,742	33,27	0
2.01.05.02.11	Other liabilities	20,239	21,453	91,952
2.01.06	Provisions	72,536	78,176	67,272

Consolidated financial statements / Balance sheet - Liabilities

(In thousands of reais)

Code of account	Account description	Last year 12/31/2019	Penultimate year 12/31/2018	Antepenultimate year 12/31/2017
2.01.06.01	Tax, social security, labor and civil provisions	54,431	60,273	55,298
2.01.06.01.01	Tax provisions	27,689	27,689	28,008
2.01.06.01.02	Social security and labor provisions	9,478	5,235	21,486
2.01.06.01.04	Civil provisions	17,264	27,349	5,804
2.01.06.02	Other provisions	18,105	17,903	11,974
2.01.06.02.01	Provision for guarantees	18,105	17,903	11,974
2.02	Non-current liabilities	741,042	792,493	248,500
2.02.01	Loans and financing	639,074	703,565	157,970
2.02.01.01	Loans and financing	577,445	627,927	157,970
2.02.01.01.01	In domestic currency	13,362	18,131	8,420
2.02.01.01.02	In foreign currency	564,083	609,796	149,550
2.02.01.02	Debentures	61,629	75,638	0
2.02.02	Other liabilities	24,468	987	7,614
2.02.02.02	Other	24,468	987	7,614
2.02.02.02.04	Taxes payable	177	592	4,748
2.02.02.02.05	Other liabilities	24,291	0	2,866
2.02.02.02.06	Suppliers	0	395	0
2.02.03	Deferred taxes	10,263	20,804	30,937
2.02.03.01	Deferred income tax and social contribution	10,263	20,804	30,937
2.02.04	Provisions	67,237	67,137	51,979
2.02.04.01	Tax, social security, labor and civil provisions	61,678	61,558	47,233
2.02.04.01.02	Social security and labor provisions	46,690	49,842	43,175
2.02.04.01.04	Civil provisions	14,988	11,716	4,058
2.02.04.02	Other provisions	5,559	5,579	4,746
2.02.04.02.01	Provision for guarantees	5,559	5,579	4,746
2.03	Consolidated shareholders' equity	-304,621	-406,963	-445,233
2.03.01	Realized capital	520,277	465,218	404,489
2.03.02	Capital reserves	-31,116	-31,170	-40,996
2.03.02.03	Advance for future capital increase	9,880	0	0

Consolidated financial statements / Balance sheet - Liabilities

(In thousands of reais)

Código da Conta	Descrição da Conta	Last year 12/31/2019	Penultimate year 12/31/2018	Antepenultimate year 12/31/2017
2.03.02.09	Capital transactions	-40,996	-31,17	-40,996
2.03.05	Retained Earnings/Losses	-970,315	-1.012.915	-952,635
2.03.06	Equity valuation adjustments	45,958	47,023	48,24
2.03.07	Accumulated translation adjustments	130,575	124,881	95,669

Consolidated financial statements / Statement of income

(In thousands of reais)

Code of account	Account description	Last year 01/01/2019–12/31/2019	Penultimate year 01/01/2018-12/31/2018	Antepenultimate year 01/01/2017-12/31/2017
3.01	Revenue from sales of goods and/or services	999,581	845,287	695,258
3.02	Cost of goods and/or services sold	-658,952	-537,660	-599,880
3.03	Gross income	340,629	307,627	95,378
3.04	Operating expenses/revenue	-234,965	-261,379	-256,182
3.04.01	Sales expenses	-122,667	-97,067	-94,354
3.04.02	General and administrative expenses	-142,220	-146,596	-139,677
3.04.03	Loss due to the non-recoverability of assets	-2,664	-3,024	1,837
3.04.04	Other operating revenue	51,201	63,341	16,511
3.04.05	Other operating expenses	-18,615	-78,033	-40,499
3.05	Equity in net income of subsidiaries	105,664	46,248	-160,804
3.06	Income (loss) before financial income and taxes	-80,485	-183,580	-110,284
3.06.01	Financial income (loss)	36,459	28,103	4,954
3.06.02	Financial revenues	-116,944	-211,683	-115,238
3.07	Financial expenses	25,179	-137,332	-271,088
3.08	Income (loss) before income tax	22,452	74,726	-9,635
3.08.01	Income tax and social contribution	-11,988	-1,864	13,593
3.08.02	Current	34,440	76,590	-23,228
3.09	Net income (loss) from continued operations	47,631	-62,606	-280,723
3.10	Net income (loss) from discontinued operations	-4,205	2,744	-5,305
3.10.01	Net income (loss) of discontinued operations	-4,205	2,744	-5,305
3.11	Income/loss for the period	43,426	-59,862	-286,028
3.11.01	Attributed to the Parent company's partners	43,426	-59,862	-286,028
3.99	Earnings per share - (Reais / Share)			
3.99.01	Basic earnings per share			
3.99.01.01	Common shares	0,5142	-0,925	-4,42165
3.99.01.02	Preferred shares	0.5141	-0.925	-4,42165
3.99.02	Diluted earning per share			
3.99.02.01	Common shares	0.49090	-0.79960	-4,42165
3.99.02.02	Preferred shares	0,49100	-0,79960	-4,42165

Consolidated financial statements / Statement of comprehensive income

(In thousands of reais)

Code od account	Account description	Last year 01/01/2019–12/31/2019	Penultimate year 01/01/2018-12/31/2018	Antepenultimate year 01/01/2017-12/31/2017
4.01	Consolidated net income for the period	43,426	-59,862	-286,028
4.02	Other comprehensive income	5,693	29,212	2,349
4.02.01	Translation adjustments in the period	5,693	29,212	2,349
4.03	Consolidated comprehensive income for the period	49,119	-30,65	-283,679
4.03.01	Attributed to the Parent company's partners	49,119	-30,65	-283,679

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Last year 01/01/2019–12/31/2019	Penultimate year 01/01/2018-12/31/2018	Antepenultimate year 01/01/2017-12/31/2017
6.01	Net cash from operational activities	108,788	32,011	34,547
6.01.01	Cash generated in operations	132,368	138,270	-38,687
6.01.01.01	Net income before income tax and social contribution	25,179	-137,332	-271,088
6.01.01.02	Depreciation and amortization	22,375	34,230	33,669
6.01.01.03	Cost of permanent assets written-off	6,796	49,475	2,683
6.01.01.06	Derivate financial instruments provision	0	-242	0
6.01.01.07	Provision for impairment of assets held for sale	2,664	3,024	1,508
6.01.01.08	Assets held for sale	-3,980	0	0
6.01.01.10	Provision for interest on loans	40,844	59,548	66,123
6.01.01.13	Net cash from discontinued operations	4,411	0	0
6.01.01.14	Provision for freight and commissions / Fair value of assets held for sale	0	0	-1,282
6.01.01.15	Exchange variation without loans and others	30,451	118,245	863
6.01.01.16	Provision for inventory loss	-3,797	-25,801	47,600
6.01.01.17	Write-off of investments	0	7,163	20,840
6.01.01.19	Provision for contingencies	7,243	23,198	60,203
6.01.01.20	Provision for guarantees	182	6,762	194
6.01.02	Changes in assets and liabilities	-16,679	-105,335	73,896
6.01.02.01	(Increase) decrease in trade accounts receivable	-27,240	-25,792	26,028
6.01.02.02	(Increase) decrease in inventories	-36,827	-56,722	-29,031
6.01.02.03	Decrease (increase) in other accounts receivable	-34,922	6,040	-11,658
6.01.02.04	(Decrease) increase in suppliers	19,056	3,184	-30,357
6.01.02.05	Increase (Decrease) in accounts payable and provisions	63,254	-32,045	118,914
6.01.03	Other	-6,901	-924	-662
6.01.03.02	Payment of income tax and social contribution	-6,901	-924	-662
6.02	Net cash used in investment activities	-67,018	-18,995	-20,776
6.02.04	In property, plant and equipment	-61,463	-12,652	-19,617
6.02.05	In intangible assets	-6,098	-4,371	-695
6.02.06	Interest earning bank deposits	2,837	-69	401
6.02.07	Net cash from discontinued investment activities	-2,294	-1,903	-865

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousands of reais)

Code of account	Account description	Last year 01/01/2019–12/31/2019	Penultimate year 01/01/2018-12/31/2018	Antepenultimate year 01/01/2017-12/31/2017
6.03	Net cash from financing activities	-32,570	7,071	-32,906
6.03.02	Borrowings	105,122	213,184	84,928
6.03.03	Payments of loans	-137,969	-98,794	-89,701
6.03.05	Capital increase	55,059	729	10,348
6.03.10	Advance for future capital increase	-45,695	-105,352	-47,651
6.03.11	Payment of Interest on loans	-7,761	0	0
6.03.13	Net cash from discontinued financing activities	-1,326	-2,696	9,17
6.05	Increase (decrease) in cash and cash equivalents	9,200	20,087	-19,135
6.05.01	Opening balance of cash and cash equivalents	26,766	6,679	25,814
6.05.02	Closing balance of cash and cash equivalents	35,966	26,766	6,679

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL – 01/01/2019–12/31/2019

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	465,218	-31,17	0	-1.012.915	171,904	-406,963	0	-406,963
5.03	Prior-year adjustments	465,218	-31,17	0	-1.012.915	171,904	-406,963	0	-406,963
5.04	Capital transactions with partners	55,059	54	0	-1,89	0	53,223	0	53,223
5.04.01	Capital increases	55,059	0	0	0	0	55,059	0	55,059
5.04.02	Expenses with issuance of shares	0	54	0	0	0	54	0	54
5.04.20	Other transactions	0	0	0	-1,89	0	-1,89	0	-1,89
5.05	Total comprehensive income	0	0	0	44,49	4,629	49,119	0	49,119
5.05.01	Net income for the period	0	0	0	43,426	0	43,426	0	43,426
5.05.02	Other comprehensive income	0	0	0	1,064	4,629	5,693	0	5,693
5.05.02.04	Translation adjustments in the period	0	0	0	0	5,693	5,693	0	5,693
5.05.02.06	Realization of equity valuation adjustments	0	0	0	1,064	-1,064	0	0	0
5.07	Closing balances	520,277	-31,116	0	-970,315	176,533	-304,621	0	-304,621

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL – 01/01/2018–12/31/2018

(In thousands of reais)

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	404,489	-40,996	0	-952,635	143,909	-445,233	0	-445,233
5.02	Prior-year adjustments	0	0	0	-1,635	0	-1,635	0	-1,635
5.02.01	First-time adoption IFRS 9	0	0	0	-1,635	0	-1,635	0	-1,635
5.03	Adjusted opening balances	404,489	-40,996	0	-954,270	143,909	-446,868	0	-446,868
5.04	Capital transactions with partners	60,729	9,826	0	0	0	70,555	0	70,555
5.04.01	Capital increases	60,729	0	0	0	0	60,729	0	60,729
5.04.02	Expenses with issuance of shares	0	9,826	0	0	0	9,826	0	9,826
5.05	Total comprehensive income	0	0	0	-58,645	27,995	-30,650	0	-30,650
5.05.01	Net income for the period	0	0	0	-59,862	0	-59,862	0	-59,862
5.05.02	Other comprehensive income	0	0	0	1,217	27,995	29,212	0	29,212
5.05.02.04	Translation adjustments in the period	0	0	0	0	29,212	29,212	0	29,212
5.05.02.06	Realization of equity valuation adjustments	0	0	0	1,217	-1,217	0	0	0

Consolidated financial statements / Statement of changes in shareholders’ equity / DMPL – 01/01/2017–12/31/2017

(In thousands of reais

Code of account	Account description	Paid-up capital	Capital reserves, options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidatec shareholders equity
5.01	Opening balances	394,141	-40,996	0	-668,102	143,056	-171,901	0	-171,901
5.03	Adjusted opening balances	394,141	-40,996	0	-668,102	143,056	-171,901	0	-171,901
5.04	Capital transactions with partners	10,348	0	0	0	0	10,348	0	10,348
5.04.01	Capital increases	10,348	0	0	0	0	10,348	0	10,348
5.05	Total comprehensive income	0	0	0	-49,246	-7,893	-57,139	0	-57,139
5.05.01	Net income for the period	0	0	0	-50,391	0	-50,391	0	-50,391
5.05.02	Other comprehensive income	0	0	0	1,145	-7,893	-6,748	0	-6,748
5.05.02.04	Translation adjustments in the period	0	0	0	0	-6,748	-6,748	0	-6,748
5.05.02.06	Realization of equity evaluation adjustment	0	0	0	1,145	-1,145	0	0	0
5.07	Closing balances	404,489	-40,996	0	-717,348	135,163	-218,692	0	-218,692

Consolidated financial statements/ Statement of added value

(In thousands of reais)

Code of account	Account description	Last year 01/01/2019–12/31/2019	Penultimate year 01/01/2018-12/31/2018	Antepenultimate year 01/01/2017-12/31/2017
7.01	Revenues	1,234,964	904,224	692,088
7.01.01	Sale of goods, products and services	1,186,427	841,693	699,708
7.01.02	Other revenues	51,201	63,341	-5,969
7.01.04	Formation/reversal of allowance for doubtful accounts	-2,664	-810	-1,651
7.02	Inputs acquired from third parties	-747,870	-669,650	-659,542
7.02.01	Cost of products, merchandise and services sold	-676,917	-603,131	-674,497
7.02.02	Materials, Energy, Third-party services and other	-70,953	-66,519	14,955
7.03	Gross added value	487,094	234,574	32,546
7.04	Retentions	-22,375	-32,724	-33,761
7.04.01	Depreciation, amortization and depletion	-22,375	-32,724	-33,761
7.05	Net added value produced	464,719	201,850	-1,215
7.06	Added value received as transfer	32,254	30,847	18,705
7.06.02	Equity in net income of subsidiaries	36,459	28,103	24,010
7.06.03	Financial revenues	-4,205	2,744	-5,305
7.06.03.20	Other	-4,205	2,744	-5,305
7.07	Undistributed value added from discontinued operations	496,973	232,697	17,490
7.08	Total added value payable	496,973	232,697	17,490
7.08.01	Distribution of added value	137,798	130,530	152,735
7.08.01.01	Personnel	104,555	105,224	123,442
7.08.01.02	Direct remuneration	25,244	21,675	17,241
7.08.01.03	Benefits	7,999	3,631	12,052
7.08.02	Severance Pay Fund (FGTS)	197,549	-44,848	45,886
7.08.02.01	Taxes, duties and contributions	146,249	-45,195	45,540
7.08.02.02	Federal	50,933	1	3
7.08.02.03	State	367	346	343
7.08.03	Municipal	118,200	206,877	104,897
7.08.03.01	Third-party capital remuneration	116,941	206,209	104,078
7.08.03.02	Interest	1,259	668	819
7.08.05	Ohter	43,426	-59,862	-286,028

Consolidated financial statements/ Statement of added value

(In thousands of reais)

Code of account	Account description	Last year 01/01/2019-12/31/2019	Penultimate year 01/01/2018-12/31/2018	Antepenultimate year 01/01/2017-12/31/2017
7.08.05.01	Retained losses, net of realization of equity valuation adjustments – Continued Operation	47,631	-62,606	-280,723
7.08.05.02	Retained losses, net of realization of equity valuation adjustments – Discontinued Operation	-4,205	2,744	-5,305

MANAGEMENT REPORT

YEAR 2019

São Leopoldo, March 30, 2020

Dear Shareholders,

The management of Taurus Armas S.A (Taurus), in compliance with the legal and statutory provisions is pleased to submit to you for your analysis the Management's Report and the Financial Statements of the Company, with the Independent Auditors' Report for the year ended December 31, 2019.

The Company's operating and financial information, except as indicated otherwise, are presented based on consolidated numbers and accounting practices adopted in Brazil are considered and international standards in compliance with International Financial Reporting Standards (IFRS) and pronouncements issued by CPC applicable to its operations. All the comparisons take into account the year 2018, unless otherwise indicated.

MESSAGE FROM THE BOARD

Dear Shareholders,

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

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

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

Our ability to generate cash was instrumental to keep our financial commitments. We spent the year 2019 without any overdue financial obligations and, still, contradicting the expectations of many, we paid the first "wall" of the reprofiling of debt with the syndicate of Taurus creditor banks. And we went further. We were also able to invest in the development of 50 new products, expanding our portfolio with 400 new SKUs. We made all of this without having to dispose of the assets made available for sale, since the market was not favorable for the conclusion of such disposals in 2019.

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

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

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

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

Salesio Nuhs

CEO

MAIN INDICATORS

R$ million	2019	2018	Change %
Net operating revenue	999.6	845.3	*18.3%*
Domestic market	187.4	150.5	*24.5%*
Foreign market	812.2	694.8	*16.9%*
CPV	-659.0	-537.7	*22.6%*
Gross income	340.6	307.6	*10.7%*
Gross margin (%)	*34.1%*	*36.4%*	*-2.3 p.p.*
Operating expenses - SG&A	-235.0	-261.4	*-10.1%*
Operating income (EBIT)	105.7	46.2	*128.8%*
EBIT margin %	*10.6%*	*5.5%*	*+5.2 p.p.*
Net financial income (loss)	-80.5	-183.6	*-56.2%*
Income tax and social contribution	22.5	74.7	-
Net income / (loss) (continued operations)	**47.6**	**-62.6**	-
Net income (loss) from discontinued operations	-4.2	2.7	-
Net income / (loss)	**43.4**	**-59.9**	**-**
Ebitda	**128.0**	78.9	*62.2%*
EBITDA margin	*12.8%*	*9.3%*	*+3.7 p.p.*
Adjusted EBITDA*	**128.0**	116.0	*10.3%*
*Adjusted EBITDA Margin **	*12.8%*	*13.7%*	*-0.7 p.p.*
Net debt (at the end of the period)	865.7	880.3	*-1.7%*

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

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

PROFILE

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

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

The Company also operates in the production and sale of MIM (Metal Injection Molding) parts, with production mostly for its own use, as well as sales to third parties.

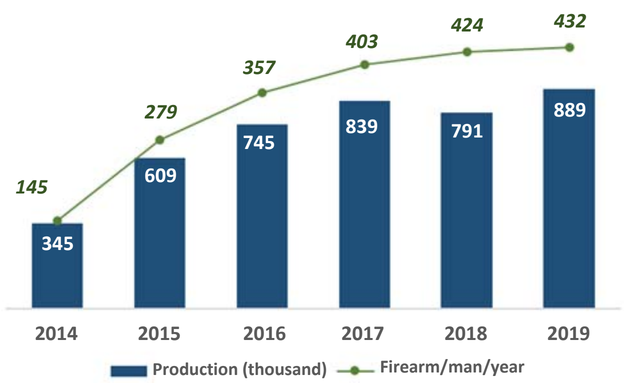
Based on new products' development protocols and manufacturing based on lean manufacturing process, Taurus launched 50 models and 400 SKUs in the last two years, publicizing new products in several exhibitions in Brazil and abroad. The entire line of light firearms has been updated in accordance with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

Operating Performance

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

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

Production of firearms and productivity – Brazilian Plant



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

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

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

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

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

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

ECONOMIC FINANCIAL PERFORMANCE

Net operating revenue

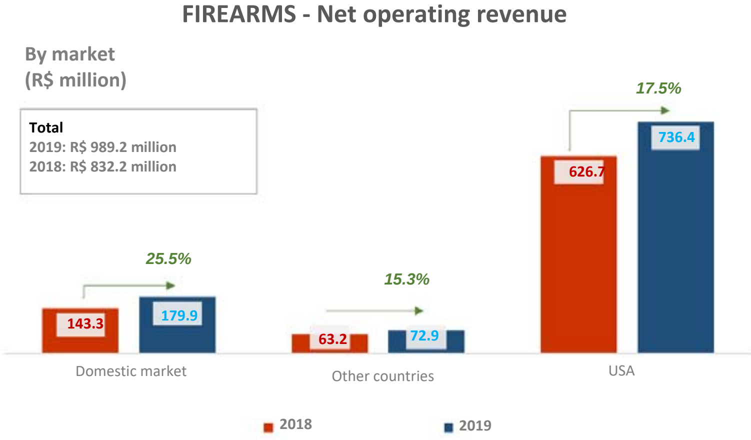
Taurus recorded net revenue of R$ 999.6 million in 2019, exceeding the performance obtained in 2018 by 18.3%, and thus maintaining the upward trend observed in the previous year. The highlight in terms of evolution was the local market, accounting for revenue of R$ 187.4 million, which represents a growth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

Revenue from the sale of the Company's M.I.M. in 2019 reached R$ 10.4 million, or 1.0% of total revenue. This segment was fully operated by the subsidiary Polimetal Metalurgia e Plásticos Ltda. As of December 31, 2019, in line with its strategy, the Company decided to partially spin-off its subsidiary Polimetal, followed by merger by the parent company Taurus of the spun-off portion that is intended to meet internal demands, while operations aimed at third parties remained in the subsidiary. In addition to tax benefits (approximately R$ 170 million from taking advantage of the negative basis of tax losses for use in calculating Income Tax and social contribution and accelerating the use of ICMS tax credits by Polimetal at Taurus), the operation provides increased synergy and productive and administrative efficiency, improved internal controls, as well as cost and expense reduction.

Net operating revenue
R$ million

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

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



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

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

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

Gross income

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

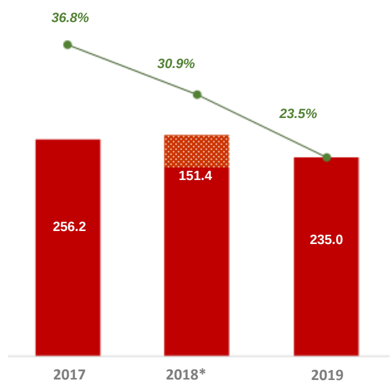
With revenue increasing every quarter of the year in relation to the same periods of 2018, and the continuity of the tight cost management process, gross income in 2019 totaled R$ 340.6 million, the best gross result in the history of Taurus, generated almost exclusively by the firearms operation. The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

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

Operating expenses

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

Operating expenses (R$ million) and its share in the net operating revenue



** 2018 includes R$ 37.1 million of non-recurring extraordinary expenses referring to lawsuit in the USA ("Burrow Case").*

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

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

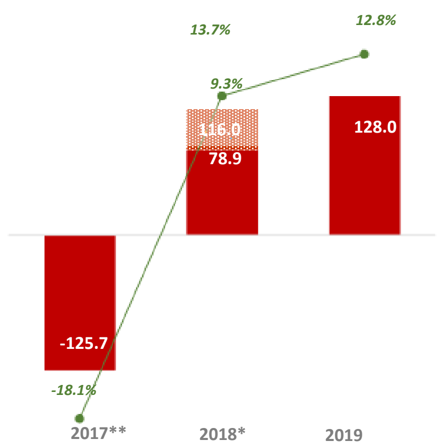
The **other operating revenues/(expenses)** account recorded a positive balance of R$ 32.6 million in 2019, compared to a negative balance of R$ 14.7 million calculated for the previous year. The result for 2019 incorporates extraordinary revenue related to the recovery of taxes from previous years,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

Ebitda

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

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

EBITDA (R$ million) and EBITDA margin



** Adjusted Ebitda in 2018, excluding R$ 37.1 million related to non-recurring expenses of a legal agreement.*
*** 2017 - Disregards the result of the motorcycle helmet operation.*

Ebitda calculation – reconciliation in accordance with ICVM 527/12

R$ million	2019	2018	*Change %*
Income (loss) before financial income (loss) and taxes (Ebit)	105.7	46.2	*128.5%*
Depreciation and amortization	22.3	32.7	*-31.9%*
Ebitda	**128.0**	**78.9**	***62.2%***
EBITDA margin	*12.8%*	*0.1*	*+3.7 p.p.*
Burrow Case			
General and administrative expenses	-	15.6	-
Other operating expenses	-	21.5	-
Adjusted EBITDA	**128.0**	**116.0**	***10.3%***
Adjusted EBITDA margin	*12.8%*	*13.7%*	*-0.7 p.p*

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

Financial income (loss)

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

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

Net income

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

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

INDEBTEDNESS

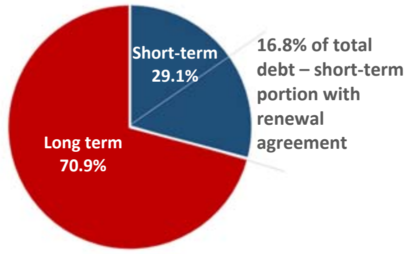
At the end of 2019, Taurus recorded gross debt of R$ 901.7 million. As of July 2019 (3Q19), the Company initiated the payment of the first installment of the principal of the banks' syndicated debt, in the amount of R$ 74.5 million. With greater capacity to generate cash from its operating activities,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

R$ million	12/31/2019	12/31/2018	Change %
Loans and financing	97.6	103.7	*-5.9%*
Debentures	13.3	9.5	*40.0%*
Advance from receivables	73.5	48.5	*51.5%*
Foreign exchange withdrawals	78.2	43.8	*78.5%*
Short-term	**262.6**	**205.4**	***27.8%***
Loans and financing	577.4	627.9	*-8.0%*
Debentures	61.6	75.6	*-18.5%*
Long term	**639.1**	**703.6**	***-9.2%***
Gross indebtedness	**901.7**	**908.9**	***-0.8%***
Cash and investments	36.0	28.6	*25.9%*
Net indebtedness	**865.7**	**880.3**	***-1.7%***

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

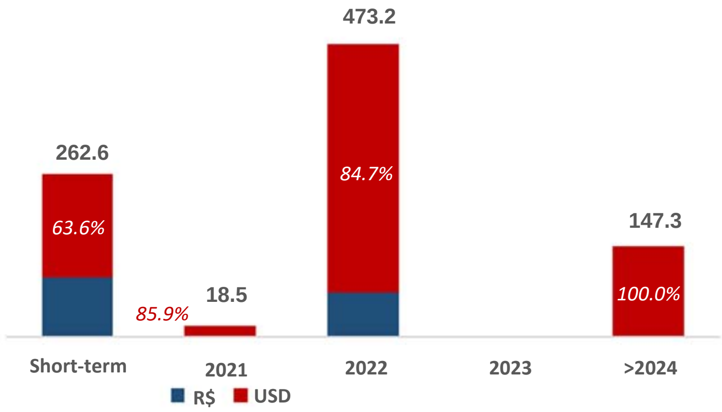
Moreover, as Note to Financial Statements, out of the R$ 262.6 million recorded in the short term at the end of September 2019, R$ 151.7 million (or 57.8% of this portion of debt) are represented by discounts on receivables and foreign currency withdrawals, which can be rolled over. Even recorded in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

Gross debt at 12/31/2019
R$ 901.7 million



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

Schedule of debt expiration
Per Currency – R$ million as at December 31, 2019



Capital Market

Listed at Level II of Bolsa Brasil Balcão - B3, differentiated market segment where Companies assume additional commitments in terms of good corporate governance practices, Taurus' shares appreciated in 2019, as shown below.

During the year, the average daily volume of ON (TASA3) shares traded totaled R$ 275.8 thousand with average of 2,593 deals concluded, while PN (TASA4) shares reached average daily volume of R$ 1.6 million and average of 3,464 deals concluded. The market value at the end of the year was R$ 482.9 million.

Performance of shares and Ibovespa

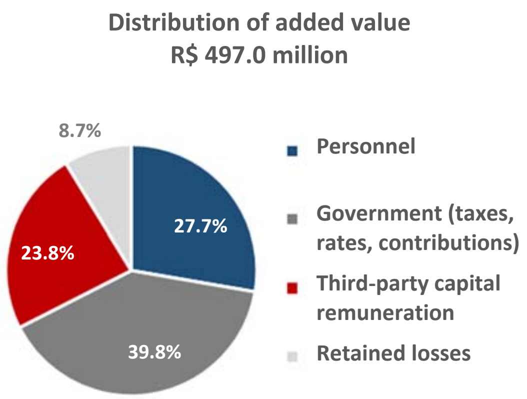
	TASA3	TASA4	IBOV	Market value
12/31/2018	R$ 4.79	R$ 4.05	87,887	R$ 383.3 million
12/31/2019	R$ 5.11	R$ 5.99	115,645	R$ 482.9 million
Change	**+ 6.5%**	**+ 47.9%**	**+ 31.6%**	**+26.0%**

STATEMENT OF ADDED VALUE

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

R$ million

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



SUBSEQUENT EVENTS

Signing of the joint venture agreement in India

On January 27, 2020, the Company released a Material Fact informing that its Board of Directors signed, at a meeting held on January 22, a definitive agreement for the establishment of a joint venture with Jindal Group, a company with annual sales exceeding US$ 24 billion and 200,000 employees, the India's largest steelmaker and one of the 10 largest producers in the world.

The joint venture has a 51% interest of Jindal Group and a 49% interest of Taurus, and will set up a firearms plant in India for the production of rifles, pistols and revolvers for the civil, public security and military markets. The conclusion of this agreement is an important step in Taurus' global strategy and will place the company in a prominent position in the global firearms market.

Quality Award 2019 - Apimec/SP

The public meeting held by Taurus in August 2019 with analysts, other investment professionals and investors in general was selected among the 10 best of the year. In 2019, approximately 5,400 investment professionals participated in the 54

APIMEC SP Meetings held by publicly-held companies. Each meeting was measured, immediately after it was held, using an evaluation questionnaire addressing aspects related to the quality of the information presented and the dynamics of the meeting. At the end of the year, the meetings with the 10 best scores were selected.

Potential impacts of COVID -19

The Company is monitoring the possible risks inherent to Covid-19 that may affect its activities. Currently, there has been no major change registered in relation to our suppliers, and no high risk of significant economic damage for Taurus has been quantified.

The reliance on imported products is low, and foreign suppliers of more relevant components and inputs can also be replaced by domestic suppliers. For items considered critical, the Company has inventories that meet its needs for a period of about 5 months.

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

Several measures are being adopted to reduce as much as possible the exposure to the potential contagion of our employees by Covid-19, such as the suspension of almost all business trips, the entrance of suppliers at the plant, the holding of presential meetings and receiving visitants in Taurus facilities. The Company is communicating and stressing the importance of the adoption of preventive hygiene habits and health care by its employees and family members.

The analysis performed is based on the evidence found to date, considering the risk tracking and monitoring and the evolution of the Covid-19 dissemination. However, future events or conditions may cause the Company to review its position and/or affect the normal continuity of operations at its units.

EXTERNAL AUDIT – CVM INSTRUCTION 381/2003

KPMG Auditores Independentes provides external audit service related to the examination of the financial statements of the Company and its subsidiaries for the year 2019. Furthermore, this company provided Taurus with tax compliance advisory services in 2019, in addition to an evaluation of the net assets of Polimetal Metalurgia e Plásticos Ltda. to be transferred, at book values, to the parent company. The total fees for these additional services was R$ 640,321.65, which represented approximately 84% of the remuneration related to external audit of the financial statements.

Taurus is very careful to avoid the existence of a conflict of interest, or loss of independence or objectivity of its independent auditors and has the practice of not access the services regarding any matter that may interfere in the audit of financial statements.

For the contracting of these additional services, KPMG Auditores Independentes presented the statement that these services do not affect the independence and objectivity required to perform the external audit services.

1. Operations

Taurus Armas S.A. (“Company”) headquartered in São Leopoldo/RS, a Brazilian publicly-held company for more than 30 years, and since 2011, ranked Level 2 in Corporate Governance of B3 (former BM&FBOVESPA) (trading symbols are FJTA3, FJTA4).

On June 29, 2018, the Annual Shareholders' Meeting approved change of trade name from Forjas Taurus S.A. to Taurus Armas S.A.

The Company operates in the segments of Firearms and Accessories and Metal Injection Molding (MIM), with two industrial plants, one in Brazil, located in the state of Rio Grande do Sul, and another in Miami, Florida, USA.

In Brazil, sales are directed to state, federal, civil and military police, in addition to the civilian market. Taurus is an accredited Strategic Defense Company and is permitted to supply products to the Brazilian armed forces.

Abroad, besides distributing products of the TAURUS and ROSSI trademarks produced in Brazil, the Miami unit manufactures models of TAURUS pistols and HERITAGE revolvers. Sales to the United States cover, mainly, the U.S. civil market and government bodies in the other regions.

In March 2018, Company Management assumed the commitment to dispose of the helmets' operation. To carry out this process, a specialized consulting firm was engaged. Due to the decision to sell the investment, it was classified as “held for sale” and accounted for according to technical pronouncement CPC 31 and IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations. The helmet operation has two production units, one in Mandirituba, Paraná, and another in Simões Filho, Bahia.

On December 3, 2018, production activities at the Simões Filho / BA unit were closed.

On April 12, 2018, the United States unit signed a memorandum of understanding with the Government of Georgia for the relocation of the headquarters of the North American subsidiary of Miami in Florida/USA to the city of Bainbridge, Georgia/USA.
This transfer aims to optimize production in the United States, in order to better serve local demand in terms of production volume, development of new products and improvement people's perception of the Taurus brand. It is also expected that this change will result in cost reductions, with the concession and state government grants, consequently increasing the profitability of the operation.

The new plant was inaugurated on December 5, 2019, with the production lines already operating. The migration of activities to Georgia has completed in late 2019, when it became fully operational.

Economic /Financial Balance

On July 18, 2018, management concluded the process of rescheduling and formalization of debt agreements with the Bank Syndicate (Banco do Brasil, Banco Santander, Banco Itaú and Banco Bradesco), as well as the process of rescheduling of its 3rd public issuance of debentures with Haitong Bank. The terms of the Operation include the extension of the maturity term of debts with Creditors in the approximate amount of US$ 162 million. The total term for payment of the operations is now 5 (five) years, with grace period for payment of principal and interest in year 2018. The amortization of principal and interest will be made in monthly payments, starting on January 21, 2019. The costs of the operation were Libor

Month + 3% p.a. for operations in U.S. dollar and CDI + 2% for the 3rd Issuance of debentures.

The operation is backed by the following real guarantees: (i) Lien of all quotas of the companies Taurus Blindagens Ltda. and Taurus Blindagens Nordeste Ltda. (“Chattel Mortage”); (ii) 2nd degree mortgage of 02 properties located in Mandirituba/PR, and 02 properties located in Porto Alegre, RS and 1st degree mortgage of 01 property located in São Leopoldo, RS (“Mortgage”); and (iii) lien of credit receivables derived from total funds object of possible sale of quotas object of the Lien and Mortgage, as well as rights inherent in the title of the Company’s restricted account to be opened with the purpose of receiving the funds.

As additional option to assist in the economic and financial rebalance, the Company maintains its strategy: (a) divestitures of non-core assets, namely: the helmets operation (historically advantageous and profitable), whose decision of sale and authorization for selling efforts were made by the Board of Directors in March 2018, in addition to a large land in an affluent residential region of Porto Alegre, where the former facilities of the Company were located and; (b) strong restructuring plan, already in course and conducted by specialized consulting firm already contracted.

The aforementioned restructuring plan, which is already in progress, presented positive results throughout 2018 and with substancial improvments in 2019. The company expects that the it continues to bring efficiency gains in 2020.The plan is divided into 4 areas: i) Renegotiation of Debt; ii) Operating Efficiency, iii) Commercial Efficiency, and (iv) Evaluation of Results. Below is a summary of the actions:

I - Debt Renegotiation (completed):

The debt rescheduling was conducted through direct and extrajudicial renegotiation with creditors, including the following activities:

- Preparation, analysis and validation of operating and financial projections;
- Preparation of negotiation strategies in different scenarios;
- Negotiation with committee of creditors through meetings and presentations;
- Proper formalizations of the process.

Together with the Bank Syndicate, in the rescheduling the Company obtained a reduction of around 50% of the interest rate of loans.

There has been a significant change in the amortization schedule, in which the first payment of principal would be in 2018 and after quarterly amortizations, with the rescheduling, there was a grace period for the payment of principal in 2018 and as of 2019, and payments will be on monthly basis. The table below shows the percentages of amortizations.

AMORTIZATION SYSTEM BEFORE RENEGOTIATION	**AMORTIZATION SYSTEM AFTER RENEGOTIATION**
PPEs AND DEBENTURES BANKS	**PPEs AND DEBENTURES BANKS**
BRADESCO, BRASIL, SANTANDER, ITAU, HAITONG.	**BRADESCO, BRASIL, SANTANDER, ITAU, 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
15.41% OF THE DEBT IN 2021	70.59% OF THE DEBT IN 2022

In the rescheduling with Banco Pine, the Company also obtained extension of term and reduction of rates. The characteristics of the rescheduling were different, since the Bank did not have funding (line abroad) to support the entire operation, thus at each maturity of Export pre-payment ("PPE") an Advances on Exchange Contracts ("ACC") operation will be released in the amount of the portion with initial term of 180 days and automatically renewed at each maturity for other 180 days. In the third and fourth maturities, the renewal will correspond to 99.30% of the value of the ACC operation, in the fifth maturity, it will correspond to 99.10% of the value of the ACC operation, in the following maturities it will correspond to 97.20% of the ACC operation and up to October 17, 2022, all the ACC operations will be settled. Prior to the rescheduling, the rate of the operation was 112.00% of CDI, for the new operations renegotiated under ACC, the rate will be 5.50% p.a. + exchange-rate change.

We point out that in the renegotiations, in addition to the extension of debt, there will be a projected reduction of more than R$ 120 million charges on such indebtedness during the period of 5 years.

In 2019, the company had paid 10.17% of the negotiated debt, demonstrating that the improvement in its results is being reflected in cash generation.

The negotiated debt presents extraordinary amortizations with the sale of assets or the subscription of shares. In these situations, the amounts are allocated to an escrow account, where once the amounts have been transferred to, the Company no longer has any management for transactions. Only the trustee can transfer the amount, solely and exclusively to the amortization of renegotiated contracts with the banks' union.

II - Operating efficiency

On macro basis, revaluation of the Organizational Structure of the Company through analysis of activities and processes, Span of Control and average remuneration:

Stages concluded:

- Realignment of the structure with the strategic purposes;
- Clear definition of metrics;
- Streamlining of the hierarchical levels for gain of promptness in decision making;
- Normalization of the areas so as to prevent conflicts and redundancies;
- Review of responsibilities and functions of each position;
- Revaluation of service levels;
- Development of a participatory environment proper to changes.
- Intelligent and long-lasting reduction of costs;
- Remodeling of the relationship with the other units of the Company.

Stages in progress:

- Revaluation of outsourcing of non-core activities;
- Revaluation of the centralization of activities;
- Elimination of activities that do not aggregate value;
- Analyses of gains of efficiency in the processes.

On a specific manner, the operating planning and management will be segmented as follows with their respective action plans already in course:

Stages concluded:

Operating Master Planning:

- Review the S&OP model;
- Revisit the production and inventory process, and logical model.

Research and Development:

- Identification of Capex needs;
- Integration with all the industrial units.
- Action schedule.

Stages in progress:

CGS - Cost of goods sold

- Analyze the evolution of Variable Costs and general manufacturing costs (GGF) to identify the main deviations and opportunities.

Operating Master Planning:

- Improve methodology of demand forecast.

Efficiency of the Operating Management:

- Review metrics, goals and routines of analysis of results of key indicators of the processes;
- Map critical points of improvement of each process and develop/ implement applicable corrective actions.

Losses of Materials (yield and scrap):

- Identify critical points of improvement and implement applicable corrective actions.

Tools used:

- Explosion of Ideas;
- Data analysis;
- Simulations of scenarios;
- Analyses of Cause/Effect;
- Compensation Matrix.

III - Commercial efficiency

In order to capture higher gains of efficiency in the commercial area, three areas are being focused as follows:

Stages concluded:

Market analysis

- Reviewing the pricing model

Portfolio of products

- Analysis for streamlining of SKUs;
- Performance analysis of the categories of products;
- Definition of each category positioning.

Commercial Performance

- Assess the management model of sales routine;
- Restructuring of the monitoring model for attainment of goals.
- Revaluation and design of a variable remuneration program to the sales team.

Stages in progress:

Market analysis

- Mapping of sales channels and analysis of strategies per channel;
- Analysis of opportunities for reduction of the number of *Layers* and approximation of the point of sale.

IV - Evaluation of results (in progress)

These initiatives aim to adjust the key processes of Taurus so as to increase the Company's profitability and competition.

Accordingly, with the definition of roles and responsibilities, performance metrics and a culture of discipline in the performance of action plans, the Company continues to take actions aimed at higher operating and financial efficiency, in order to cover the demand for its products, improve its margins, recover profitability and the balance of its cash flows.

Management evaluates that the set of actions related to improvement of above-mentioned operating efficiency, plus sales of non-core assets, capital transactions and the already perceptible improvement in operations performance will be sufficient to guarantee normal continuity of operations.

2. Presentation of information for the year

2.1. Preparation basis

a) Compliance statement
The individual and consolidated financial statements of the company were drawn up and presented in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil (BR GAAP), considering Pronouncements, guidelines and interpretations issued by the Accounting pronouncements Committee (CPC), approved by the Securities Commission (CVM) and the provisions of Corporation Law.

b) Statement of the Board of Directors
The Company management states it has utilized all of the relevant information for its financial statements for the year ended December 31, 2019 and only them correspond to those of its management.

The issue of individual and consolidated annual financial statements was authorized by the Board of Directors on March 26, 2020.

2.2. Basis of consolidation

		Ownership interest	
	Country	2019	2018
Taurus Blindagens Ltda. *	Brazil	**100.00%**	**100.00%**
Taurus Blindagens Nordeste Ltda. *	Brazil	**100.00%**	**100.00%**
Taurus Holdings, Inc.	United States	**100.00%**	**100.00%**
Taurus 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 Plásticos Ltda. *	Brazil	**100.00%**	**100.00%**

(*) Presented interest represents the percentage directly and indirectly held by the Company in the capital of subsidiaries.

The process of consolidating the balance sheets and the result follows, by their nature, complemented by the elimination of the following:

- Shares of the parent company in capital, reserves and retained earnings of the consolidated companies;
- Balances of asset and liability accounts maintained between the consolidated companies;
- Balances of revenues and expenses from consolidated intercompany transactions; and
- Unrealized gains originating from transactions with investees recorded under the equity

method in the proportion of the Company's interest in the investee. Unrealized losses in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment.

2.3. Functional and presentation currency

The individual and consolidated financial information is being presented in Brazilian Real, functional and presentation currency of the Company and its subsidiaries headquartered in Brazil. The functional currency of the subsidiary Taurus Holdings, Inc., headquartered in the US, and controlled T. Investments Co. Inc., headquartered in Panama is the US dollar and its assets and liabilities are converted into Reais, marked at the exchange rate on date of the balance sheet, their results are converted to the monthly average exchange rate. Exchange differences arising from the translation process of foreign subsidiaries are reported in other comprehensive income and presented as shareholders' equity.

Transactions in foreign currency are translated into the functional currency of the Company at the current exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. All differences are reported in the income statement.

3. Significant accounting judgments and sources of uncertainties about estimates

When applying the accounting practices, Management must make judgments and prepare estimates on book values of assets, liabilities, expenses and revenues that are not easily obtained from other sources. Estimates and respective assumptions are based on historic experience and on other factors that are considered relevant. The actual results of these book values may differ from these estimates.

Information regarding critical judgments referring to the accounting policies adopted which impact the amounts recognized in the individual and consolidated quarterly information and information on uncertainties, assumptions and estimates are included in the following notes: 9 - Clients (allowance for doubtful accounts), 10 - Inventories (Provision for inventory loss), 13 - Income tax and social contribution, 14 - Assets held for sale (impairment), 16 - Property, plant and equipment (Impairment), 17 - Intangible assets (Impairment), 23 - Provision for civil, labor and tax risks and 24 - Financial instruments.

(i) Measurement of fair value

A series of Company's accounting policies and disclosures requires the measurement of fair value, for financial and non-financial assets and liabilities.

The Company established controls related to the measurement at fair value which includes the regular evaluation of significant non-observable data and evaluation adjustments.

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

Level 1: Prices quoted (not adjusted) in active markets for identical assets and liabilities to which the entity may have access on the measurement date.

Level 2: Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).

Level 3: Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

The Company uses level 2 information to measure fair value.

4. Significant accounting policies

The accounting policies and calculation methods used by the Company in the preparation of these Individual and Consolidated Financial Statements have been consistently applied by the parent company and its subsidiaries. These policies are the same when compared with the Financial Statements of December 31, 2018.

a) Financial instruments

(i) Non-derivative financial assets

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

(ii) Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: loans, financing, non-convertible debentures, suppliers and other accounts payable. Such liabilities are initially recognized at fair value plus any transaction costs directly assignable. After initial recognition, they are measured at amortized cost using the effective interest method.

For accounting policy, the Company adopts the classification of interest paid as a financial activity, consistently in its Financial Statements.

(iii) Impairment

The Company and its subsidiaries assess at the balance sheet dates, whether there is any evidence that determines that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (known as a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets and can be reliably estimated.

b) New standards, interpretations and non-standard revisions

New standards or amendments and interpretations will be effective for the years started after January 1, 2019.

(i) CPC 06 (R2) / IFRS 16 Leases

CPC 06 (R2) / IFRS 16 introduces a single model of accounting of leases in the balance sheet to lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset and a lease liability that represents its obligation to make the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

The standard is effective in years starting on or after January 1, 2019.
The Company evaluated impacts from adoption of new standard and effects initially estimated were not considered as significant.

(ii) ICPC 22/ IFRIC 23 – Uncertainty over Income Tax Treatments

Interpretation ICPC 22 clarifies how to apply the recognition and measurement requirements of CPC 32 when there is uncertainty over the tax treatments on profit. The Company's Management must recognize and measure its current or deferred tax assets or liabilities, applying the requirements of CPC 32, based on taxable profit (tax loss), tax bases, unused tax credits and determined tax rates, applying this interpretation. The interpretation was approved on December 21, 2018 and was enforceable starting on January 1, 2019.

(iii) **CPC 50/ IFRS 17 – Insurance Contracts**

This standard will come into effect as of January 1, 2021 and will replace CPC 11 – Insurance Contracts, which maintain requirements of the current local rules. CPC 50 will provide a global and comprehensive model for accounting insurance contracts, in line with international accounting standards. The company's management believes that the adoption of this standard will not have a significant impact on the Company's Financial Statements.

(iv) **Amendments to CPC 26 and CPC 23 – Definition of Materiality**

The amendments to CPC 26 and CPC 23 clarify the definition of materiality and align the definition used in the conceptual framework in other accounting standards. These amendments will come into effect on January 1, 2020. The Company's management understands that these amendments will not have a significant impact on the Company's Financial Statements, as it applies the technical guidance OCPC 7, which guides the disclosure of relevant information only.

5. Financial risk management

The Company's risk management policies are established to identify and analyzed the risks that it faces, to define appropriate limits and controls of risks, and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed frequently to reflect changes in the market conditions and in the Company's activities.

The Company is exposed to the following risks from the use of financial instruments:

5.1 Credit risk

Credit risk is the possibility of a financial loss if a client or a counterpart of a financial instrument fails to fulfill its contractual obligations arising mainly from trade accounts receivable and investments of the Company. As regards financial institutions, the Company and its subsidiaries only conduct operations with low risk financial institutions, considered by the Management, as low risk institutions.

Trade accounts receivable and other credits

The Company and its subsidiaries adopt as a practice the analysis of the financial situation of their counterparties, as well as the definition of credit limits and permanent monitoring of open positions. About the Company's revenue, the sales are concentrated to Related Parties, Taurus International and Companhia Brasileira de Carthucos – CBC, with no concentration of credit risk with other customers.

Credit approvals are analyzed individually before the terms and the standard terms of payment and delivery of the Company are offered. This analysis includes external evaluations and, in some cases, bank references. Purchase limits are established for each client and represent the maximum outstanding amount for which credit approval is not required; these limits are regularly reviewed. Clients who fail to meet the credit limit established by the Company may only operate when there is a settlement of securities. For public bodies, the Company's management individually assesses the ability to pay and the bidding requirements for completion of the sale. The consolidated statement excludes transactions between related parties and, since these transactions are excluded, the

Company has no customers that individually represent more than 5% of sales.

When monitoring credit risk of clients, they are grouped according to their characteristics for credit facility, including if they are an individual or entity, retail, government agencies, geographic location, type of industry and previous financial difficulties.

In sales made to natural persons, the Company is able to anticipate part of the sale amount, and the billing and delivery of the product are only carried out if there is no default by the customer.

Credit risk exposure

The maximum credit risk exposure on financial statement date was:

	Consolidated		Parent company	
	Book value		Book value	
	12-31-2019	21-31-2018	12-31-2019	12-31-2018
Fair value through profit or loss				
Cash and cash equivalents	**35,966**	26,766	**7,376**	5,157
Amortized cost				
Trade accounts receivable	**164,997**	140,420	**113,054**	114,744
Financial investments and linked account	**17**	2,854	**17**	2.547
Total	**200,980**	170,040	**120,447**	122,448

The maximum credit risk exposure for trade accounts receivable on the report date per geographic region was:

	Consolidated		Parent company	
	Book value		Book value	
	12-31-2019	12-31-2018	12-31-2019	12-31-2018
Domestic - trade accounts receivable	**96,915**	97,458	**83,972**	84,013
United States clients - trade accounts receivable	**79,411**	72,557	**-**	-
Foreign - trade accounts receivable	**21,712**	785	**46.249**	45,730
Total	**198,038**	170,800	**130,221**	129,473

* Balances are presented without considering the provision for losses (see note 9).

The maximum exposure to credit risk at the reporting date by type of counterparty was:

	Consolidated		Parent company	
	Book value		Book value	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018
Clients - public agencies	**6,594**	9,787	**6,511**	9,621
Clients - distributors	**171,377**	111,732	**119,563**	84,286
End clients	**20,067**	49,281	**4,147**	35,836
Total	**198,038**	170,800	**130,221**	129,743

***** Customer balances are presented without considering the provision for losses (see Note 9).

Provision for estimated losses

Pursuant to CPC 48 / IFRS 9, the provision for expected losses considers the internal risk assessment indicator, which captures the client's behavior and the uncertainties of the macroeconomic context.

As of December 31, 2019, the maturities of the customer portfolio and the provision for expected losses are presented as follows:

						Consolidated
			12-31-2019			12-31-2018
	Portfolio	Provision	Coverage %	Portfolio	Provision	Coverage %
Not overdue	**107,524**	**(840)**	**0.8%**	**70,517**	**(1,261)**	**1.8%**
Overdue (in days)						
0–30	**33,176**	**(758)**	**2.3%**	**44,360**	**(860)**	**1.9%**
31–60(1)	**14,388**	**(670)**	**4.7%**	**11,764**	**(821)**	**7.0%**
61–90(1)	**6,208**	**(83)**	**1.3%**	**2,710**	**(536)**	**19.8%**
91–180(1)	**3,253**	**(460)**	**14.1%**	**7,361**	**(1,453)**	**19.7%**
181–360(1)	**4,501**	**(1,632)**	**36.3%**	**7,654**	**(3,019)**	**39.4%**
>360	**28,988**	**(28,598)**	**98.7%**	**26,435**	**(22,430)**	**84.8%**
Total	**198,038**	(33,041)		**170,801**	(30,380)	

						Parent company
			12-31-2019			12-31-2018
	Portfolio	Provision	Coverage %	Portfolio	Provision	Coverage %
Not overdue	**69,168**	**(808)**	**1.2%**	**53,145**	**(1,222)**	**2.3%**
Overdue (in days)						
0–30	**25,069**	**(752)**	**3.0%**	**40,718**	**(840)**	**1.2%**
31–60(1)	**14,175**	**(622)**	**4.4%**	**10,770**	**(790)**	**7.3%**
61–90(1)	**5,769**	**(55)**	**1.0%**	**2,806**	**(480)**	**17.1%**
91–180(1)	**1,322**	**(375)**	**28.4%**	**5,399**	**(1,275)**	**23.6%**
181–360(1)	**3,086**	**(1,574)**	**51.0%**	**6,033**	**(2,607)**	**43.2%**
>360	**11,632**	**(12,981)**	**111.6%**	**10,872**	**(7,784)**	**71.6%**
Total	**130,221**	(17,167)		**129,743**	(14,998)	

5.2 Liquidity risk

Liquidity risk is the risk of the Company encountering difficulties in performing the obligations associated with its financial liabilities that will be settled with cash payments or with another financial asset.

The Company and its subsidiaries monitor the requirements for operating cash flow and this excludes the potential impact of extreme situations that cannot be reasonably foreseen, such as natural disasters.

The contractual maturities of financial liabilities including payment of estimated interest are as follows:

						Consolidated
						12-31-2019
	Book value	Contractual cash flow	Up to 1 year	1–2 years	2–5 years	>5 years
Non-derivative financial liabilities						
Suppliers	114,157	114,157	114,157	-	-	-
Loans and financing	675,062	738,455	97,617	471,707	169,131	-
Debentures	74,919	82,917	13,290	69,627	-	-
Foreign exchange advances	78,196	78,196	78,196	-	-	-
Advance from receivables	73,516	75,530	75,530	-	-	-
	1,015,850	**1,089,255**	**378,790**	**541,334**	**169,131**	**-**

					Consolidated
					12-31-2018
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**
Non-derivative financial liabilities					
Suppliers	95,102	95,102	94,707	395	-
Loans and financing	731,603	813,414	103,676	244,959	464,779
Debentures	85,088	85,088	9,450	13,224	60,380
Foreign exchange advances	43,795	43,795	43,795	-	-
Advance from receivables	48,455	48,455	48,455	-	-
	1,004,043	**1,085,854**	**300,083**	**258,578**	**525,159**

				Parent Company
				12-31-2019
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**
Non-derivative financial liabilities				
Suppliers	70,359	70,359	70,359	-
Loans and financing	527,745	569,324	97,617	471,707
Debentures	74,919	82,917	13,290	69,627
Foreign exchange advances	78,196	78,196	78,196	-
Advance from receivables	73.516	75,530	75,530	-
	824,735	**876,326**	**334,992**	**541,334**

					Parent Company
					12-31-2018
	Book value	**Contractual cash flow**	**Up to 1 year**	**1–2 years**	**2–5 years**
Non-derivative financial liabilities					
Suppliers	156,165	156,165	155,932	233	-
Loans and financing	604,804	707,284	129,223	113,282	464,779
Debentures	85,088	85,088	9,450	13,224	60,380
Foreign exchange advances	43,795	43,795	43,795	-	-
Advance from receivables	48,455	48,455	48,455	-	-
	938,307	**1,040,787**	**386,855**	**126,739**	**525,159**

5.3 Market risk

Market risk is the risk that alterations in market prices, such as exchange rates and interest rates, have in the Company's earnings, or in the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposures to risks, within acceptable parameters, and at the same time to optimize the return.

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

(i) Currency risk (foreign exchange)

The Company and its subsidiaries are subject to currency risk in the sales, purchases and loans denominated in a currency other than the respective functional currencies of Company's entities.

Sensitivity analysis

The probable base scenario for 2019 was defined through assumptions available in the market (source: Brazilian Central Bank Focus), and sensitivity calculation considered the change, affected in balances due to the fluctuation between rates of the scenario foreseen for 2020 and those prevailing in 2019.

The sensitivity analysis also considered changes from 25% to 50% on exchange-rate change considered in the probable scenario.

Currencies and ratios		**Rate 2019**	**Probable scenario**	**Possible scenario ∆ 25%**	**Remote scenario ∆ 50%**
US dollar	Write-off	**4.0307**	4.5000	3.0600	2.0400
US dollar	Increase	**4.0307**	4.5000	5.1000	6.1200

Awareness of the changes in the foreign currency:

					Consolidated
		Balance in 2019	**Probable scenario**	**Possible (25%)**	**Remote scenario (50%)**
Assets - Depreciation of Dollar					
Accounts receivable	Dollar - USD	**25,088**	(2,616)	(4,874)	(19,855)
Liabilities - Increase in Dollar					
Loans and financing	Dollar - USD	**(161,954)**	(16,890)	(45,903)	(65,245)
Suppliers	Dollar - USD	**(13,141)**	(1,370)	(3,725)	(5,294)
Foreign exchange advances	Dollar - USD	**(19,400)**	(2,023)	(5,499)	(7,816)
Advances from clients	Dollar - USD	**(361)**	(38)	(102)	(145)
Other	Dollar - USD	**(9,622)**	(1,003)	(2,727)	(3,876)

					Parent company
		Balance in 2019	**Probable scenario**	**Possible (25%)**	**Remote scenario (50%)**
Assets - Depreciation of Dollar					
Accounts receivable	Dollar - USD	**11,474**	1,197	(2,229)	(9,081)
Liabilities - Increase in Dollar					
Loans and financing	Dollar - USD	**(125,406)**	(13,078)	(35,544)	(50,521)
Suppliers	Dollar - USD	**(2,415)**	(252)	(684)	(973)
Foreign exchange advances	Dollar - USD	**(19,400)**	(2,023)	(5,499)	(7,816)
Advances from clients	Dollar - USD	**(404)**	(42)	(114)	(163)
Other	Dollar - USD	**(2,398)**	(250)	(680)	(966)

For the asset balances, an analysis was conducted considering a downturn in the foreign exchange rate and losses arising from a negative change in the currency, while for the liabilities balances, an analysis was conducted considering an upturn in the foreign exchange rate and the losses arising from a positive change in the currency.

(ii) Interest rate risk

The balances of instruments exposed to changes in interest rates are summarized below.

Income from short-term investments and financial expenses arising from the Company's loans and financing are impacted by changes in interest rates.

On December 31, 2019, the management considered the likely scenario for 2020 is a CDI rate of 4.50% and TJLP of 5.57%. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively. The scenarios below were estimated for the period of 1 year:

Currency	2019	Probable scenario	Possible scenario Δ 25%	Remote scenario Δ 50%
CDI - write-off	4.40%	4.50%	3.38%	2.25%
Rise in the CDI rate	4.40%	4.50%	5.63%	6.75%
TJLP	6.26%	5.57%	6.96%	8.36%
SELIC	4.50%	3.75%	4.69%	5.63%
LIBOR Overnight	1.54%	1.54%	1.93%	2.31%
LIBOR - 30 days	1.76%	1.76%	2.20%	2.64%
LIBOR 3 months	1.91%	1.91%	2.39%	2.86%

					Consolidated Gain (loss)
	Index	Balance 12-31-2019	Probable scenario	Possible scenario	Remote scenario
Assets					
Interest earning bank deposits	CDI - write-off	7,567	8	(77)	(163)
Liabilities					
Intercompany Loans	CDI – write off	(20,062)	(20)	205	431
Loans	Rise in the CDI rate	(95,326)	(95)	(1,173)	(2,240)
Loans	TJLP	(1,866)	13	(13)	(39)
LIBOR - 30 DAYS	LIBOR Overnight	(147,317)	-	(571)	(1,130)
LIBOR 3 months	LIBOR - 30 days	(505,473)	-	(2,211)	(4,436)
LIBOR 6 months	LIBOR 3 months	-	-	-	-
Taxes in installments	SELIC	(416)	3	(1)	(5)

					Parent company Gain (loss)
	Index	Balance 12-31-2019	Probable scenario	Possible scenario	Remote scenario
Assets					
Interest earning bank deposits	CDI - write-off	7,166	7	(73)	(154)
Liabilities					
Intercompany Loans	CDI - write-off	(20,062)	(20)	205	431
Loans	Rise in the CDI rate	(95,326)	(95)	(1,173)	(2,240)
Loans	TJLP	(1,868)	13	(13)	(39)
LIBOR - 30 DAYS	LIBOR Overnight	-	-	-	-
LIBOR 3 months	LIBOR - 30 days	(505,473)	-	(2,211)	(4,436)
LIBOR 6 months	LIBOR 3 months	-	-	-	-
Taxes in installments	SELIC	385	(3)	1	4

5.4 Capital management

The management's policy is to maintain a solid base of capital for the future development of the business, adding value for shareholders, creditors and the market in general, by monitoring the returns on capital. However, the results of recent years have meant some deterioration in this policy, as shown below.

	Consolidated	
	12-31-2019	**12-31-2018**
Total liabilities	1,371,061	1,328,119
Less: Cash and cash equivalents and interest earning bank deposits	(35,983)	(27,819)
Net debt (A)	**1,335,078**	**1,300,300**
Total shareholders' equity (B)	**(304,621)**	**(406,963)**
Net debt to equity ratio as of December 31, 2018 and December 31, 2017 (A/B)	(4.38)	(3.21)

6. Operating segments

The Company has four reportable segments represented by strategic business units, managed separately since they differ by products and services, technologies and marketing strategies. The other operations are aggregated in the “Others” segment, as they do not fall within the quantitative limits for segregated disclosure. The Company's reportable segment operations can be detailed as follows:

Firearms – the firearm production process, since is treated, primarily, as metalworking, and uses the following basic phases: machining (from machined and forged moulds by means of machining centers, milling, drill pressing and broaching, lathing, broaching since all the forging process and some machining operations are outsourced), Metal Injection Molding (MIM) (metal injection molded parts), finishing (polishing), heat treatment, surface treatment, final assembly, functional test, engraving and packaging; these operations are carried out by Taurus Armas S.A., and Taurus Holdings, Inc. and its subsidiaries.

Helmets – the helmet production process uses the following steps injection (from the Acrylonitrile Butadiene Styrene (ABS)), painting and finishing (from parts already injected through the manual and automated painting process), sewing (from fabrics, foam plates and polycarbonates, using cutting machines and sewing) and final assembly; these operations are performed by Taurus Helmets Ltda. (former Taurus Blindagens Ltda.) and Taurus Blindagens Nordeste Ltda.

Other - result of the MIM (Metal Injection Molding) segment - metal injection molded parts, (Polimetal Metalurgia e Plásticos Ltda.); hard trunks (Taurus Helmets Ltda.). It also includes expenditures with technical assistance and financial expenses with discontinued machinery operation in June 2012 and other operations as the manufacturing and sale of glasses and rendering of services. As these segments have been aggregated, they do not meet the quantitative thresholds for separate disclosure as a reportable segment.

Performance of each segment is quarterly evaluated based on the segment’s earnings (losses) before income tax and social contribution, as included in internal reports, as Management believes that this information is more relevant for the evaluation of results from some segments related to other entities that operate in these industries.

The reconciliation of revenues, profits and losses, assets, liabilities and other material items in reportable segments are disclosed below:

	Firearms		**Other**		**Total**		**Helmets (a)**		**Total**	
	12-31-2019	12-31-2018	**12-31-2019**	12-31-2018	**12-31-2019**	12-31-2018	**12-31-2019**	12-31-2018	**12-31-2019**	12-31-2018
External revenues	**989,224**	833,226	**10,357**	12,061	**999,581**	845,287	**82,488**	84,647	**1,082,069**	929,934
Inter-segment revenues	**640,429**	585,353	**5,603**	3,828	**646,032**	589,181	**-**	8,480	**646,032**	597,661
Cost of sales	**(650,222)**	(536,311)	**(8,730)**	(1,349)	**(658,952)**	(537,660)	**(54,455)**	(53,792)	**(713,407)**	(591,452)
Gross income (loss)	**979,431**	882,268	**7,320**	14,540	**986,661**	896,808	**28,033**	39,335	**1.014.694**	936,143
Sales expenses	**(125,268)**	(99,291)	**(33)**	(800)	**(125,301)**	(100,091)	**(14,974)**	(15,927)	**(140,275)**	(116,018)
General and administrative expense	**(131,196)**	(127,608)	**(1,939)**	(4,238)	**(133,135)**	(131,846)	**(8,039)**	(8,668)	**(141,174)**	(140,514)
Depreciation and amortization	**(7,774)**	(12,326)	**(1,341)**	(2,424)	**(9,115)**	(14,750)	**(198)**	(3,300)	**(9,313)**	(18,050)
Other operating revenues (expenses), net	**32,268**	(18,211)	**318**	3,519	**32,586**	(22,319)	**(909)**	(16)	**31,677**	(14,708)
Equity in net income of subsidiaries	**-**	-	**-**	-	**-**	(743)		-	**-**	-
	(231,970)	(257,436)	**(2,995)**	(3,943)	**(234,965)**	(261,379)	**(24,120)**	(27,911)	**(259,085)**	(289,290)
Operating income (loss)	**747,461**	624,832	**4,235**	10,597	**751,696**	635,429	**3,913**	11,424	**755,609**	646,853
Financial revenues	**36,429**	28,024	**30**	79	**36,459**	28,103	**560**	545	**37,019**	28,648
Financial expenses	**(116,816)**	(205,725)	**(128)**	(5,958)	**(116,944)**	(211,683)	**(5,373)**	(5,148)	**(122,317)**	(216,831)
Net financial income (loss)	**(80,387)**	(177,701)	**(98)**	(5,879)	**(80,485)**	(183,580)	**(4,813)**	(4,603)	**(85,298)**	(188,183)
Income (loss) per segment subject to be disclosed before income tax and social contribution	**667,074**	447,131	**4,137**	4,718	**671,211**	451,849	**(900)**	6,821	**670,311**	458,670
Elimination of inter-segment revenues	**(640,429)**	(585,353)	**(5,603)**	(3,828)	**(646,032)**	(589,181)	**-**	(8,480)	**(646,032)**	(597,661)
Income (loss) before income tax and social contribution	**26,645**	(138,222)	**(1,466)**	890	**25,179**	(137,332)	**(900)**	(1,659)	**24,279**	(138,991)
Income tax and social contribution	**23,866**	74,368	**(1,414))**	358	**22,452**	74,726	**(3,305)**	4,403	**19,147**	79,129
Net income for the year	**50,511**	(63,854)	**(2,880)**	1.248	**47,631**	(62,606)	**(4,205)**	2,744	**43,426**	(59,862)
Assets of reportable segments	**908,953**	760,248	**88,665**	89,747	**997,618**	849,995	**68,822**	71,161	**1,066,440**	921,156
Liabilities of reportable segments	**1,323,213**	1,274,330	**20,106**	20,520	**1,343,319**	1,294,850	**27,742**	33,269	**1,371,061**	1,328,119

(a) Helmets Operation reclassified to Discontinued Operation according to note 26.

Geographical information

The net revenue information below is based on the geographical location of the client.

	Firearms		Helmets	
	12-31-2019	12-31-2018	12-31-2019	12-31-2018
Domestic market				
Southeastern region	**117,877**	81,198	**23,755**	23,916
South region	**34,644**	26,403	**5,605**	7,239
Northeastern region	**13,878**	16,120	**25,071**	24,285
Mid-west region	**7,670**	8,384	**13,787**	14,053
North region	**5,833**	11,214	**13,328**	14,420
	179,902	143,319	**81,546**	83,913
Foreign market				
United States	**736,458**	626,661	**942**	734
Bangladesh	**21,668**	9,332	**-**	-
Argentina	**937**	1,236	**-**	-
France	**2,552**	2,125	**-**	-
Chile	**2,128**	1,415	**-**	-
Burkina	**3,350**	-	**-**	-
Honduras	**1,402**	2,051	**-**	-
Germany	**2,155**	3,143	**-**	-
South Africa	**7,820**	3,786	**-**	-
Peru	**877**	863	**-**	-
Zambia	**179**	266	**-**	-
Italy	**752**	693	**-**	-
Philippines	**17,827**	4,523	**-**	-
Senegal	**368**	246	**-**	-
Haiti	**-**	250	**-**	-
Guatemala	**3,603**	596	**-**	-
Thailand	**661**	422	**-**	-
Israel	**106**	408	**-**	-
New Zeland	**676**	-	**-**	-
El Salvador	**375**	146	**-**	-
Kenya	**-**	72	**-**	-
Bosnia	**-**	329	**-**	-
Costa Rica	**-**	56	**-**	-
Oman	**-**	26,691	-	-
United Kingdom	**332**	76	-	-
Singapore	**12**	336	-	-
Malasya	**10**	344	-	-
Morroco	**-**	1,309	-	-
Namibia	**461**	419	-	-
Other countries	**4,613**	2,113	**-**	-
	809,322	689,907	**942**	734
	989,224	833,226	**82,488**	84,647

The other segments of the Group have concentrated their sales in the domestic market and have widely distributed products throughout all regions of Brazil. The Company's sales and its subsidiaries do not have any restrictions and do not suffer concentration risk, characterized by a dependence on government agencies or any other client. Approximately 75% of consolidated revenues are directed to the American civil market, and are subject to that country's regulations.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and interbank funds applied, that is, redeemable within up to three months of contracting dates, without penalties for the Company and with low risk of change in their market value.

	Consolidated		Parent company	
	12-31-2019	12-31-2018	12-31-2019	13-31-2018
Cash balance	**55**	27	**41**	12
Demand deposits	**28,361**	23,535	**186**	2,044
Interest earning bank deposits	**7,550**	3,204	**7,149**	3,101
Cash and cash equivalents	**35,966**	26,766	**7,376**	5,157

The investments classified as cash and cash equivalents are remunerated at variable average rates from 84,96% to 96% of the CDI on December 31, 2019 (86–98% of CDI on December 31, 2018) with counterparty financial institutions considered by management as the first line.

8. Interest earning bank deposits and escrow accounts

	Consolidated		Parent company	
	12-31-2019	12-31-2018	12-31-2019	12-31-2018
Money market investments in CDB	**1**	1,053	**1**	746
Interest earning bank deposits - Short-term	**16**	1,801	**16**	1,801
Total	**17**	2,854	**17**	2,547
Current	**16**	1,801	**16**	1,801
Non-current	**1**	1,053	**1**	746

Financial investments are paid by the average variable rate of 94,80% of CDI at December 31, 2019 (from 86% to 98% of CDI as of December 31, 2018), being held as guarantees and international short and long-term contracts, and their redemption scheduled to take place in conjunction with their termination, presented in current and non-current assets based on their redemption provisions.

9. Clients

Trade accounts receivable are recorded at fair value and subsequently measured at amortized cost, less estimated expected losses.

The allowance for doubtful accounts was calculated at an amount considered adequate by the management to cover any losses arising on collection of accounts receivable.

	Consolidated		Parent company	
	12-31-2019	12-31-2018	12-31-2019	12-31-2018
Domestic clients	**96,915**	97,458	**83,972**	84,013
Foreign clients	**101,123**	73,342	**46,249**	45,730
	198,038	170,800	**130,221**	129,743
Allowance for doubtful accounts - domestic	**(24,656)**	(23,755)	**(14,785)**	(13,438)
Allowance for doubtful accounts - abroad	**(8,385)**	(6,625)	**(2,382)**	(1,561)
	(33,041)	(30,380)	**(17,167)**	(14,999)
	164,997	140,420	**113,054**	114,744

The Company's exposure to credit and currency and impairment losses risk related to trade accounts receivables and other accounts, including the breakdown of accounts receivable by maturity are disclosed in note 5. Changes in the allowance for doubtful accounts are as follow:

	Consolidated	Parent company
Balance at December 31, 2018	**(30,380)**	**(14,999)**
Additions	**(16,060)**	**(12,308)**
Reversal of allowance for doubtful accounts	**13,396**	**10,117**
Exchange-rate change	**3**	**23**
Balance at December 31, 2019	**(33,041)**	**(17,167)**

10. Inventories

Inventories are shown at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs (based on normal operating capacity), as well as other costs incurred in bringing them to their existing location and condition.

The provision for inventory losses is recorded for products with low turnover and items that are sold below the formation cost.

	Consolidated		Parent company	
	12-31-2019	**12-31-2018**	**12-31-2019**	**12-31-2018**
Finished goods	**160,661**	182,433	**33,753**	25,467
Raw material	**173,494**	118,972	**142,283**	101,064
Provision for loss	**(18,384)**	(24,368)	**(18,099)**	(22,713)
	315,771	277,037	**157,937**	103,818

	Consolidated	Parent company
Balance at December 31, 2018	**(24,368)**	**(22,713)**
Addition	**(21,403)**	**(18,769)**
Reversal of provision for loss	**26,751**	**22,747**
Effective loss recognized	**636**	**636**
Balance at December 31, 2019	(18,384)	(18,099)

11. Recoverable taxes

On June 20, 2008, Taurus Armas S.A filed a lawsuit seeking the non-incidence of the ICMS (tax on the circulation of goods and services) in the PIS and COFINS calculation base, based on the unconstitutionality of the matter, since the ICMS, as an indirect tax, does not make up the Company's revenue.

In March 2017, the Supreme Federal Court decided that the ICMS, since it does not compose the gross revenue of the Company and its subsidiaries, should be excluded form the PIS and COFINS calculation basis, judging it to be unconstitutional.

On April 1, 2019, the lawsuit resulted in an recoverable tax credit of R$ 37,2 million reais and monetary correction of R$ 27,7 million reais.

	Consolidated		Parent company	
	12-31-2019	**12-31-2018**	**12-31-2019**	**12-31-2018**
ICMS	**10,932**	12,546	**9,770**	3,011
IPI	**12,288**	4,494	**12,080**	4,224
PIS	**516**	936	**459**	842
COFINS	**772**	5,070	**670**	4,796
Income tax and social contribution	**6,318**	6,634	**2,448**	2,218
Other	**252**	27	**21**	21
Total	**31,078**	29,707	**25,448**	15,112
Current	**31,078**	29,461	**25,448**	14,991
Non-current	**-**	246	**-**	121

12. Other accounts receivable

	Consolidated		Parent company	
	12-31-2019	**12-31-2018**	**12-31-2019**	**12-31-2018**
Advances to suppliers	**12,842**	6,579	**12,337**	4,017
Advances to employees	**2,028**	2,862	**1,949**	1,304
Judicial deposits	**14,294**	9,808	**13,100**	5,333
Receivables from insurance	**2,382**	-	**-**	**-**
Related party loans	**-**	-	**600**	24,978
Other receivables	**2,965**	2,444	**1,110**	1,159
Total	**34,511**	21,693	**29,156**	36,791
Current	**20,217**	11,872	**16,056**	31,458
Non-current	**14,294**	9,821	**13,100**	5,333

13. Income tax and social contribution

The income tax and social contribution of the year, both current and deferred, are calculated based on the nominal rate of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution, limited to 30% of the taxable income. For companies that calculate income tax and social contribution based on estimated profits, the same rates as above are used but on percentage of revenue of 32%. The rate of income tax is 21% for the US subsidiary.

a) Breakdown of effects in deferred assets and liabilities		**Consolidated**		**Parent company**
	12-31-2019	12-31-2018	**12-31-2019**	12-31-2018
On tax loss and negative basis of social contribution on net income				
Tax loss	8,818	16,640	5,818	5,666
Negative basis of CSLL	3,094	6,024	2,094	2,074
On temporary credit assets				
Provision for contingencies	83,314	50,755	57,416	36,913
Total assets	**96,226**	73,419	**65,328**	44,653
On temporary liability differences				
Fair value of investment property	(10,263)	(10,263)	-	-
Equity valuation adjustment	-	(1,106)	-	-
Unshipped notes	-	(2,203)	-	-
Allocation of goodwill - Goodwill and intangible assets	-	(6,925)	-	-

Other	-	(307)	-	-
Total liabilities	**(10,263)**	(20,804)	-	-

Current and deferred taxes are recognized in income (loss) unless they are related to the business combination, or items directly recognized in Shareholders' equity or in Other comprehensive income.

Deferred taxes are recognized in relation to the temporary differences between the book values of assets and liabilities for accounting purposes and the related amounts used for taxation purposes. A deferred income tax and social contribution asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets and liabilities, and the latter relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred income tax and social contribution assets are reviewed at each reporting date and reduced when their realization is no longer probable.

Changes in deferred taxes	**Consolidated**	**Parent company**
Opening balance of deferred taxes, net	55,970	44,653
Allocated in income (loss)	34,440	15,788
Allocated to shareholders’ equity	(4,447)	4,887
Closing balance of deferred taxes, net	**85,963**	**65,328**

The amount of tax losses and negative basis of social contribution on which deferred taxes are not recorded totaled R$ 432,871. While in parent company, total amount of tax losses and social contribution negative basis were established as deferred taxes.

The main balances of tax losses and negative bases are recorded in the subsidiaries Polimetal and Taurus International.

Reconciliation of effective rate for income tax and social contribution (continued operations)

	Consolidated		**Parent company**	
	12-31-2019	**12-31-2018**	**12-31-2019**	**12-31-2018**
Accounting loss before income tax and social contribution	(25,179	(137,332)	33,258	(104,351)
Combined statutory rate:	34.00%	34.00%	34.00%	34.00%
Income tax and social contribution at the combined statutory rates	(8,561)	46,102	(11,308)	35,479
Permanent additions				
Non-deductible expenses	(3,652)	(555)	(3,548)	(555)
Equity in net income of subsidiaries	-	-	(5,500)	4,838
Permanent exclusions				-
Reintegra	(80)	1,689	(75)	1,649
Tax incentives of subsidiaries	6,575	-	6,575	-
Worker food program	196		103	
Effects of differentiated rate of deemed income subsidiary	(144)	(2,455)	-	-
Deferred formed on prior-year tax loss	29,993	31,972	20,675	7,740
Exchange-rate change adjustment - Cash x Accrual Basis	-	3,007	-	3,007

Deferred taxes not formed on tax loss and negative basis of CSLL	(5,213)	-	(2,771)	-
Deferred taxes not recorded on provision for labor/civil/tax lawsuits	(3,050)	(5,625)	(371)	(4,571)
Income tax and social contribution in income (loss) for the year	**22,452**	74,726	**10,168**	47,588
Current	(11,988)	(6,225)	(5,620)	-
Deferred	34,440	76,590	15,788	47,587
	22,452	74,726	**10,168**	47,587
Effective rate	(89.17%)	(45.91%)	(30.57%)	(45.60%)

The Company recorded its deferred tax assets only in the amount considered probable by means of projected future taxable income. If the expectation of future taxable income was greater, the amount to be recorded related to deferred taxes would also be higher.

Breakdown of the total calculation bases and the respective deferred tax assets that could be recorded:

								Consolidated
				12-31-2019				**12-31-2018**
	Base	**25%**	**9%**	**Total**	**Base**	**25%**	**9%**	**Total**
Equity valuation adjustment	(627)	(157)	(56)	(213)	(3,253)	(813)	(293)	(1,106)
Fair value of investment property	(30,185)	(7,546)	(2,717)	(10,263)	(30,186)	(7,547)	(2,717)	(10,263)
Unshipped notes	883	221	79	300	(2,667)	(667)	(240)	(907)
Goodwill and intangible assets	-	-	-	-	(20,368)	(5,092)	(1,833)	(6,925)
Other	107	27	10	37	22,446	5,612	2,020	7,632
Allowance for doubtful accounts	6,200	1,550	558	2,108	20,425	5,106	1,838	6,945
Allowance for inventory losses	3,481	870	313	1,183	25,749	6,437	2,317	8,755
Provision for loss - Interest earning bank deposit	19,273	4,818	1,735	6,553	2,989	747	269	1,016
Provision for tax expenses	7,363	1,841	663	2,504	7,363	1,841	663	2,503
Profit sharing	9,004	2,251	810	3,061	5,302	1,326	477	1,803
Commission of agents	3,153	788	284	1,072	736	184	66	250
Provision for Fees from Tax Expenses	1,849	462	166	629	103	26	9	35
Provision for Life Pensions	8,892	2,223	800	3,023	2,182	546	196	742
Provision for contingencies	97,081	24,270	8,737	33,007	113,091	28,273	10,178	38,451
Provision for guarantee	12,855	3,214	1,157	4,371	14,315	3,579	1,288	4,867
Differences in Depreciation Rate	-	-	-	-	4,269	1,067	384	1,451
Provision for Offset of INSS Credit	389	97	35	132	389	97	55	132
On tax loss and negative basis of social contribution on net income								
Tax loss and negative basis of social contribution on net income	502,180	125,545	45,196	170,741	792,332	198,083	71,310	269,393
	641,898	**160,474**	**57,770**	**218,245**	**955,217**	**238,805**	**85,967**	**324,774**

				Parent company				
				12-31-2019				12-31-2018
	Base	25%	9%	Total	Base	25%	9%	Total
Equity valuation adjustment	700	175	63	238	(1,487)	(372)	(134)	(506)
Unshipped notes	882	221	79	300	(2,667)	(667)	(240)	(907)
Allowance for doubtful accounts	5,502	1,375	495	1,871	10,361	2,590	932	3,523
Allowance for inventory losses	3,477	869	313	1,182	24,094	6,024	2,168	8,192
Provision for loss - Interest earning bank deposit	18,992	4,748	1,709	6,457	2,989	747	269	1,016
Provision for tax expenses	5,644	1,411	508	1,919	5,644	1,411	508	1,919
Profit sharing	8,784	2,196	791	2,987	4,141	1,035	373	1,408
Commissions of agents	2,994	748	269	1,018	677	169	61	230
Provision for Fees from Tax Expenses	1,849	462	166	629	103	26	9	35
Provision for contingencies	96,964	24,241	8,727	32,968	94,357	23,589	8,492	32,081
Provision for guarantee	12,855	3,214	1,157	4,371	12,847	3,212	1,156	4,368
Provision for Offset of INSS Credit	389	97	35	132	389	97	35	132
Differences in Depreciation Rate	-	-	-	-	2,262	566	204	769
Provision for Life Pensions	8,747	2,187	787	2,974	1,854	464	167	630
On tax loss and negative basis of social contribution on net income								
Tax loss and negative basis of social contribution on net income	123,603	30,901	11,124	42,025	202,484	50,621	18,224	68,845
	291,382	**72,845**	**26,223**	**99,071**	**358,048**	**89,512**	**32,224**	**121,735**

The portion of the amounts not constituted is represented by the assets, since there is no grounded expectation of generation of taxable profits.

14. Assets held for sale

Non-current assets or groups (containing assets and liabilities) held for sale are classified as "held for sale" if it is highly probable that they will be primarily recovered through sales instead of the continuous use.

Assets or group of assets held for sale are generally stated at the lowest value between their book and the fair value less selling expenses.

Any impairment loss on assets over a group of assets held for sale is initially allocated to goodwill, and then to remaining assets and liabilities on a prorated basis. No loss should be allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property and biological assets, which continue to be measured under the other accounting policies of the Group. Impairment losses determined in the initial classification as held for sale or 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.

Reconciliation of book value

	Consolidated	**Consolidated**
	12-31-2019	12-31-2018
Buildings, land and improvements	51,390	51,390
Helmets' operations - Non-current assets held for sale	68,822	71,161
Total non-current assets held for sale	**120,212**	**122,551**
Helmets' operation - Liabilities held for sale	27,742	33,270
Total liabilities held for sale	**27,742**	**33,270**

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. In view of the foregoing and considering the terms of CPC 28 - Investment Property, the Company, at the level of the annual information, reclassified the items formerly classified as Property, plant and equipment to Investment Property.

In 2017, through approval of the Board of Directors, the sale and the availability for intermediation by market specialists were determined. Accordingly, these properties were reclassified to "Assets held for sale".

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

Location: Avenida do Forte, nº 511 - Porto Alegre (RS)
Industrial complex, not occupied, with 18,600.00 m^2 of built area in urban land of 29,900 m^2 of area.

Assets held for sale - Helmets' operation

On March 27, 2018, the Board of Directors unanimously authorized the offer of the Helmets business – represented by Taurus Helmets Indústria de Capacetes Ltda (former Taurus Blindagens Ltda) and Taurus Blindagens Nordeste Ltda. – to the market.

The preparation of a schedule and sales efforts was the responsibility of a specialized firm, according to the proposal already accepted by the Company.

On December 31, 2019, the group of assets and liabilities held for sale was presented as the chart below and comprised the following assets and liabilities:

Property, plant and equipment / intangible	21,018
Inventories	14,938
Trade accounts receivable and other receivables	32,866
Assets held for sale	**68,822**
Suppliers and other accounts payable	27,742
Liabilities held for sale	**27,742**

The company did not identify any loss amounts to be recognized.

Profit or loss from transactions with assets held for sale are presented in note on operating segments (note 6).

15. Investments (parent company)

									Parent company	
	Taurus Helmets Ltda.	Taurus Blindagens Nordeste Ltda.	Taurus Plásticos Ltda.	Taurus Holdings, Inc.	T. Investments Co. Inc.	Taurus Investimentos Imobiliários Ltda.	Polimetal Metalurgia e Plásticos Ltda.	Taurus Máquinas-Ferramenta Ltda. (1)	12-31-2019	12-31-2018
Current assets	43,266	5,434	1,093	301,573	5	69,201	155,660	389		
Non-current assets	99,662	54,891	3,882	130,450	-	43,648	57,566	1,179		
Current liabilities	30,134	7,487	1,145	109,125	-	2,365	54,653	4,593		
Non-current liabilities	2,081	357	-	177,167	-	16,903	5,771	24,713		
Capital	73,855	9,400	6,355	1,228	44,338	53,292	304,780	293,639		
Shareholders' equity	110,713	52,481	3,830	145,731	5	93,581	152,802	(27,738)		
Net revenue	82,488	-	-	736,458	-	5,292	195,241	-		
Net income (loss) for the year	(1,596)	261	163	(11,905)	-	3,055	5,123	(2,081)		
Number of shares/quotas	14	9,400	636	302,505	11,000,000	43,623,159	304,779,837	185,007,117		
Direct ownership interest (%)	0.00%	0.10%	0.01%	100.00%	100.00%	81.86%	100.00%	63.00%		
Opening balances	1	52	-	138,458	6	77,716	228,555	-	**444,788**	**417,433**
Spin-off	-	-	-	-	-	-	**(82,040)**	-	**(82,040)**	-
Equity income (loss)	-	-	-	**(11,904)**	-	**2,501**	**5,123**	**(1,311)**	**(5,591)**	**16,699**
Exchange rate change over investments	-	-	-	**5,694**	**(1)**	-	-	-	**5,693**	**29,213**
Unrealized Inventory Profits	-	-	-	**(1,075)**	-	-	**1,165**	-	**90**	-
Reclassified for provision for unsecured liability (1)	-	-	-	-	-	-	-	**1,311**	**1,311**	**(18,557)**
Closing balances	**1**	**52**	**-**	**131,173**	**5**	**80,217**	**152,803**	**-**	**364,251**	**444,788**

(1) The unsecured liability of the subsidiary Taurus Máquinas-Ferramentas Ltda., in the amount of R$ 1,311, is recorded in "Provision for unsecured liability" in non-current liabilities.

On December 31, 2019, in line with its strategy, the Company decided to partially split its subsidiary Polimetal Metalurgia e Plásticos Ltda., followed by the incorporation by the parent company Taurus Armas of the split portion that is used to serve the internal demands, while operations aiming third parties demand remained in the subsidiary. In addition to tax benefits, the operation provides an increased synergy and productive and administrative efficiency, improved internal controls as well as reducing costs and expenses.

The split value of the subsidiary Polimetal incorporated in the parent company Taurus Armas was R$ 82,040, as highlighted in the note, referring to 35.71% of the investee's shareholders' equity.

Foreign operation

Taurus Holdings, Inc., a subsidiary located in the United States, is the parent company of Taurus International Manufacturing Inc., of Braztech International L.L.C., and of other subsidiaries also located in the US territory, mainly carrying out the resale of firearms imported from Taurus Armas S.A., aimed at wholesalers in that market. The main accounting balances of the subsidiary are shown below:

		Taurus Holdings, Inc.
		Consolidated
	12-31-2019	**12-31-2018**
Assets	**432,023**	404,315
Liabilities	**286,292**	252,371
Net revenue	**736,458**	626,661
Loss for the year	**(11,904)**	(17,892)

16. Property, plant and equipment

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

The Company chose to revalue the fixed asset items for their deemed cost on the year opening date of the year 2009. The effects of the deemed cost, net of tax effects, increased property, plant and equipment with a contra entry in shareholders' equity.

The cost includes expenditures that are directly attributable to the acquisition of assets. The cost of assets built by the Company includes materials and labor, as well as any other costs attributable to bringing the assets to the location and condition requires for them to operate in the manner intended by management, costs for dismantling and restoration of the site where they are located, and loan costs on qualifiable assets for which their start capitalization date is January 1, 2009 or later.

Gains and losses on disposal of a property, plant and equipment item are determined by comparing the proceeds from disposal with the book value of Property, plant and equipment and are recognized net within "Other revenues" in the income (loss).

Depreciation is recognized in the income statement using the straight-line method over the estimated useful life of each part of an item of property, plant and equipment. The useful estimated lives for the current and comparative periods are as approximately as follow:

Group	Useful life (in years)
Buildings	27
Machinery and equipment	15–20
Dies and tools	5-12
Furniture	10
Other components	5–6

In 2019, the Company is in the final stage of operational restructuring, with de improvement processes and production system, with the last major step being the incorporation of operations of its subsidiary Polimetal Metalurgia e Plásticos Ltda. With these new premises, The Company carried out an assessment of useful lives.

Taurus Armas S.A.

Notes to the financial statements

								Consolidated
Cost or deemed cost	**Land**	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Construction in progress**	**Advances to suppliers**	**Total**
Balance at December 31, 2017	15,598	141,285	251,707	24,653	928	3,895	409	444,475
Additions	1,296	156	7,168	751	-	3,237	44	12,652
Disposals	(9,268)	(55,565)	(8,165)	(56)	(92)	-	(88)	(73,234)
Transfers	-	(134)	2,081	336	-	(2,283)	-	-
Effect of exchange rate changes	1,176	7,637	9,352	1,398	33	-	-	19,596
Effect of Discontinued Operations:								
Net changes in the year	-	91	(4,756)	91	(51)	1,835	-	(2,790)
Transfer to held for sale	(76)	(12,402)	(26,014)	(2,359)	(535)	(2,392)	(150)	(43,928)
Balance at December 31, 2018	**8,726**	**81,068**	**237,373**	**24,814**	**283**	**4,292**	**215**	**356,771**
Additions	424	25,622	18,073	4,169	-	10,934	2,865	62,087
Impairment	-	-	(623)	-	-	-	-	(623)
Disposals	(1,620)	(3,500)	(20,789)	(2,037)	-	2,389	-	(25,557)
Transfers	-	347	2,137	329	-	(2,813)	-	-
Effect of exchange rate changes	57	15	2,704	404	8	-	-	3,188
Balance at December 31, 2019	**7,587**	**103,552**	**238,875**	**27,679**	**291**	**14,802**	**3,080**	**395,866**
Depreciation								
Balance at December 31, 2017	-	(34,560)	(170,324)	(16,106)	(799)	-	-	(221,789)
Depreciation for the year	-	(7,068)	(22,516)	(1,732)	(2)	-	-	(31,318)
Disposals	-	17,888	7,330	69	55	-	-	25,342
Effect of exchange rate changes	-	(2,260)	(5,507)	(1,237)	(33)	-	-	(9,037)
Effect of Discontinued Operations:								
Net changes in the year	-	(546)	588	(97)	80	-	-	25
Transfer to held for sale	-	3,720	18,553	1,746	416	-	-	24,435
Balance at December 31, 2018	**-**	**(22,826)**	**(171,876)**	**(17,357)**	**(283)**	**-**	**-**	**(212,342)**
Depreciation for the year	-	(4,023)	(13,565)	(1,387)	-	-	-	(18,975)
Disposals	-	1,111	15,803	1,847	-	-	-	18,761
Effect of exchange rate changes	-	(2)	(1,691)	(362)	(8)	-	-	(2,063)
Balance at December 31, 2019	**-**	**(25,740)**	**(171,329)**	**(17,259)**	**(291)**	**-**	**-**	**(214,620)**
Book value								
December 2018	8,726	58,242	65,497	7,457	-	4,292	215	144,429
December 2019	**7,587**	**77,812**	**67,546**	**10,420**	**-**	**14,802**	**3,080**	**181,247**

							Parent company
Cost or deemed cost	**Buildings**	**Machinery and facilities**	**Furniture and computers**	**Vehicles**	**Construction in progress**	**Advances to suppliers**	**Total**
Balance at December 31, 2017	17,079	62,810	7,078	125	3,067	2	90,161
Additions	82	1,290	236	-	1,681	44	3,333
Disposals	-	(192)	(25)	(92)	-	-	(309)
Transfers	145	1,876	329	-	(2,350)	-	-
Balance at December 31, 2018	**17,306**	**65,784**	**7,618**	**33**	**2,398**	**46**	**93,185**
Additions	924	4,616	1,391	-	3,622	3,034	13,587
Disposals	(753)	(7,295)	(1,574)	-	597	-	(9,025)
Transfers	235	643	310	-	(1,188)	-	-
Acquisition by business combination	26,429	92,871	1,487	19	9,268	-	130,074
Impairment	0	(623)	-	-	-	-	(623)
Balance at December 31, 2019	**44,141**	**155,996**	**9,232**	**52**	**14,697**	**3,080**	**227,198**
Depreciation							
Balance at December 31, 2017	(3,313)	(46,169)	(4,421)	(86)	-	-	(53,989)
Depreciation for the year	(1,881)	(4,821)	(685)	(2)	-	-	(7,389)
Disposals	367	331	39	55	-	-	792
Balance at December 31, 2018	**(4,827)**	**(50,659)**	**(5,067)**	**(33)**	**-**	**-**	**(60,586)**
Depreciation for the year	(906)	(3,090)	(665)	-	-	-	(4,561)
Disposals	156	5,547	1,478	-	-	-	7,181
Acquisition by business combination	(8,125)	(67,239)	(810)	(19)			(76,247)
Balance at December 31, 2019	**(13,702)**	**(115,495)**	**(4,964)**	**(52)**	**-**	**-**	**(134,213)**
Book value							
December 2018	12,479	15,125	2,551	-	2,398	46	32,599
December 2019	**30,439**	**40,501**	**4,268**	**-**	**14,697**	**3,080**	**92,985**

Construction in progress

The balance of constructions is related to machinery and equipment still in the implementation phase and constructions in progress. These assets should come into operation during 2020.

Guarantee

The Company uses its assets as guarantees for the funds obtained from financial institutions. Although most fixed assets are collateralized by loans and financing, and historically, the guarantees with assets have never been used. In 2019, the Company used the amount of R$ 44,942 in guarantees (R$ 46,551 as of December 31, 2018).

17. Intangible assets

Goodwill

The goodwill resulting from the acquisition of investments, after appropriate allocations, is included in intangible assets. They are presented in the parent company statement under the investment group.

Goodwill generated in business combinations are recorded in intangible assets and were determined in accordance with accounting practices in force at the time of each business combination, adjusted for the reclassification of certain intangibles. Goodwill is measured at cost, less impairment losses.

Other intangible assets

Separately acquired intangible assets are measured at cost upon initial recognition, while the cost of intangible assets acquired in a business combination is the fair value at the acquisition date. The balances are presented net of accumulated amortization and impairment losses.

Development expenditures involving a plan or project aiming at the production of new products or substantially enhanced are capitalized are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development 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 under the straight-line method. The estimated useful lives for the current and comparative periods are approximately 5 years for system development and deployment costs.

On December 31, 2019 the Company carried out an impairment test of fixed assets.

We also clarify that the recovery of the book value of goodwill and intangible assets with indefinite useful life is assessed annually using the concept of “value in use” through discounted cash flow models of cash generating units.

						Consolidated
	Software	**Trademarks and patents**	**Client Relationship**	**Goodwill**	**Product development**	**Total**
Cost						
Balance at December 31, 2017	6,347	21,746	14,456	42,831	5,756	91,226
Acquisitions	884	-	-	1	3,486	4,371
Write-offs	-	-	-	-	(1,583)	(1,583)
Effects of exchange-rate change	-	1,790	2,399	1,749	1,066	7,004
Effect of Discontinued Operations:						
Net changes in the year	-	18	-	-	-	18
Transfer to held for sale	(1,305)	(1,284)	-	-	-	(2,589)
Balance at December 31, 2018	**5,926**	**22,270**	**16,945**	**44,581**	**8,725**	**98,447**
Acquisitions	4,300	-	-	-	1,795	6,095
Effects of exchange-rate change	--	492	660	481	278	1,911
Balance at December 31, 2019	**10,226**	**22,762**	**17,605**	**45,062**	**10,798**	**106,453**
Amortization						
Balance at December 31, 2017	(2,590)	(7,388)	(8,237)	-	(2)	(18,217)
Amortization for the year	(855)	-	(1,701)	-	(356)	(2,912)
Effects of exchange-rate change	-	-	(1,360)	-	(291)	(1,651)
Effect of Discontinued Operations:						
Transfer to held for sale	112	-	-	-	-	112
Balance at December 31, 2018	**(3,333)**	**(7,388)**	**(11,298)**	**-**	**(649)**	**(22,668)**
Amortization for the year	(933)	-	(1,791)	-	(676)	(3,400)
Effects of exchange-rate change	-	-	(423)	-	(18)	(411)
Balance at December 31, 2019	**(4,266)**	**(7,388)**	**(13,512)**	**-**	**(1,343)**	**(26,509)**
Book value						
December 2018	2,593	14,882	5,647	44,581	8,076	75,779
December 2019	**5,960**	**15,374**	**4,093**	**45,062**	**9,455**	**79,944**

Impairment test for cash generating units containing goodwill

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

Cash-generating unit	2019
Firearms	45,062

The recoverability test for CGUs mentioned above is performed annually based on the fair value net of sales expenses, which is estimated based on discounted cash flows. On December 31, 2019, the tests performed did not indicate the need of forming a provision for impairment losses on goodwill and intangible assets with indefinite useful lives, as well as on fixed assets.

Main assumptions used for forecasting the discounted cash flows

The main assumptions used in the calculation of the recoverable value are the cash flow discount rate and growth rates. Assumptions adopted are as follows:

Cash-generating unit	Discount rate - WACC 2019	Average growth rate 2019
Firearms	14.4%	5.4%

Discount rate

The discount rate for CGU is represented by a post-tax rate based on US Treasury Bonds for 20 years, adjusted for a risk premium that reflects the risks of investments in equity securities and the systematic risk of the unit in question. The company estimated, based on management's experience with assets of this CGU, the weighted average of the capital cost of the industry in which such CGU operates, which was calculated based on a possible debt/shareholders' equity ratio of 20.25% for Firearms CGU at the market interest rate of 7.60%.

Growth rate and perpetuity

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

In order to calculate the perpetuity, a nominal growth rate of 3.5% was used, in line with the long-term inflation expectation projected by the Brazilian Central Bank (BACEN) and macroeconomic indicators published in Focus report of BACEN, and in the Country Forecast report of Economist Intelligence Unit (EIU).

18. Loans and financing - The terms and conditions of outstanding loans were as follows:

Consolidated

	Currency	Nominal interest rate	Year of maturity	12-31-2019 Contracted value	12-31-2019 Book value	12-31-2018 Contracted value	12-31-2018 Book value
Loans and financing							
Working capital	R$	CDI + 2.00% p.a	2022	**28,897**	**20,407**	27,694	22,240
FINAME	R$	2.50–8.70% p.a.	2021	**2,304**	**188**	2,304	464
BNDES	R$	3.50% p.a.	2020	**9,995**	**1,677**	9,995	3,687
Advance from receivables	R$	21.60% p.a	2019	**6,136**	**73,516**	36,141	48,455
Foreign exchange advance	USD	5.5% p.a	2019	**50,198**	**78,196**	43,795	43,795
Working capital	USD	Libor + 1.55–5.6% p.a.	2021	**646,479**	**652,790**	499,162	670,746
Working capital	USD	80–112% CDI p.a.	2019	**-**	**-**	65,072	34,466
				Total	**826,774**		**823,853**
				Current liabilities	**249,329**		**195,926**
				Non-current liabilities	**577,445**		**627,927**

Parent company

	Currency	Nominal interest rate	Year of maturity	12-31-2019 Contracted value	12-31-2019 Book value	12-31-2018 Contracted value	12-31-2018 Book value
Secured bank loans							
Working capital	R$	CDI + 2.00% p.a	2022	**28,897**	**20,407**	27,694	22,240
FINAME	R$	2.50–5.50% p.a	2021	**2,304**	**188**	2,304	464
BNDES	R$	3.50% p.a	2020	**9,995**	**1,677**	9,995	3,687
Advance from receivables	R$	21.60% p.a	2019	**32,402**	**73,516**	36,141	48,455
Foreign exchange advances	USD	5.5% p.a	2019	**50,198**	**78,196**	43,795	43,795
Working capital	USD	Libor + 3.00% p.a	2022	**424,162**	**505,473**	424,162	543,947
Working capital	USD	112.00% CDI p.a	2019	**-**	**-**	65,072	34,466
				Total	**679,457**		**697,054**
				Current liabilities	**249,329**		**195,926**
				Non-current liabilities	**430,128**		**501,128**

Schedule of maturities of non-current liabilities:

Year of maturity	Consolidated 12-31-2019	Consolidated 12-31-2018	Parent company 12-31-2019	Parent company 12-31-2018
2021	**16,418**	15,673	**16,418**	15,673
2022	**413,710**	521,493	**413,710**	394,694
2023	**147,317**	-	**-**	-
	577,445	537,166	**430,128**	410,367

Loans and financing are guaranteed by promissory notes, interest earning bank deposits, fiduciary assignment of machinery and equipment, and real estate mortgages, quotas and collateral of subsidiaries. The sureties granted by the parent company and its subsidiaries are shown in Note 25 - Related parties.

Certain loans and financing agreements entered into by the Company and its subsidiaries contain restrictive covenants that limit certain corporate amendments, including: changes in the Company's direct or indirect control, reduction of the share capital of the Company and/or its parent company, distribution of dividends, payment of interest on own capital, or any other payments to shareholders by the Company and/or its parent company in the event of default of any of the obligations and reduction of the Company's equity capital. If the restrictions are not met, creditors may anticipate maturity.

Covenants

As described in note 1, as of July 18, 2018, the new process of renegotiation of debts with the Bank syndicate was completed. The instrument, which was included in re-profile of debt process signed in December/2016, provides for the early maturity in cases of non-compliance of covenants that define, among other obligations: the maintenance of certain financial ratios, such as: net debt/adjusted EBITDA equal or lower than 13x in 2018, 8x in 2019, 7x in 2020 and 6x as of 2021, besides maintaining the Adjusted EBITDA/Financial expenses index equal or higher than 0.90 as of December 31, 2018 and 1.20x as of 2019.

Such indices are monitored by Management, as the contracts determine that the indices be measured annually. As of December 31, 2019, the Company has been complying with these requirements.

19. Debentures

The debentures issued by the Company in a single series, not convertible into shares, distributed in the secondary market through the National Debenture System, with restricted placement efforts aimed at 3rd issue aimed at banking institutions.

Debentures	Principal (R$)	Issuing Date	Securities in the market	Financial charges	2019	2018
3rd issue (a)	100,000	06/13/2014	5,000	DI rate + 2.00%	**74,919**	85,088
				Grand total	**74,919**	85,088
				Current liabilities	**13,290**	9,450
				Non-current liabilities	**61,629**	75,638
				Total	**74,919**	85,088

Covenants

As described in note 1, as of July 18, 2018, the new process of renegotiation of debts with the Bank syndicate was completed. The instrument, which was included in re-profile of debt process signed in December/2016, provides for the early maturity in cases of non-compliance of covenants that define, among other obligations: the maintenance of certain financial ratios, such as: net debt/adjusted EBITDA equal or lower than 13x in 2018, 8x in 2019, 7x in 2020 and 6x as of 2021, besides maintaining the Adjusted EBITDA/Financial expenses index equal or higher than 0.90 as of December 31, 2018 and 1.20x as of 2019. Such indices are monitored by Management, as the contracts determine that the indices be measured annually. As of December 31, 2019, the Company has been complying with these requirements.

20. Other accounts payable

	Consolidated		Parent company	
	12-31-2019	**12-31-2018**	**12-31-2019**	**12-31-2018**
Performance bonus	**12,014**	2,505	**-**	-
Sales commissions	**3,075**	1,782	**2,916**	1,725
Accrued interest	**788**	2	**-**	-
Insurance and freight	**1,138**	-	**857**	-
FEE Banking Syndicate	**-**	430	**-**	430
Accounts payable - CBC	**-**	48	**-**	48
Parent companies and subsidiaries	**-**	-	**72,968**	43,069
Government subsidy to be carried out	**23,111**	-	**-**	-
Other	**4,404**	16,686	**2,567**	2,233
	44,530	21,453	**79,308**	47,505
Current	**20,239**	21,453	**6,340**	4,436
Non-current	**24,291**	-	**72,968**	43,069

The amount of government subsidy to be carried out is related of the benefits received due the change of the factory from Miami/Florida to Bainbridge/Georgia.

21. Salaries and social security charges

	Consolidated		Parent company	
	12-31-2019	12-31-2018	12-31-2019	12-31-2018
Salaries	9,178	6,381	8,935	4,534
Social security charges	9,696	14,695	1,857	4,905
Provisions for vacations and 13th salary	11,500	10,870	10,955	4,677
	30,374	31,946	21,747	14,116

22. Taxes, rates and contributions

	Consolidated		Parent company	
	12-31-2019	**12-31-2018**	**12-31-2019**	**12-31-2018**
ICMS	**1,682**	911	**1,682**	911
IPI	**11,788**	5,462	**11,788**	5,462
PIS	**90**	43	**(2)**	-
COFINS	**411**	200	**(13)**	-
Special TAX - FAET (USA)	**17,575**	16,457	**-**	-
IRRF	**958**	8	**563**	(5)
Income Tax and Social Contribution	**12,513**	8,135	**5,621**	-
Installment Payment of PRT	**-**	2,312	**-**	1,922
Other Payments in Installments	**511**	1 ,453	**468**	1,379
Other	**7,570**	7,513	**5,829**	5,783
	53,098	42,494	**25,864**	15,452
Current	**52,921**	41,902	**25,700**	14,903
Non-current	**177**	592	**164**	549

23. Provisions for civil, labor and tax risks

Provisions are formed for all contingencies referring to lawsuits in which an outflow of funds will probably be required to settle the contingency or obligation and a reasonable estimate can be made.

Based on information from its legal advisors and analysis of pending legal proceedings, the Company recorded provision in an amount considered sufficient to cover estimated losses as follow:

				Consolidated
			12-31-2019	**12-31-2018**
	Provision	**Judicial deposit (1)**	**Net**	**Net**
Labor	56,168	(13,525)	42,643	46,007
Civil	32,252	(491)	31,761	39,065
Tax	27,689	(278)	27,411	26,950
	116,109	**(14,294)**	**101,815**	112,022
Classified in current liabilities	54,431			
Classified in the non-current liabilities	61,678			

				Parent company
			12-31-2019	**12-31-2018**
	Provision	**Judicial deposit (1)**	**Net**	**Net**
Labor	49,949	(12,331)	37,618	31,151
Civil	28,981	(491)	28,490	33,166
Tax	27,680	(278)	27,411	26,950
	106,619	**(13,100)**	**93,519**	91,267
Classified in current liabilities	48,145			
Classified in the non-current liabilities	58,474			

(1) Recorded in other non-current assets.

Changes in provisions are as follows:

			Consolidated
	Civil and labor	**Tax**	**Total**
Balance at December 31, 2018	94,141	27,689	121,830
Provisions formed during the year	58,266	-	58,266
Provisions used during the year	(1,559)	-	(1,559)
Write-off of provision	(63,145)	-	(63,145)
Effect of changes	717	-	717
Balance at December 31, 2019	**88,420**	**27,689**	**116,109**

			Parent company
	Civil and labor	**Tax**	**Total**
Balance at December 31, 2018	68,911	27,689	96,600
Provisions formed during the year	36,148	-	36,148
Provisions used during the year	(90)	-	(90)
Write-off of provision	520	-	520
Effect of changes	(26,559)	-	(26,559)
Balance at December 31, 2019	**78,930**	**27,689**	**106,619**

The Company and its subsidiaries have other processes that have been assessed by the Company’s legal advisors as being a possible or remote risk of loss which cannot be determined with certainty, for which no provision has been recorded in view of the fact that the accounting practices adopted in Brazil do not require their calculation as shown below:

	Consolidated				Parent company			
	2019		2018		2019		2018	
	Possible	Remote	Possible	Remote	Possible	Remote	Possible	Remote
Tax	**58,429**	**-**	50,924	4,266	**29,456**	**-**	24,788	-
Civil	**96,843**	**273**	96,711	1,935	**83,683**	**237**	75,616	493
Labor	**40,077**	**41,911**	59,664	31,777	**12,859**	**29,760**	28,846	23,174
	195,349	**42,184**	207,299	37,978	**125,998**	**29,997**	129,250	23,667

In addition to that, the Company has an amount equivalent to R$ 145,713 in active claims, which are classified as contingent assets, and which are not recognized in the accounts.

Sanctioning Administrative Processes - PMESP

The Company was summoned to present defense in an administrative process filed by the Military Police of the State of São Paulo (Sanctioning Process CSMAM-002/30/16) which challenges the possibility or not of partial or total non-compliance with the agreements for acquisition and supply of 98,465 (ninety-eight thousand, four hundred and sixty-five) firearms, type pistol, models 24/7 and 640, between years 2007 and 2011.

In relation to Sanctioning Process CSMAM-002/30/16, the Company considers possible some monetary loss, but since it is an administrative process and is at Discovery phase, we are presently unable to estimate the values, and the sanctions to which the Company is subject are provided for in article 87, Federal Law 8666/93, combined with article 81, State Law (SP) 6544/89.

Also, on December 19, 2017, the Company received service of judicial process where the State of São Paulo requires the rescission of agreements of supply of submachine guns entered into in 2011 with the Military Police of the State of São Paulo and the return of the value paid at the time, of R$ 21.7 million, plus inflation adjustment and other legal consequences.

The Company has already presented its defense in the lawsuit and, according to its legal advisors, lawsuit was qualified as possible loss.

Djibouti

There is a prosecution in secrecy of Justice at the 11st Federal Court of Porto Alegre, against two former employees of the Company and one citizen from Yemen, due to alleged irregular sale of firearms in year 2013 to the Government of Djibouti, whose final destination would be Yemen. Although the Company and its officers are not parties to the process, as soon as the Company became aware of the prosecution, potentially harmful to its reputation, required and had deferred its qualification in the process, as interest party, with the purpose of clarifying to the Judge the facts known by it and providing the necessary support to the investigations. There are no estimated effects or provisions concerning the subject that are or should be duly reflected in the quarterly information of the Company on this date.

Public Civil Action - Attorney General of Sergipe for the Federal Public Ministry

The Company became aware of the filing by the Attorney General of Sergipe for the Federal Public Ministry of a Public Civil 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 Public Civil Action, the Federal Public Ministry pleads that i) Taurus be prevented from trading a few models of firearms in Brazil; ii) Taurus make 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 (ten thousand reais).

Finally, the Federal Public Ministry 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$ 40.000 million.

In preliminary injunction, 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 trading 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, 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 90 (ninety) days. Currently, the lawsuit is under the submission of proofs.

In the opinion of Taurus' legal advisors, the present lawsuit is classified as risk of possible loss.

Public Civil Action – Public Prosecutor's Office of the Federal District and Territories
The Public Ministry of the Federal District and Territories ("MPDFT") filed a Public Civil Action with motion for injunction against the Company due to alleged supply to the Civil Police of the Federal District of pistols that had not met the contractual specifications. Through this action, it requires that Taurus should be convicted to indemnify for material damages caused, temporary suspension of the Company to bid and contract with the Public Management for a period of 2 years, as well as to pay for collective pain and suffering in the amount of R$ 10,000 (ten million reais). Based on injunction, it required the freezing of the claimed values in the Company's bank accounts.

The Judge of the 8th Civil Court of Brasília rejected the motion for injunction of freezing of the Company's bank accounts in the absence of evidence as to the alleged need of immediate freezing of the values claimed in the lawsuit. The MPDFT filed bill of review, received by the Notable Federal Regional Court of the 1st Region without suspensive effect and, on this date, awaits judgment.

After the submission of contestation by Taurus, the Judge accepted the request of qualification of the Federal District as co-plaintiff of the MPDFT and determined the forwarding of the lawsuit to one of the Public Treasury Courts of the Federal District, since it considers itself unqualified to judge the action. Lawsuit is now in the 1st Court of the Federal District's Public Revenue Service.

Taurus will perform all the measures necessary to prove that the allegations are unjustified and that the products traded do not have manufacturing defects. The Company believes that the risk of loss on this lawsuit is classified as possible.

Burrow case

The lawsuit filed by William Burrow, Oma Louise Burrow, Suzanne M. Bedwell and Ernest D. Bedwell against Taurus and its subsidiary Braztech International L.C in the United States is at Discovery phase (equivalent to the pre-trial phase in the Brazilian civil process). The lawsuit is being discussed in the State of Florida (USA) before the U.S. Court for the Southern District of Florida and claims alleged flaws in certain models of revolvers produced by Taurus under Rossi brand.

On January 8, 2019, the Board of Directors approved the conclusion of an agreement to end the lawsuit. The federal judge in charge of the process granted final approval to the agreement on September 6, 2019. The decision passed res judicata and the agreement became final.

The Company recorded in 2018 a provision for loss in the amount of US$ 5,560, that corresponds to the expected loss in the case, according to the signed agreement.

Taurus management understands that this agreement is a big step towards minimizing financial impacts on the Company and giving management more stability. This decision corroborates the restructuring process that Taurus is going through, seeking sustainable profitability and improvement of financial and operational indicators.

24. Financial instruments

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

a) Fair value vs. book value

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

				Consolidated
		12-31-2019		12-31-2018
	Amortized cost	Fair value	Amortized cost	Fair value
Liabilities measured by the amortized cost				
Loans and financing	**675,062**	**673,466**	731,603	711,265
Debentures	**74,919**	**74,919**	85,088	88,866
Foreign exchange advances	**78,196**	**78,196**	43,795	43,795
	828,177	**826,581**	860,486	843,926

				Parent company
		12-31-2019		12-31-2018
	Amortized cost	Fair value	Amortized cost	Fair value
Liabilities measured by the amortized cost				
Loans and financing	**527,745**	**531,095**	604,804	594,952
Debentures	**74,919**	**74,919**	9,450	88,866
Foreign exchange advances	**78,196**	**78,196**	43,795	43,795
	680,860	**684,210**	658,049	727,613

Due to the short-term cycle, it is assumed that the fair value of cash and cash equivalents,

receivables, suppliers, other accounts payable and advances from receivables are close to its book values.
The fair value that is determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on the date of presentation of the quarterly information.

According to the hierarchical classification criteria for determining fair value: Level 1: prices quoted (not adjusted) in active markets, net and visible to identical assets and liabilities and identical 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 data (unobservable inputs); the Company classified the fair values of financial instruments as Level 2.

25. Related parties

The Parent Company, subsidiaries and related persons carry out transactions with each other, relating to financial, commercial and operational aspects of the Company. We describe the most relevant operations below.

	Balances of subsidiaries outstanding with the parent company						Effect on the result of transactions of subsidiaries with parent company	
	Current assets (ii)	**Non-current assets (iii)**	**Total assets**	**Current liabilities (i)**	**Non-current liabilities**	**Total liabilities**	**Revenue (v)**	**Expense**
December 31, 2018								
Taurus Helmets Indústria de Capacetes Ltda.	364	-	364	888	10,407 (iv)	11,295	-	729
Taurus Blindagens Nordeste Ltda.	187	-	187	329	24,185 (iv)	24,514	-	1,513
Taurus Holdings, Inc.	30,104	-	30,104	75,625	6,241	81,866	419,693	-
Taurus Investimentos Imobiliários Ltda.	377	-	377	1,649	8,478 (iv)	10,127	-	1,414
Taurus Máquinas-Ferramenta Ltda.	-	18,164	18,164	-	-	-	982	-
Taurus Plásticos Ltda.	47	-	47	-	-	-	-	-
Polimetal Metalurgia e Plásticos Ltda.	24,652	-	24,652	85,096	-	85,096	373	165,660
	55,731	18,164	73,895	163,587	49,311	212,898	421,048	169,316
December 31, 2019								
Taurus Helmets Indústria de Capacetes Ltda.	**479**	**-**	**479**	**1,432**	**17,148** (iv)	**18,580**	**-**	**648**
Taurus Blindagens Nordeste Ltda.	**33**	**-**	**33**	**819**	**44,999** (iv)	**45,818**	**-**	**1,354**
Taurus Holdings, Inc.	**20,815**	**-**	**20,815**	**41,936**	**6,492**	**48,428**	**455,365**	**10,491**
Taurus Investimentos Imobiliários Ltda.	**114**	**-**	**114**	**9,312**	**8,874** (iv)	**18,186**	**-**	**2,153**
Taurus Máquinas-Ferramenta Ltda.	**-**	**21,728**	**21,728**	**10**	**-**	**10**	**1,168**	**-**
Taurus Plásticos Ltda.	**47**	**-**	**47**	**22**	**1,947** (iv)	**1,969**	**-**	**-**
Polimetal Metalurgia e Plásticos Ltda.	**-**	**-**	**-**	**-**	**-**	**-**	**311**	**185,064**
	21,488	**21,728**	**43,216**	**55,531**	**79,460**	**132,991**	**456,844**	**199,710**

(i) Refers to amounts recorded under Suppliers - R$ 0, other accounts payable - R$ 53,359 and advance from clients, R$ 172.
(ii) Refers to amounts recorded under Trade accounts receivable caption, R$ 20,828 and other accounts receivable - R$ 660.
(iii) Refers to values recorded under the captions financial loans R$ 21,728 with the parent company Taurus Armas S.A. which are updated at 100% of CDI (Interbank Deposit Certificate).
(iv) Represent loan agreements totaling R$ 72,968 with subsidiary Taurus Helmets Ltda., Taurus Blindagens Nordeste Ltda. and Taurus Investimentos Imobiliários Ltda which are restated to 100% of the CDI (Interbank Deposit Certificate).
(v) Comparative balance with December 31, 2018.

Operations involving the Company and the subsidiary Taurus Holdings, Inc., refer to sales of firearms to be marketed by the subsidiary in the US market.

In relation to transactions involving the Company and the subsidiary Polimetal Metalurgia e Plásticos Ltda., refer to the purchase of products in the process, since the subsidiary carries out a part of the production process in the firearms' segment.

The transactions carried out with related parties follow the price conditions and terms agreed between the parties and cannot be compared to those practiced with other non-related parties.

On December 31, 2019, operations involving Taurus Armas S.A. and CBC refer mainly to sales of firearms for trading, and purchase of ammunition. The amount of these operations is shown below:

	Current assets	Current liabilities	Non-current liabilities	Revenue	Expense
Companhia Brasileira de Cartuchos	**546**	**29,353**	**-**	**4,215**	**37,500**
CBC Participações	**21,930**	**-**	**-**	**175,579**	**-**
	22,476	**29,353**	**-**	**179,794**	**37,500**

Directors' fees and Board Members
The remuneration of directors and board members includes salaries, fees and benefits:

	Consolidated		Parent company	
	12-31-2019	12-31-2018	12-31-2019	12-31-2018
Salaries and benefits of statutory directors	**5,142**	2,777	**5,142**	2,777
Remuneration and benefits of the Board of Directors	**480**	477	**480**	477
Remuneration and benefits of the Tax Council	**210**	166	**210**	166
	5,832	3,420	**5,832**	3,420

The Company does not have remuneration benefit policies for key Management personnel that may be characterized as: post-employment benefits, termination benefits, share-based remuneration or other long-term benefits.

<u>Operations of directors and board members</u>
Directors and board members hold a non-material percentage of Company's voting shares.

<u>Sureties among related parties</u>
Loans and financing are guaranteed by promissory notes, fiduciary assignment of machinery and equipment, and real estate mortgages.

The parent company granted sureties to Taurus USA in the amounts corresponding to R$ 139,529 (R$ 126,799 as of December 31, 2018) and Taurus Helmets Ltda granted the corresponding amount of R$ 716,435 (R$ 707,294 as of December 31, 2018) to Taurus Armas S.A..

26. Discontinued operations

A discontinued operation is an item of the Group's business including operations and cash flows that can be clearly distinguished from the rest of the Group and that:

- represents a separate major line of business or geographical area of operations;
- It is part of a single coordinated plan to sell a separate major line of business or geographical area of operations; or
- is a subsidiary acquired only for the purpose of resale.

The classification as a discontinued operation is made upon its disposal or when the operation fails to meet the criteria for being held for sale, if this occurs before.

When an operation is classified as a discontinued operation, the comparative statements of income and the statement of added value are restated as if the operation had been discontinued since the beginning of the comparative period.

In March 2018, the Board of Directors unanimously authorized the offer of the helmets business – represented by Taurus Helmets Indústria de Capacetes Ltda and Taurus Blindagens Nordeste Ltda. – to the market.

Although intra-group transactions were eliminated from consolidated income, Company Management chose to attribute the elimination of transactions between continued and discontinued operations prior to disposal in order to reflect the continuity of these transactions after disposal, since Management believes that the information is useful to users of the financial statements. To achieve this presentation, Company Management – starting from the results of discontinued operations – eliminated inter-segment sales (and costs resulting from these sales, less unrealized profits) made prior to its disposal.

(a) Net income (loss) from discontinued operations

	12-31-2019	12-31-2018
Net sales	82,488	84,647
Elimination of inter-segment revenues	-	(8,480)
External revenues	82,488	76,167
Expenses / costs / net financial income (loss)	(86,388)	(86,306)
Elimination of inter-segment expenses	-	8,480
Foreign expenses	(86,388)	(77,826)
Income (loss) from operating activities	(900)	(1,659)
Taxes on profits	(3,305)	4,403
Net income (loss) of discontinued operations	**(4,205)**	**2,744**
Earnings per share - Basic (in R$)	**(0.056936)**	**0.036654**

Income (loss) from discontinued operations as of December 31, 2019 is R$ 4,205 thousand (R$ 2,744 thousand on December 31, 2018) is fully attributed to controlling shareholders.

(b) Cash flow from discontinued operations

	12-31-2019	12-31-2018
Net cash generated by operating activities	**4,411**	7,163
Net cash generated in investment activities	**(2,294)**	(3,355)
Net cash invested in financing activities	**(1,326)**	(2,526)
Net cash generated by discontinued operations	**791**	1,282

27. Shareholders' equity / Unsecured liability (parent company)

a) <u>Capital</u>

On December 31, 2018, the Company's capital is R$ 520,277 (R$ 465,218 thousand as of December 31, 2018), represented by 88,464,333 shares, of which 46,445,314 common shares and 42,019,019 preferred shares, all registered, book-entry and with no par value.

On October 5, 2018, the Company issued 4 series of share subscription bonus, with each bonus being converted into 1 share, as follows: (i) 25 million of series A, (ii) 20 million of series B, (iii) 20 million of series C and (iv) 9 million of series D. Subscription prices are R$ 4.00, R$ 5, R$ 6 Brazilian Reais and R$ 7, respectively.

As of March 31, 2019, bonuses executed until then were automatically converted into capital, in the amount equivalent to R$ 42,271, and this was ratified in the minutes of the Board of Directors' Meeting held on April 29, 2019.

As June 30, 2019, bonuses executed until then were automatically converted into capital, in the amount equivalent to R$ 12,765, and this was ratified in the minutes of the Board of Directors' Meeting held on July 17, 2019.

As September 30, 2019, bonuses executed until then were automatically converted into capital, in the amount equivalent to R$ 6, and this was ratified in the minutes of the Board of Directors' Meeting held on October 24, 2019.

As December 31, 2019, bonuses executed until then were automatically converted into capital, in the amount equivalent to R$ 18, and this was ratified in the minutes of the Board of Directors' Meeting held on March, 26, 2020.

<u>Preferred shares</u>

Preferred shares do not entitle to differentiated dividends and takes priority in the settlement of their share of capital.

According to the Company's Bylaws, in its Article 5, paragraph 4, the preferred shares will be entitled to vote at any General Meeting deliberations on the matters listed below, in which case each preferred share correspond to one vote:

(i) Transformation, Take-over, Merger or Spin-off of the Company;
(ii) Approval of agreements entered into between the Company and its Controlling Shareholder, as defined in Level 2 Regulation, directly of by means of third parties, as well as other companies in which the Controlling Shareholder holds interests, whenever, pursuant to law or statutory provision, such matters should be submitted to the General Meeting;
(iii) Appraisal of assets earmarked for the capital increase subscription of the Company;
(iv) Choice of a specialized company for determination of the Company's Economic Value; under Chapter VII hereof; and
(v) Change or revocation of statutory provisions which change or modify any of the requirements established in item 4.1 Regulations of the Level 2, excepting that this voting right shall prevail only while the Contract of Participation of Level 2 Corporate Governance is in force.

Authorized shares (in thousands of shares)

	12-31-2019	12-31-2018
Common shares	51,851	51,851
Preferred shares	103,702	103,702
	155,553	155,553

Shares issued and fully paid-in

	Common (ON)		Preferred	
	Amount in thousands	Amount in R$ thousand	Amount in thousands	Amount in R$ thousand
December 31, 2018 Com.shares R$ 4.79 - Pref.shares - R$ 4.05*	46,445	222,472	28,417	115,089
December 31, 2019 Com.shares R$ 5.11 - Pref.shares - R$ 5.99*	**46,445**	237,334	**42,019**	251,694

*Share closing quotation on the date indicated, multiplied by the total shares outstanding on that date.

b) Equity valuation adjustments

Deemed cost

The equity valuation adjustments' caption in shareholders' equity includes adjustments for the adoption of deemed cost of fixed assets on the transition date for IFRS. Amounts recorded in equity valuation adjustments are totally or partially reclassified to full or partial income (loss) for the year upon depreciation of items related to or disposal of assets.

Fair value of property investments

As described in note 14, in 2016 the Company recognized the fair value of investment property, according to the Brazilian accounting practices (BR GAAP) and international accounting practices (IFRS). The initial recognition of investment property at fair value is made in the shareholders' equity. After the initial recognition, the fair value should be reviewed on annual basis and the changes in fair value are recognized directly in the result for the year.

Accumulated translation adjustments

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

c) Earnings per share

Profit attributed to share holders (basic)

	Parent company and consolidated (2019)		
	Com shares	Pref shares	Total
Total shares – weighted average	**46,455**	**38,017**	**84,462**
% in relation to the total	**54.99%**	**45.01%**	**100,00%**
Numerator			
Net income attributable to each class of shares (R$)	26,192	21,439	47,631
Total shares – weighted average	46,455	38,017	84,462
Basic earnings per share (R$) – Continued operations	**0,5639**	**0,5639**	
Net income attributable to each class of shares (R$)	(2,312)	(1,893)	(4,205)
Total shares – weighted average	46,445	38,017	84,462
Basic earnings per share (R$) - Discontinued operations	**(0,0498)**	(0,0498)	
Net income attributable to each class of shares (R$)	**23,880**	19,546	43,426
Total shares – weighted average	**46,455**	38,017	84,462
Basic earnings per share (R$)	**0,5142**	**0,5141**	

Profit attributed to share holders (basic)

	Parent company and consolidated (2018)		
	Com shares	**Pref shares**	**Total**
Total shares – weighted average	**46,455**	**18,271**	**64,716**
% in relation to the total	**71,77%**	**28,23%**	**100,00%**
Numerator			
Net income attributable to each class of shares (R$)	(44,931)	(17,675)	(62,606)
Total shares – weighted average	46,455	18,271	64,716
Basic earnings per share (R$) – Continued operations	**(0,9674)**	**(0,9674)**	
Net income attributable to each class of shares (R$)	1,969	775	2,744
Total shares – weighted average	46,445	18,271	64,716
Basic earnings per share (R$) - Discontinued operations	**0,0424**	**0,0423**	
Net income attributable to each class of shares (R$)	**(42,961)**	(16,901)	(59,862)
Total shares – weighted average	**46,455**	18,271	64,716
Basic earnings per share (R$)	**(0,9250)**	**(0,9250)**	

Profit attributed to share holders (diluted)

	Parent company and consolidated (2019)		
	Com shares	**Pref shares**	**Total**
Total shares – weighted average	**46,455**	**42,019**	**88,464**
% in relation to the total	**52,50%**	**47,50%**	**100,00%**
Numerator			
Net income attributable to each class of shares (R$)	25,007	22,624	47,631
Total shares – weighted average	46,455	42,019	88,464
Basic earnings per share (R$) – Continued operations	**0,5384**	**0,5384**	
Net income attributable to each class of shares (R$)	(2,208)	(1,997)	(4,205)
Total shares – weighted average	46,445	42,019	88,464
Basic earnings per share (R$) - Discontinued operations	**(0,0475)**	**(0,0475)**	
Net income attributable to each class of shares (R$)	22,799	20,627	43,426
Total shares – weighted average	46,455	42,019	88,464
Basic earnings per share (R$)	**0,4909**	**0,4910**	

Profit attributed to share holders (diluted)

	Parent company and consolidated (2018)		
	Com shares	**Pref shares**	**Total**
Total shares – weighted average	**46,455**	**28,417**	**74,862**
% in relation to the total	**62,04%**	**37,96%**	**100,00%**
Numerator			
Net income attributable to each class of shares (R$)	(38,841)	(23,765)	(62,606)
Total shares – weighted average	46,455	28,417	74,862
Basic earnings per share (R$) – Continued operations	**(0,8363)**	**(0,8363)**	
Net income attributable to each class of shares (R$)	1,702	1,042	2,744
Total shares – weighted average	46,445	28,417	74,862
Basic earnings per share (R$) - Discontinued operations	**0,0366**	**0,0366**	
Net income attributable to each class of shares (R$)	(37,139)	(22,723)	(59,862)
Total shares – weighted average	46,455	28,417	74,862
Basic earnings per share (R$)	**(0,7996)**	**(0,7996)**	

d) Capital transactions

The corporate restructuring in May 27, 2011 involving the subsidiary Polimetal Metalurgia e Plásticos Ltda. and the Company resulted in changes in ownership interest between the parties involved in the amount of R$ 40,996, which was recognized in unsecured liability in the capital transaction account.

28. Net operating revenue

According to CPC 47 / IFRS 15, revenue is recognized when the client obtains control of the products. If a reasonable estimate of potential return of goods cannot be made, when allowed, income recognition is deferred until the return period expires or until a reasonable estimate of the returns can be made.

Pursuant to CPC 47 / IFRS 15, revenue for these contracts will be recognized to the extent that it is probable that there will be no significant reversal in the amount of accumulated income. Consequently, for agreements in which the Company is unable to make a reasonable estimate of the returns, revenues are expected to be recognized prior to the expiry of the period of return or before it is possible to make a reasonable estimate. A reimbursement liability and an asset for recovery will be recognized for these contracts and will be reported separately on the balance sheet.

The Company adopted CPC 47 / IFRS 15 using the cumulative effect method (with no practical expedients), with initial application of the standard recognized on initial date (that is, January 1, 2018). Consequently, the information presented for 2017 was not restated and, accordingly, it was presented as formerly reported according to CPC 30 / IAS 18 and related interpretations.

No amount was determined to be adjusted on January 01, 2018 as a result of adopting this pronouncement.

Sales tax

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

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

	Consolidated		**Parent company**	
	12-31-2019	**12-31-2018**	**12-31-2019**	**12-31-2018**
Sales of goods	**1,249,604**	988,839	**882,429**	711,707
Rendering of services	4	16	4	16
Total gross revenue	**1,249,608**	988,855	**882,433**	711,723
Sales tax	**(241,822)**	(118,123)	**(166,571)**	(60,295)
Refunds and rebates	(8,205)	(25,455)	(7,420)	(24,797)
Total net operating revenue	**999,581**	**845,287**	**708,442**	**626,631**

Because the Company's sales have short-term maturity, and the effects of the calculation of adjustment to present value are immaterial, the Company no longer presents the calculation of present value in its financial statements.

29. Expenses per type

	Consolidated		**Parent company**	
	12-31-2019	**12-31-2018**	**12-31-2019**	**12-31-2018**
Expenses according to the role				
Cost of products sold	(658,952)	(537,660)	(475,827)	(427,021)
Sales expenses	(122,667)	(97,067)	(58,830)	(42,719)
Provision for impairment of financial instruments	(2,664)	(3,024)	(2,191)	420

General and administrative expenses	(142,220)	(146,596)	(69,228)	(84,820)
Other operating expenses	(18,615)	(78,033)	(18,392)	(29,520)
	(945,118)	(862,380)	**(624,468)**	(583,660)
Expenses per type				
Depreciation and amortization	**(22,379)**	(34,230)	**(5,428)**	(5,550)
Personnel expenses	**(298,065)**	(228,263)	**(103,228)**	(69,660)
Tax expenses	**(12,684)**	31,975	**(7,243)**	(4,399)
Raw materials and use and consumption materials	**(324,598)**	(274,795)	**(391,564)**	(370,678)
Auxiliary, conservation and maintenance materials	**(47,279)**	(37,489)	**(6,948)**	(7,200)
Freight and insurance	**(47,023)**	(29,988)	**(30,985)**	(17,624)
Third party services	**(46,159)**	(45,167)	**(27,767)**	(31,194)
Advertising and publicity	**(22,929)**	(21,531)	**(6,509)**	(4,694)
Expenses with product warranty	**(2,824)**	(13,356)	**(3,570)**	(13,390)
Water and electricity	**(10,765)**	(12,228)	**(1,064)**	(1,470)
Travel and accommodation	**(13,949)**	(6,652)	**(4,950)**	(2,973)
Commission expenses	**(24,740)**	(23,973)	**(8,738)**	(10,832)
Cost of write-off property, plant and equipment	**(6,796)**	(49,475)	**(1,844)**	(80)
Provision for contingencies	**(11,797)**	(41,295)	**(10,318)**	(35,448)
Rentals	**(4,634)**	(1,213)	**(1,972)**	(993)
Other expenses	**(48,495)**	(74,700)	**(12,339)**	(7,475)
	(945,118)	**(862,380)**	**(624,468)**	**(583,660)**

30. Net financial income (loss)

Financial income (loss) mainly includes revenues from interest on investment funds, changes in fair value of assets measured at fair value through profit or loss and gains on hedge instruments. The financial income (loss) is recognized within the accrual period.

	Consolidated		**Parent company**	
	12-31-2019	**12-31-2018**	**12-31-2019**	**12-31-2018**
Financial expenses				
Interest	**(45,418)**	(61,478)	**(52,215)**	(60,404)
Exchange-rate changes	**(52,535)**	(132,163)	**(52,444)**	(126,217)
IOF	**(203)**	(1,876)	**(164)**	(1,620)
Other expenses	**(18,788)**	(16,166)	**(18,657)**	(12,879)
	(116,944)	(211,683)	**(123,480)**	(201,120)
Financial revenues				
Interest	**26,092**	5,676	**24,601**	3,399
Exchange-rate changes	**10,014**	22,149	**9,767**	21,617
Financial Swaps	**-**	-	**-**	-
Other revenues	**353**	278	**128**	262
	36,459	28,103	**34,496**	25,278
Net financial income (loss)	**(80,485)**	(183,580)	**(88,984)**	(175,842)

31. Insurance coverage

The Company adopts the policy of contracting insurance coverage for assets subject to risks to cover eventual claims, considering the nature of its activity. The adequacy of insurance coverage is determined by the Company's management, which considers it sufficient to cover any losses.

As of December 31, 2019, insurance coverage for the Company was as follows:

	Consolidated	**Parent company**
Material damages	487,504	80,000
Civil liability	209,884	15,000
Loss of profit	276,055	276,055

32. Provision for product warranty

The Company quantifies and records an estimate for the costs related to the warranty, according to historical and current repair costs. The provision for product warranty ensures that the repair costs in case of replacement or repair do not affect the operating results for the periods in which these additional costs occurred. Therefore, amounts are recorded for the accrual basis of accounting. At December 31, 2019 and December 31, 2018, the balances are shown as follow:

	Consolidated		Parent company	
	12-31-2019	**12-31-2018**	**12-31-2019**	**12-31-2018**
Domestic market	**14,560**	14,122	**13,092**	12,654
Foreign market	**9,104**	9,360	**-**	-
Total	**23,664**	**23,482**	**13,092**	**12,654**
Current liabilities	**18,105**	17,903	**13,092**	12,654
Non-current liabilities	**5,559**	5,579	**-**	-

33. Subsequent events

Definitive agreement – Creation of a Joint Venture between Jindal and Taurus

In alignment with the expansion of its business, Taurus Armas starts a partnership through a Joint Venture with a major player in India. The confirmation of this operation occurred through the signing of a contract that took place on January 27, 2020, during the commercial mission of the Brazilian government, which confirms the importance of this operation between the two countries.

Jindal Group is India's largest steel manufacturer and one of the ten largest in the world, holder of an annual turnover of more than US$ 24 billion and with 200 thousand employees in the world, is the partner of Taurus, with 51% of the capital of the joint venture, while Taurus has 49% of the capital. The Joint Venture will set up an arms factory in India, where it will be produced rifles, pistols and revolvers, for civil, public security and military markets.

The conclusion of this agreement is an important step in Taurus' global strategy and will place the Company in a prominent position in the world arms market, which proves that the current management of the Company is aligned with the worldwide movements of the sector. Taurus continues its restructuring process based on sustainable profitability, quality and improvement of financial and operational indicators, in addition to a strong investment in developing new products and technologies.

Possible impacts of the new Coronavirus – COVID-19

The Company is monitoring the possible risks related to Covid-19 that may affect its activities. To date, there has been no significant change registered in relation to our suppliers and, also, no high risk of significant economic damage for Taurus has been quantified.

Dependence on imported products is low and foreign suppliers of more relevant components and inputs can also be replaced by domestic suppliers. For items considered critical, the Company has inventory that meets its needs for a period of about 5 months.

With regards to exports, which accounts for most of its revenue, Taurus is working on schedule for the delivery of its products, especially in the North American market. In the domestic market, until now, there has been no change in the behavior of customers and distributors.

Several measures are being adopted with the objective of reducing as much as possible the exposure to the potential of our team of employees by Covid-19, such as the suspension of almost all business trips, the entrance of suppliers in the factory, the holding of meetings and receiving visits to Taurus facilities. The Company is publicizing and reinforcing the importance of the adoption, by its employees and family members, of preventive hygiene and health care habits.

The analysis performed is based on the evidence found to date, considering the monitoring of risk and evolution of dissemination of Covid-19. However, future events or conditions may cause the Company to review its position and/or affect the normally of operations at its units.

Capital budget proposal - 2020

Capex		
Taurus Armas S.A.		**Source of Resources**
Revolver Excellence Project	24,000,266.00	Third parties
Machinery and equipment	10,749,077.41	Own
Research and development of products	8,683,223.02	Own
Information technology	6,877,781.45	Own
Tools (matrix/mold/devices)	6,772,794.82	Own
TS Claim	4,253,891.47	Third parties
Occupational Safety and Environment	3,177,252.17	Own
Improvement in manufacturing processes	3,034,945.12	Own
Other	1,337,710.49	Own
Modernization and expansion of capacity	1,202,538.00	Own
Fire line	552,342.98	Own
Subtotal	**70,641,822.93**	
Polimetal		
Machinery and equipment	1,469,125.87	Own
Occupational Safety and Environment	756,547.45	Own
Tools (matrix/mold/devices)	94,010.00	Own
Information technology	77,079.51	Own
Improvement in manufacturing processes	65,570.00	Own
Other	41,475.00	Own
Modernization and expansion of capacity	25,280.00	Own
Subtotal	**2,529,087.83**	
Taurus USA		
Research and development of products	1,250,760.00	Own
Machinery and equipment	600,000.00	Own
Information technology	240,000.00	Own
Other	120,000.00	Own
Subtotal	**2,210,760.00**	
Taurus Helmets		
Machinery and equipment	2,108,064.60	Own
Research and development of products	500,000.00	Own
Other	194,000.00	Own
Tools (matrix/mold/devices)	176,000.00	Own
Information technology	99,000.00	Own
Occupational Safety and Environment	70,000.00	Own
Modernization and expansion of capacity	55,000.00	Own
Subtotal	**3,202,064.60**	
Consolidated - Taurus		
Revolver Excellence Project	24,000,266.00	Third parties
Machinery and equipment	14,926,267.88	Own
Research and development of products	10,433,983.02	Own
Information technology	7,293,860.96	Own
Tools (matrix/mold/devices)	7,042,804.82	Own
TS Claim	4,253,891.47	Third parties
Occupational Safety and Environment	4,003,799.62	Own
Improvement in manufacturing processes	3,100,515.12	Own
Other	1,693,185.49	Own
Modernization and expansion of capacity	1,282,818.00	Own
Fire line	552,342.98	Own
Total	**78,583,735.36**	

Independent auditors' report on the individual and consolidated financial statements

Opinions and Statements / Special Review Report - Unqualified

To the Board members and Directors of Taurus Armas S.A.

São Leopoldo - RS

Opinion

We have audited the individual and consolidated financial statements of Taurus Armas S.A. ("Company"), identified as Parent Company and Consolidated, respectively, comprising the balance sheet as of December 31, 2019 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other clarifying information.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of Taurus Armas S.A. as of December 31, 2019, the individual and consolidated performance of its operations and its individual and consolidated cash flows for the year then ended, in conformity with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB.

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, in conformity with these standards, are described in the following section denominated "Auditor's responsibilities for the audit of the individual and consolidated financial statements". We are independent in relation to the Company and its subsidiaries, in accordance with the relevant ethical principles provided for in the Accountant's Code of Professional Ethics and in professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

The key audit matters are those who, in our professional judgment, were the most significant in our audit of 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, therefore, we do not express a separate opinion on these matters. The issues described below are the main audit issues to be disclosed in our report.

Provisions and contingent liabilities – tax, labor and civil

See Note 23 of individual and consolidated financial statements

Key audit matters	How our audit conducted this matter
The Company and its subsidiaries are party to tax, labor and civil lawsuits and administrative processes in course before	Our audit procedures included, without limitation: • Obtaining of confirmation of amounts under dispute and status with the legal advisors of the Company and its

courts and governmental agencies, derived from the normal course of its business. The measurement, accounting recognition as a provision, and the respective disclosure of contingencies related to these lawsuits and administrative proceedings, require judgment by the Company and its legal advisors. Changes in the assumptions used by the Company to exercise such significant judgment, or changes in external conditions, including the positioning of authorities, can significantly impact the amount of provision recognized in the individual and consolidated financial statements and the investment value recorded under the equity method in parent company’s financial statements; thus, we include such issue in our audit.	subsidiaries concerning judicial or administrative disputes where they appear as claimants or defendants so as to determine the reasonableness of the value recorded and disclosures made in the notes. • Evaluation, involving our tax and legal experts in certain cases, in the analysis of the premises and foundations included in the main judgments of the Management, as a way of evaluating the adequacy of the amounts and disclosures made in the financial statements. During our audit, we identified adjustments that affected the measurement and disclosure of the provisions and contingent liabilities, which were recorded by management, as well as certain differences not adjusted, which were considered immaterial. As result of the evidences obtained through the procedures summarized above, we consider that the accounting treatment adopted for contingencies, as well as the related disclosures are acceptable in the context of the individual and consolidated financial statements for the year ended December 31, 2019 taken as a whole.

Recognition of deferred tax assets	
See Note 13 of individual and consolidated financial statements	
Key audit matters	**How our audit conducted this matter**
The Group has deferred tax assets derived from deductible temporary differences and tax losses and social contribution tax loss carryforwards, which were accounted for considering a study prepared by the Company and its subsidiaries and approved by the Board of Directors, on the probable amount of taxable income that will available in the future for the realization of these assets. Future taxable income had the assistance of outside experts contracted by the Company and its subsidiaries, and required the use of estimates and significant judgment. Changes in the assumptions used to exercise this significant judgment may materially affect the amount of these taxes recognized in the individual and consolidated financial statements and the value of investment recorded under the equity method in the financial statements of the parent company, and therefore, we considered this subject significant in our audit.	Our audit procedures included, without limitation: • With the assistance of our corporate finance experts, we analyzed the supporting documentation and the main assumptions used by the Company in the projections of future taxable income, as follows: (a) the financial statements and management reports containing historical data; (b) annual budget prepared by the Board of Directors; (c) projections of macroeconomic indicators of the Central Bank of Brazil - BACEN; and (d) we held discussions with management regarding its vision of the business and outlooks for the Company's operations, as well as compared certain data with external sources and evaluated the consistency of these assumptions with the business plans approved by the Board of Directors. • We evaluated the criteria to determine the tax base, accounting classification and analysis of realization of the values of deferred taxes with the assistance of our tax experts; • We also evaluated if the Company's projections indicated, for the portion of unused tax losses and deductible temporary differences recognized as deferred tax assets, the existence of future taxable income, projected as sufficient to permit their realization, as well as we evaluated the fairness of the disclosures included in the notes of the Company. Based on evidences obtained through above-summarized procedures, we consider as acceptable the recognition of deferred tax assets, as well as related disclosures, in the context of individual and consolidated financial statements for the year ended December 31, 2019 taken as a whole.

<table>
<tr><th colspan="2">Impairment of goodwill and fixed assets</th></tr>
<tr><td colspan="2">See Notes 16 and 17 to the individual and consolidated financial statements</td></tr>
<tr><td>Key audit matters</td><td>How our audit conducted this matter</td></tr>
<tr><td>The Company has presented recurring losses and cash generation difficulty. With the identification of these indicators ("triggers") the Company evaluated the existence of impairment concerning its cash generating units ("UGCs") and, to calculate the recoverable value, it used discounted cash flow models prepared by expert contracted by the Company and approved by the Board of Directors, which exercised significant judgments and use of market and business assumptions, including (i) growth of income (including market share and growth of volume), (ii) operating margins and (iii) discount rates applied to projected future cash flows. Due to the relevance and high degree of judgment involved in the process of determination of discounted cash flow estimates of the cash generation units for purposes of evaluation of the recoverable value of such assets, which may materially affect the amount of these assets recognized in the individual and consolidated financial statements and the amount of investment recorded under the equity method in the financial statements of the parent company, we consider this issue significant for our audit.</td><td>Our audit procedures included, without limitation:
• Analysis of the model used by the Company and its subsidiaries to determine the cash generating units.
• Analysis of reasonableness of the assumptions used to determine discount rates and recalculation of these fees.
• Analysis, with the assistance of our corporate finance experts, of projected future cash flows used in the models so as to determine if they are reasonable in relation to the current economic scenario, to the markets where the Company and its subsidiaries operate, to the future projections of the performance of such markets and to the projections of operating performance of the Company and its subsidiaries.
• Assisted by our corporate finance experts, we assessed the sensitivity analysis of the main assumptions adopted in the calculations.
• Comparison of projected cash flows, including assumptions related to revenue growth rates and operating margins with the historical performance to evaluate the reasonableness of the Company's projections.
• Evaluation of the fairness of disclosures included in the financial statements.
Based on the evidences obtained through the procedures summarized above, we consider that, with respect to its recoverability, the value of goodwill and of fixed assets, as well as the related disclosures are acceptable in the context of the individual and consolidated financial statements for the year ended December 31, 2019 taken as a whole.</td></tr>
</table>

Other issues

Statements of added value

Individual and consolidated statement of added value (DVA) for the year ended December 31, 2019, prepared under responsibility of Company's management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures carried out together with the audit of Company's financial statements. In order to form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Added Value. In our opinion, these statements of added value were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying individual and consolidated financial statements and the auditors' report

The Company's management is responsible for such other information that comprise the Management Report.

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

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

Responsibilities of management and 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 the International Accounting Standards Board (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 the preparation of individual and consolidated financial statements, management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, where applicable, the matters relating to its going concern and the use of this basis of accounting in preparing the financial statements, unless management intends to wind-up the Company and its subsidiaries or cease its operations, or has no realistic alternative to avoid the closure of operations.

Those charged with governance of the Company and its subsidiaries are the people responsible for overseeing the process of preparation of the financial statements.

Auditors’ Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our purposes are to obtain reasonable assurance that the individual and consolidated financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error, and to issue audit report containing our opinion. Reasonable assurance means a high level of security, but not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards always detects any existing material misstatements. Misstatements may be due to fraud or error and are considered material when, individually or taken as a whole, can influence, within a reasonable perspective, the economic decisions of users taken based on these financial statements.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain our professional skepticism throughout the audit. In addition:

- We identified and assessed the risks of material misstatement in the individual and consolidated financial statements, whether caused by fraud or error, we planned and performed audit procedures in response to such risks, and we obtained proper and sufficient audit evidence to support our opinion. The risk of not detecting a material misstatement due to fraud is higher than due to error, since a fraud can involve the act of circumventing internal controls, collusion, falsification, omission or intentional misrepresentations.
- We obtained an understanding of the internal controls relevant to the audit to plan the audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls of the Company and its subsidiaries.
- We assessed the adequacy of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We reached a conclusion as to the suitability of Management’s use of the accounting basis for going concern and, based on the audit evidence obtained, as to whether there is a material uncertainty regarding events or conditions that could raise a significant doubt regarding the Company’s and its subsidiaries’ capacity for going concern. If we conclude that there is a material uncertainty, we must highlight the related disclosures in the individual and consolidated financial statements in our report, or include a modification in our opinion if disclosures are inadequate. Our conclusions are based on audit evidence obtained up to the date of our report. However, future events or conditions may lead the Company and its subsidiaries to no longer remain as a going concern.
- We assessed the overall presentation, structure and content of financial statements, including disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner consistent with the objective of fair presentation.
- We obtained appropriate and sufficient audit evidence regarding the financial information of the entities or business activities of the group to express an opinion on the individual and consolidated financial statements. We are responsible for directing, supervising and carrying out the group’s audit and, therefore, for the audit opinion.

We communicated with the ones responsible for governance with respect to, among other aspects, the planned scope, time of the audit and significant audit findings, including possible material weaknesses in internal controls identified by us during our work.

We also provide to those responsible for governance an statement that we fulfilled the material ethical requirements, including the applicable independence requirements, and report all the possible relationships or issues that could considerably affect our independence, including, when applicable, the respective disclaimers.

Out of matters that were communicated to people responsible for governance, we determined those that were considered as the most significant in the audit of financial statements for current year and that, accordingly, comprise the main audit matters. We describe these issues in our audit report, unless a law or regulation has prohibited the public disclosure of the issue, or when, under extremely rare circumstances, we determine that the issue shall not be reported in our report, because the adverse consequences from such report may, from a reasonable perspective, exceed the benefits from the report for public interest.

Porto Alegre, March 26, 2020.

KPMG Auditores Independentes

CRC SP014428/F-7

Cristiano Jardim Seguecio

Accountant CRC SP244525/O-9 T-RS

TAX COUNCIL OPINION

The Tax Council of Taurus Armas S.A., in compliance with legal and statutory provisions, examined the Management Report and the Financial Statements for the fiscal year ended December 31, 2019, approved by the Board of Directors in the meeting held on March 26, 2020.

Based on the examinations performed and also considering the Independent auditors' report of KPMG Auditores Independentes, issued with no qualifications on March 26, 2020, and information and clarification received from the Company's management during the year, we conclude that such documents may be examined by the Annual Shareholders' Meeting.

São Leopoldo, March 26, 2020.

Haroldo Zago
President

Mauro César Medeiros de Mello
Board Member

Amoreti Franco Gibbon
Board Member

OPINION OF THE AUDIT AND RISK COMMITTEE OF TAURUS ARMAS S.A.

The members of the Audit and Risk Committee of Taurus Armas S.A., in the exercise of its legal duties and responsibilities, as provided for in the Internal Rules of the Advisory Committees to the Board of Directors, carried out the examination and analysis of the financial statements, together with the independent auditors' report and the Management Report for the year 2019 (“2019 Annual Financial Statements”) and, considering information provided by Company’s management and by KPMG Auditores Independentes, unanimously declare that they reflect fairly, in all material respects, the financial position of the Company and its subsidiaries, and recommend the approval of the documents by the Board of Directors and its submission to the Annual Shareholders’ Meeting, pursuant to the Corporation Law.

São Leopoldo, March 26, 2020.

Sérgio Laurimar Fioravanti

Luciano Luiz Barsi

Magno Neves Fonseca

STATEMENT OF THE EXECUTIVE BOARD OF TAURUS ARMAS S.A. ON THE FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2019

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, Eduardo Minghelli e Ricardo Machado, Directors of Taurus Armas S.A., company with head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the EIN 92.781.335/0001-02, in compliance with provisions of items V and VI of article 25 of CVM Instruction 480, of December 07, 2009, state that they have reviewed, discussed and agreed with Financial Statements of Taurus Armas S.A. and consolidated companies for the period from January 01, 2019 to December 31, 2019.

São Leopoldo, March 26, 2020.

Salesio Nuhs
Chief Executive Officer

Sergio Castilho Sgrillo Filho
Investor Relations Director

Eduardo Minghelli
Executive Officer without specific designation

Ricardo Machado
Executive Officer without specific designation

STATEMENT OF THE EXECUTIVE BOARD OF TAURUS ARMAS S.A. ON THE INDEPENDENT AUDITORS' REPORT

Messrs. Salesio Nuhs, Sergio Castilho Sgrillo Filho, Eduardo Minghelli e Ricardo Machado, Directors of Taurus Armas S.A., company with head office at Av. São Borja, 2181/Prédio A, CEP: 93.032-000, São Leopoldo, RS, enrolled in the EIN 92.781.335/0001-02, as provided in sections V and VI, article 25, CVM Instruction 480, dated December 07, 2009, hereby represent that they reviewed, discussed and agreed with the opinions expressed KPMG Auditores Independentes, contained in the Independent Auditors' Review Report with regard to the Financial Statements for the period from January 01, 2019 to December 31, 2019, issued on March 26, 2020.

São Leopoldo, March 26, 2020.

Salesio Nuhs
Chief Executive Officer

Sergio Castilho Sgrillo Filho
Investor Relations Director

Eduardo Minghelli
Executive Officer without specific designation

Ricardo Machado
Executive Officer without specific designation